

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS—57-62, 65-66)**

The United States Postal Service hereby provides responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS—57-62 and 65-66, filed on February 10, 2000. As of the time of this filing, the Postal Service is engaged in preparing responses to interrogatories OCA/USPS-63 –64.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anthony Alvern
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax -6187
February 24, 2000

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OCA/USPS-57. Please refer to the response of the Postal Service to OCA/USPS-3. The interrogatory requests supporting documentation for an FY 1999 CRA equivalent to the documentation filed for BY 1998. The response states that the Service will file "supporting documentation required by" Rule 102. Interrogatory 3 requests information different from that required by Rule 102.

- (a) Please confirm that the Postal Service will provide a response to interrogatory 3 that includes information different from that required by Rule 102. If you do not confirm, please explain why the Postal Service neither objected nor provided a responsive answer to interrogatory 3.
- (b) Please confirm that the Postal Service regularly creates workpapers underlying each year's CRA that contain information different from that required by Rule 102. If you do not confirm please explain.
- (c) Please provide *all* workpapers underlying the FY 1999 CRA.

OCA/USPS-57 Response:

- (a) Confirmed to the extent that the Postal Service intends to provide supporting Workpapers A and B for the FY 1999 CRA within approximately a week of providing the CRA Report, although those workpapers will not be footnoted and cross-referenced to the same degree as those filed for Base Year 1998. See Status Report of the United States Postal Service Regarding FY 1999 Data in Response to Notice of Inquiry No. 1, February 14, 2000. Not confirmed to the extent that the question presupposes that a revised response to interrogatory OCA/USPS-3 will be filed. The Postal Service's answer to OCA/USPS-3 was responsive when filed. Subsequent events surrounding Notice of Inquiry No. 1 have demonstrated that a coordinated approach must be taken to determine the

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appropriate level of updating for FY 1999 data. See Initial Comments of the United States Postal Service in Response to Notice of Inquiry No. 1, February 23, 2000.

(b) Confirmed.

(c) See response to subpart (a), above.

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OCA/USPS-58. Refer to OCA/USPS-8 and OCA/USPS-9 and the responses thereto filed February 7, 2000. The questions below relate to widespread or saturation mailings by the Postal Service to the general public, not to mailings to employees or single-piece mailings, targeted business mailings, or other limited-scope mailings.

- (a)** For the volume of GFY 1998 and GFY 1999 Postal Service mailings reported in the Government Fiscal Year 1999 Revenue, Pieces, and Weight Report, what portion of the mailings are entered under Permit No. G-10? Are any non-Postal Service mailings sent under Permit No. G-10? Does the Postal Service use permits other than G-10? If so, please list the permit numbers and the volumes mailed under those permits for GFYs 1998 and 1999.
- (b)** Provide copies of mail entry documents, comparable to those required by the Postal Service of mailers, for Postal Service mailings entered under Permit No. G-10 in GFY 1998 and GFY 1999.
- (c)** Provide any documents, including audits, reports, budgets, studies, reviews, or similar documents, concerning the cost of preparing and/or mailing widespread or saturation mailpieces mailed under Permit No. G-10 (or other permits).
- (d)** Are such mailpieces mailed under Permit No. G-10 (or other permits) prepared by the Postal Service or by outside contractors?
- (e)** Are RPW reported volumes for Postal Service Mail estimates? If so, are any attempts made to reconcile such estimates with accounting records? Please explain.
- (f)** Please provide copies of all documents relating to the proper use of permits such as Permit No. G-10 by Postal Service employees or agents.
- (g)** State whether any records exist that would identify mailings made by the Postal Service to the general public either on an area or regional basis or on a nationwide basis. From any such records, provide a list of such mailings in GFY 1998 and GFY 1999.

RESPONSE:

- (a)** The portion of mailings sent under Permit No. G-10 to the general public is not available. U.S. Postal Service Mail volume shown in the RPW Report is collected through the Domestic RPW System (DPRW). DPRW identifies only mail category (e.g., First-Class Mail or Priority Mail), marking (Penalty, Private, USPS), and indicia (e.g., stamped or permit). In addition, there are

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no non-Postal Service mailings sent under Permit No. G-10. Finally, the Postal Service does not use permits other than G-10.

- (b) There is no national database of such records and no practical means of gathering them. See also response to (e).
- (c) The Postal Service has no information responsive to this request.
- (d) Both the Postal Service and outside contractors prepare Permit No. G-10 mailings.
- (e) Yes. No attempts are made to reconcile such estimates with accounting records, since there is no Postal Service requirement to record all such activity. For example, single-piece mailing records were not required to be kept at the district and local level for PFY 1998 and PFY 1999.
- (f) A copy of Handbook DM-103 is provided in USPS LR-I-197.
- (g) No central records exist that would identify mailings made by the Postal Service to the general public either on an area, regional, or nationwide basis. See also response to (e).

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OCA/USPS-59. Refer to OCA/USPS-10 and the response thereto filed February 7, 2000. Please confirm that a reasonable "estimated TY volume variable unit cost for Standard A Mail Saturation ECR" is \$0.05415. The derivation of this estimate is described below. If \$0.05415 is not a reasonable estimate, please provide an estimate and explain the derivation of the estimate.

Derivation of \$0.05415: Exhibit USPS-32B provides a TYAR volume variable cost for all Standard Mail (A) regular ECR of \$2,471,864,000. Exhibit USPS-T-6, Table 1, provides a TYAR volume for all Standard Mail (A) regular ECR of 32,828,211,000. This results in an average unit volume variable cost for all Standard Mail (A) regular ECR of \$0.075297. No calculation was provided by the Postal Service for the volume variable costs of saturation ECR. USPS-LR-I-166, filed January 12, 2000, spreadsheet "wp1_comm.xls," provides at page 3 TYAR volume forecasts for each category of regular ECR (auto, basic, HD, saturation letters; basic, HD, saturation non-letters). At page 10 the same spreadsheet provides total test year mail processing and delivery costs for each category. The average unit test year cost for mail processing and delivery for all categories of regular ECR is \$0.07162; the average unit test year cost for the two saturation categories (letters and non-letters) is \$0.05150. Accordingly, saturation unit cost appears to be 71.9151% of overall regular unit ECR cost. Turning to volume variable cost, 71.9151% of \$0.075297 = \$0.05415.

RESPONSE:

If and when the estimate appears in OCA testimony and the purposes for which the estimate is calculated become apparent and the use to which it is put becomes clear, the Postal Service might be in a position to judge the "reasonableness" of the estimate and determine whether there is a need (and whether it is able) to respond with an even more "reasonable" estimate on rebuttal. In the mean time, the Postal Service can confirm that the arithmetic presented in the interrogatory is correct.

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OCA/USPS-60. Refer to the attachment. Provide the unit cost of producing this mailpiece (do not include cost of mailing the mailpiece). This mailpiece was sent as First-Class Mail under Permit No. G-10. Is there any reason that a similar mailpiece could not be sent as Standard Mail (A) saturation ECR? If so, please explain.

RESPONSE:

The unit cost of production is 3.77 cents. To the knowledge of local officials, the envelope could have been marked as a saturation Standard Mail (A) ECR piece; indeed, it was treated as a simplified address piece for purposes of processing and delivery.

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OCA/USPS-61.

Provide an estimate of the cost of producing 130 million sheets of 12 self-adhesive standard size stamps, denominated as "make-up rate" stamps (i.e., similar in size and format to the "Fruit Berries" stamp sheet, #15645-16622, but for 12 stamps rather than 20).

RESPONSE:

The Postal Service does not normally produce panes of 12 stamps, and is not likely to ever do so for so large a print run. Current contractual requirements with suppliers include design elements for panes of 10, 15, 20, 50 or 100 with the most often produced pane being 20. The Postal Service does not produce stamps in the quantity described (130 million times 12), except for purposes of rate case implementation. The Postal Service currently has over 1 billion 1-cent stamps in its inventory.

It is estimated that the production costs for 130 million books of 10 stamps of the type described in the question would be approximately \$2.99 per thousand stamps, or \$3.887 million.

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OCA/USPS-62.

Provide an estimate of the time required to plan, print, and distribute new denominations of First-Class stamps, including "make-up rate" stamps, for an assumed effective date of new rates of January 2001.

RESPONSE:

Critical meetings to plan the implementation of the results of Docket No. R2000-1 have already begun. Unlike other omnibus rate changes since 1978, the Postal Service plans to provide new basic (First-Class Mail, first-ounce postage) rate stamps in a non-denominated format as a part of Docket No. R2000-1 rate implementation. These stamps will not bear the numeric basic rate (for example, 34 cents), but will bear a "First-Class Mail" or similar endorsement. These stamps will bear the artistic design that will be used on the denominated stamps that will follow approximately one month after the new basic rate takes effect. In addition, an ample supply of 1-cent stamps will be available to support all "make-up" rate needs.

Previous timetables that were used to implement omnibus rate changes using an alpha stamp (e.g., "H" stamp) required production windows ranging from six months to a year. Back in May, 1978, when alpha stamps were first used, the only stamp supplier was the Bureau of Printing and Engraving. However, since Docket No. R94-1, the Postal Service has come to rely more and more on private suppliers. These private suppliers now produce 60 percent of postage stamps distributed and sold by the Postal Service. These alternative sources

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RESPONSE to OCA/USPS-62 (continued)

now allow the Postal Service to produce large quantities of stamps in a much shorter time frame than before. As a consequence, there is no longer the need to begin production of large volumes of non-denominated rate change and make-up stamps six months in advance of omnibus rate change implementation.

Accordingly, for purposes of implementing the changes expected from Docket No. R2000-1, the Postal Service is planning to produce a 1-month supply of non-denominated rate change stamps. The Postal Service expects that its current supplier base will allow it to produce all necessary stamps to meet inventory needs and customer demand. This should simplify rate implementation for single-piece First-Class Mail users.

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OCA/USPS-65. Please provide the equivalent of Library References I-130 through I-149 for a Base Year 1999.

RESPONSE: Such documents do not exist, and the inputs necessary to develop such documents do not yet exist. Please see the response to OCA/USPS-57.

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OCA/USPS-66. Please refer to the two page document at the beginning of USPS-LR-I-82 entitled "Electronic Bill Payment and the Impacts on Mail Volume—Evidence from the Household Diary Study 1995-1997." The last sentence on the second page of that document indicates that recommended questions "are included in the report."

- (a) Please provide a copy of the report referred to in this sentence.**
- (b) Please provide a list of the questions recommended for inclusion in the Household Diary Study.**
- (c) Have any of the recommended questions been included in the 1998 or 1999 versions of the Household Diary Study? If not, why not?**

RESPONSE:

- (a) A copy of this report will be provided as USPS-LR-I-191.**
- (b) Appendix A of USPS-LR-I-191, beginning on page 33, contains a list of questions proposed for inclusion in the Household Diary Study.**
- (c) Neither the 1998 nor the 1999 Household Diary Study contained any of the questions recommended in the report, because the report was not issued until April of 1999, well after the start of the 1999 survey.**

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.


Anthony Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax -6187
February 24, 2000