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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000–1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORIES OF KEYSPAN ENERGY

The United States Postal Service hereby provides the response of witness Campbell to the following interrogatory of KeySpan Energy: KE/USPS–T29-1, 2(a-d,f), 3(a), 4-9(a-f, j,k), 10(a-c), 11-18(a), 19, 20, 22(a,b,d-f), filed on February 10, 2000.

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

The following interrogatories have been redirected to the Postal Service for response: KE/USPS-T29-2(e), 3(b,c), 9(g), 10(d), 21(a,b,c), 22(c).

Responses to KE/USPS-t29-9(h) 18(b), 21(d) also are forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2998 Fax –5402
February 28, 2000

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-1.

On page 7 of your prepared testimony you indicate that, when BRM letters are held out after the incoming primary sort, they are sent either to the BRMAS operation or to a manual sortation operation that is usually performed in the postage due unit or box section.

(a) On page 16 you note that the "1997 BRM Practices Study showed that 19.3% of QBRM pieces receive final piece counts from a BCS EOR report". Do these pieces receive their final piece counts in the BRMAS operation or the postage due unit or box section? Please explain your answer.

(b) On Section B, p. 2 of USPS LR-I-160, you show four methods for the finest depth of sortation of BRM. Please explain fully what "Other" means and state where this "Other" sort takes place.

RESPONSE:

(a) QBRM pieces that receive a final piece count from a BCS end-of-run report are transferred to a postage due unit or box section, where rating and billing activities take place based on the BCS EOR report.

(b) The category designated as "Other" in LR-I-160 includes BRM pieces sorted to station/office only (9.0%), to section manually (3.3%), to section by BCS (7.6%), and other (2.6%), as presented in Docket No. R97-I-160, USPS LR-H-179, Table 8.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-2.

On page 8 of your prepared testimony, you show the flow of advanced deposit BRM through the incoming facility. On page 9 of your prepared testimony, you state, "[a]t facilities without BRMAS operations, QBRM is counted, rated and billed using a variety of methods, both manual and automated" and identify the two most commonly used counting methods: manual and of end-of-run (EOR) report counts.

(a) Please define "manual counts" and "end-of-run (EOR) report counts" as you have used those terms in your testimony.

(b) Please identify and describe all the "variety of methods" used to count QBRM, indicate for each method whether it is used primarily for high volume QBRM recipients or low volume QBRM recipients, provide copies of all operating manuals, guidelines, or similar documents that describe how and under what circumstances the particular counting method is to be applied, and provide, for the Base Year in this case, the volume of QBRM counted by use of each counting method.

(c) Do postal personnel ever weigh trays of QBRM for large recipients in order to facilitate the counting of pieces? Please explain.

(d) If the reply letters of high volume QBRM recipients are weighed in order to facilitate the counting function, does this take place in the BRMAS operation, other barcode sorter operation, or the manual sort operation?

(e) What operational factors or other considerations determine whether the QBRM reply mail is processed by a BRMAS operation, other barcode sorter operation, or the manual sort operation?

(f) Have any studies or analyses been conducted to determine the typical processing method for high volume QBRM recipients in the delivery facility and how it might differ from the typical processing method for low volume QBRM recipients? If such studies or analyses have been performed, please provide copies of all such documents. If not, please explain why such studies or analyses were not performed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-2 (continued)

RESPONSE:

(a) The term "manual count," as used in my testimony, is broadly defined as the BRM piece-count resulting from a person manually distributing and counting each BRM piece in a postage due unit or box section. The term "end-of-run (EOR) report count," as used in my testimony, is broadly defined as an EOR piece-count for each bin on a BCS and generated by BCS software.

(b) See Docket No. R97-1, USPS LR-H-179, Table 13 for a listing of the various methods used to count QBRM pieces. The specific items you requested for each counting method are not available.

(c) The Postal Service does not have standardized procedures for weighing trays of QBRM in order to facilitate the counting of pieces. However, as presented in Docket No. R97-1, USPS LR-H-179, Table 13, a small percentage of QBRM volume is counted using weighing methods.

(d) I do not know the answer.

(e) Redirected to USPS for response.

(f) No such study has been conducted to date on that subject.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-3.

On page 10 of your prepared testimony, you state, "Rating and billing functions are typically performed manually or through the PERMIT system or other software."

(a) Please fully describe the "PERMIT system" and "other software" that is used for the rating and billing functions.

(b) What factors determine whether the rating and billing function is performed manually or through the PERMIT system or other software? Of these factors, what is most important?

(c) What is the start-up cost for implementing the PERMIT system or other software at a Postal facility?

RESPONSE:

(a) The PERMIT system is an on-line system, which gives authorized USPS employees rapid access to advance deposit account information. The system controls advance deposit trust fund deposits, withdrawals, and daily balances for each Post Office permit account. The daily tasks the PERMIT system accomplishes are record keeping, account tracking, postage calculation, withdrawal and deposit posting, data edits, fund verification, customer assistance information searches, daily trial balance calculations and associated mail volume information development. "Other software" packages are locally designed systems that accomplish billing and rating functions specifically for Business Reply Mail.

(b) Redirected to USPS for response.

(c) Redirected to USPS for response.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-4.

On pages 12 and 13 of your testimony you state that the low volume QBRM cost methodology is similar to that provided by USPS witness Schenk in Docket No. R97-1, whereas the high-volume QBRM cost methodology "has been modified to reflect certain fixed costs associated with large QBRM mailer volume".

(a) For low-volume QBRM, did you utilize the Schenk methodology for deriving the unit cost of counting, the unit cost of rating, or both?

(b) Please describe exactly what changes you made to the Schenk methodology to reflect the USPS proposal for a reduced per piece fee and a quarterly fee for high volume QBRM.

(c) Please confirm that you used the same breakout of counting techniques, i.e., 14.2% BRMAS, 19.3% BCS EOR and 66.5% manual, for high volume QBRM recipients and for low volume QBRM recipients. If you cannot confirm, please explain why not.

(d) Please confirm that you assumed the Postal Service will incur the same unit cost for counting QBRM reply pieces delivered to high volume QBRM recipients that it will incur for counting QBRM reply pieces delivered to a low volume QBRM recipient. If you cannot confirm, please explain how your methodology differentiates between the unit costs incurred in counting high volumes of QBRM and those incurred in counting low volumes of QBRM.

RESPONSE:

(a) For low-volume QBRM, I used a methodology very similar to the Schenk methodology for estimating the unit cost of counting and the unit cost of rating. For a direct comparison, please refer to USPS LR-I-160, Section B, page 3 (my methodology) and Docket No. R97-1, USPS-T-27, Exhibit USPS-27C (witness Schenk's methodology).

(b) As described in my testimony at USPS-T-29, pages 16-17, the following changes were made to the Schenk methodology for per piece fees:

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-4 (continued)

1. My methodology removes counting costs for QBRM pieces counted by the BRMAS software or end-of-run report, while the Schenk methodology includes these costs.
2. My methodology subtracts an incoming secondary cost only for those QBRM pieces that are manually sorted and counted, while the Schenk methodology subtracts an incoming secondary cost for all QBRM pieces.
3. My methodology incorporates data in the incoming secondary subtraction that specifies the method and finest depth of sortation of BRM, whereas the Schenk methodology does not incorporate these data.
4. My methodology corrects an incorrect productivity in the Schenk methodology. More specifically, the Schenk methodology inadvertently included accounting activities (i.e., preparation of Forms 25, 3083, and 1412) in the sortation productivity calculation. The inclusion of these activities resulted in an understated sortation productivity.
5. My methodology adjusts the volume variability for Postage Due unit activities to 100 percent, up from 79.7 percent in the Schenk methodology.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-4 (continued)

The methodology used to support a quarterly fee is entirely new and does not reflect the Schenk methodology in any way.

(c) Confirmed.

(d) Confirmed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-5.

On page 13 of your prepared testimony you mention three marginal productivities for BRMAS processing, BRMAS productivity for postage due activities, and manual sortation productivity for postage due activities.

(a) Are these productivities the actual MODS productivities or were they adjusted to reflect the Postal Service's proposal that labor costs do not vary 100% with volume?

(b) If the actual MODS productivities were adjusted, please show exactly what adjustments were performed to derive each of the three marginal productivities.

(c) Please explain why the postage due unit activity was assumed to be 100 percent variable as stated on page 17 of your testimony.

RESPONSE:

(a) The three marginal productivities mentioned on page 13 of my testimony (lines 7-10) refer to the productivities presented by witness Schenk in Docket No. R97-1 and were derived by adjusting MODS productivities to reflect labor costs that do not vary 100 percent with volume.

(b) See Docket No. R97-1, USPS-T-27, Exhibit USPS-27C.

(c) The assumption that postage due unit activities vary 100 percent with volume is consistent with the Postal Service's use of volume variability in this proceeding. See USPS-T-15 for a complete discussion on volume variability in relation to this proceeding.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-6.

On page 16 of your testimony you state that, for QBRM pieces received in high volume, "[t]he only incoming secondary cost subtraction incorporated into the methodology is for those QBRM pieces that are manually sorted and counted".

(a) Please confirm that, when subtracting out the .88 cents "Cost avoidance (Inc. Secondary for manual pieces)," you assume that these manually sorted pieces incur the exact same cost as an average First-Class Basic automation-compatible letter? If you cannot confirm, please explain.

(b) Do you assume that QBRM reply pieces will be sorted manually in the BRM processing sortation, but would have been sorted on barcode equipment in the incoming secondary if these same pieces were mail pre-paid with a stamp applied rather than as BRM? Please explain your answer.

(c) What is the unit cost for sorting these high volume QBRM pieces manually in the incoming secondary?

RESPONSE:

(a) Confirmed.

(b) No. I assume that 41.6 percent of the QBRM pieces receive a manual sortation to the customer level, based on the BRM Practices Study (see Docket No. R97-1, USPS LR-H-179, Table 8). If these same 41.6 percent pieces were mail pre-paid with stamps applied rather than BRM pieces, then I assume these pieces would reflect mail processing characteristics of a First-Class Automation Basic mail piece (see USPS-T-24, page I-24).

(c) The unit cost for sorting a QBRM piece manually in the incoming secondary operation is 4.32 cents.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-7.

On page 17 of your prepared testimony, you mention that you corrected understated postage due productivities from USPS witness Schenk's Docket No. R97-1 methodology. Please explain this refinement.

RESPONSE:

See my response to question KE/USPS-T29-4 (b), item 4.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-8.

On page 15 of your testimony you determine a unit fixed cost for a high volume QBRM account, in part, by assuming an average of 15 transactions per accounting period.

(a) What is the maximum possible number of transactions per account during any given accounting period and how is that number determined?

(b) Assuming that the number of 15 transactions per accounting period is less than the maximum possible number of transactions you report in response to part (a), wouldn't it be reasonable in determining the fixed accounting costs per account to use the maximum possible number of transactions per accounting period for high volume QBRM recipients in view of your testimony (at page 14) that "[a] number of mailers consistently receive high QBRM volumes nearly everyday"? If you disagree, please explain.

(c) Please confirm that 15 transactions per accounting period is based on the actual average number of transactions per account during the FY98 AP1 through AP9 accounting periods for offices which use BRMAS software for sorting QBRM and use the PERMIT system for rating and billing. If you cannot confirm, please explain.

(d) For this period, what was the average volume per account transaction?

(e) Did you make any attempt to obtain the average number of transactions per accounting period for just those QBRM recipients who receive "large" volumes? If you did so, please quantify what you mean by the term "large volumes," describe your efforts, and provide the results. If you did not do so, please explain why not.

RESPONSE:

(a) There is no specific maximum possible number of transactions per account during any given accounting period. However, for those accounts reported to PERMIT in FY98 (APs 1 through 9), 99.7 percent of the accounts showed 60 or fewer transactions per AP, on average.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-8 (continued)

(b) While a number of mailers consistently receive high QBRM volumes nearly everyday, this does not mean that *all* high-volume QBRM customers receive high QBRM volumes nearly everyday. Further, other factors such as seasonal variations and consumer response may tend to lower the average number of transactions per AP. Therefore, it is reasonable to use an average of 15 transactions per accounting period in the fixed cost calculation.

(c) Not confirmed. The 15 transactions per accounting period is based on the actual average number of transactions per QBRM account during the FY98 AP1 through AP9 accounting periods for offices which report to the PERMIT system. These offices may or may not use BRMAS software for sorting QBRM. It is reasonable, however, to assume that offices with high-volume QBRM customers are more likely to report to the PERMIT system than offices without high-volume QBRM customers.

(d) For this period, the average volume per account transaction is 132 QBRM pieces.

(e) No. The methodology that I have chosen to follow does not require these data.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-9.

Please refer to Section B, p. 2 of USPS LR-I-160, where you determine the Per-Piece Costs for QBRM (high-volume).

(a) Please confirm that the method of final piece count, indicating that 66.5% of the pieces are counted by manual/other means, was determined prior to your decision to propose a reduced per piece fee for QBRM recipients who receive large volumes.

(b) Please fully describe the manual/other processing technique for counting QBRM pieces received by large volume recipients.

(c) Please fully describe the manual processing technique that produced the 951 PPH productivity upon which you rely in your cost analysis provided in LR-I-160, Section B, pages 2 and 3. See 1990 BRM survey data, Docket No. R90-1, USPS-T-23, Exhibit USPS-23F.

(d) Does the Postal Service find it cost effective to hand count QBRM letters received by one recipient in large volumes? Please explain your answer.

(e) Does the Postal Service find it cost effective to hand count nonletter-size BRM pieces received by one recipient in large volumes? Please explain your answer.

(f) Did you attempt to obtain the percentage of pieces processed by the three methods of final piece count separately for QBRM recipients who receive low volumes and QBRM recipients who receive high volumes? If you did attempt to obtain that information, please quantify "high volumes" and explain the results of that effort and provide all documents that discuss that effort. If you did not attempt to do so, please explain why not?

(g) Do field offices choose the method of counting QBRM pieces based on the anticipated volume received by particular QBRM recipients? If they do not, please explain why not.

(h) If your answer to part (g) is yes, then why didn't your analysis focus just on high QBRM volume recipients for the purpose of determining the method of final piece counts? If your answer to part (g) is no, please explain why the anticipated volume of QBRM received per recipient is not an important factor in determining the method of final piece counts for high volume QBRM recipients.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-9 (continued)

(i) Focusing on "Method of final piece count" and "Method and finest depth of sortation of BRM", please confirm that the percentages shown for manual operations imply that 41.6% of the pieces were sorted *manually to the end recipient, but 66.5% were actually counted* manually? If you cannot confirm, please explain what the percentages imply.

(j) Did you make attempt to independently study how many pieces of *QBRM letters returned to a single recipient would be required in order* to generate cost savings (compared to QBRM received in "low" volumes)? If not, why not?

(k) Does the 2.0 cents unit cost reflected on the line entitled "Net direct and indirect weighted per piece cost of BRM processing" represent your estimate for the average unit cost to count QBRM letters? If not, please explain exactly what the 2.0 cents unit cost represents.

RESPONSE:

(a) Confirmed.

(b) The "manual/other" category in Section B, page 2, refers to the source of the final piece count. The category includes the following sources:

1. Manual counts (47.2%)
2. Special counting machine (10.4%)
3. Weighing of identical pieces (4.8%)
4. Bulk weighing (4.1%)

(c) The 1990 survey that produced the 951 PPH productivity did not capture a description of each site's manual processing technique. The survey instructions state that "[t]he information on Manual BRM should relate to BRM pieces that are exclusively handled manually within the

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-9 (continued)

postage due unit" (see Docket No. R90-1, USPS-T-23, Exhibit USPS-23A, page 4). To my knowledge, manual processing techniques have not changed in any measurable way since the 1990 survey was conducted.

(d) The Postal Service finds it cost effective to hand count QBRM letters received by one recipient in large volumes, provided the fees charged to the customer cover the processing costs.

(e) The Postal Service finds it cost effective to hand count nonletter-size BRM pieces received by one recipient in large volumes, provided the fees charged to the customer cover the processing costs.

(f) No. These data are not readily available.

(g) Redirected to USPS for response.

(h) [Awaiting response to part (g)]

(i) Not confirmed. The percentages shown for manual operations imply that 41.6% of the pieces were sorted manually to the end recipient, while 66.5% received a final piece count using a manual method (47.2%) or other method (19.3%). In some cases, BRM is sorted using one method, but receives a final count from another method. An example is when BRM is sorted on a BCS to the end recipient and is sent to the postage due unit for manual counting.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-9 (continued)

(j) No. I did not conduct such a study. These data are not readily available.

(k) The 2.0 cents unit cost on the line entitled "Net direct and indirect weighted per piece cost of BRM processing" represents my estimate for the average unit cost to sort and count QBRM letters.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-10.

On page 16, footnote 5 of your testimony you note that "Field observations confirmed that manual distribution productivity has not changed significantly since 1989".

(a) Please describe the manual distribution activity that the field observations confirmed.

(b) Did the manual distribution activity include manual piece counts? If there were other manual techniques, please describe them fully.

(c) Did the field observations take place in offices that received low volumes per recipient, high volumes per recipient, or both? If you do not know, please so state.

(d) Has the Postal Service considered wider implementation of weighing techniques for QBRM pieces received in large quantities, in view of the newly implemented classification for nonletter-size BRM received in bulk? Please explain your answer.

RESPONSE:

(a) My field observations confirmed the use of time-consuming manual counting of individual BRM pieces in postage due units for both high-volume and low-volume BRM accounts.

(b) Yes. The manual distribution activity observed included manual piece counts. There were no other manual techniques observed.

(c) Field observations were conducted in offices that received both low and high volumes per recipient.

(d) Redirected to USPS for response.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY
KE/USPS-T29-11.

Please refer to Section B, p. 2 of USPS-LR-I-160 where you determine the Per-Piece Costs for QBRM (high-volume).

(a) Please confirm that the percentages you show for "Method of final piece count", as determined from a study in Docket No. R97-1, are intended to be representative of all offices, independent of whether or not they process QBRM pieces received in large quantities for individual QBRM recipients. If you cannot confirm, please explain and provide all documents which discuss this topic.

(b) Please confirm that the percentages you show for "Method and finest depth of sortation of BRM", as determined from a study in Docket No. R97-1, are intended to be representative of all offices, independent of whether or not they process QBRM pieces received in large quantities for individual QBRM recipients. If you cannot confirm, please explain and provide all documents that discuss this topic.

(c) Please confirm your analysis assumes that the method employed by an office to determine the QBRM final piece count is not dependent on whether the volume received by an individual recipient is large? If you cannot confirm, please explain and provide all documents that discuss this topic.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-12.

Please refer to Section B, p. 3 of USPS-LR-I-160, where you determine the Per-Piece Costs for QBRM (low-volume). Are the footnotes 17 through 25 correct? If not, please provide corrected them.

RESPONSE:

Footnotes 17 through 25 are not correct. An errata showing the corrected footnotes will be filed as soon as possible.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-13.

In Docket No. MC99-2, USPS witness Ellard performed a special study to "determine the level of interest in new accounting methods and fees for nonletter-size Business Reply Mail (BRM)". *See* USPS-T-4, p. 1. In that study, he attempted to find out what mail recipients would be interested in such a classification and how much mail could be expected to be returned under the newly proposed BRM nonletter fee. Did you perform any similar study with respect to QBRM received in high volumes? If yes, please provide the results of your study? If not, please explain why you did not perform such a study?

RESPONSE:

To my knowledge, the Postal Service did not perform any similar study with respect to QBRM received in high volumes.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-14.

Please refer to LR-I-160, Section K, where you derive the unit cost for weighing and counting nonletter-size BRM.

(a) Please describe how you obtained an average daily volume of 8,288 pieces.

(b) Is the average daily quantity of 8,288 pieces representative for the entire universe of nonletter-size BRM? Please explain your answer.

(c) If the average daily volume fluctuates considerably on the high side, say to 25,000 pieces per day, will the derived per piece costs go down? Please explain your answer.

(d) If the average daily volume fluctuates considerably on the low side, say to 100 pieces per day, will the derived per piece costs go up? Please explain your answer.

(e) Will the per piece costs change if the shapes of the BRM were letter-size? If so, why? If so, how? Please explain your answer.

(f) Does the average number of pieces weighed per hour productivity of 7,272.3 (line 4) assume that labor costs vary 100% with volume? Please explain your answer.

RESPONSE:

(a) See Docket No. MC99-2, USPS-T-3 for an explanation of the data collection procedures.

(b) The average daily quantity of 8,288 pieces is based on data collection at three sites, which had more than six month's experience with weight averaging. For purposes of estimating weight averaging costs, the three data collection sites were assumed to be representative of the entire universe of nonletter-size BRM.

(c) This question cannot be answered without knowing the daily weighing time for those 25,000 pieces.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-14 (continued)

(d) This question cannot be answered without knowing the daily weighing time for those 100 pieces.

(e) I do not know whether the per-piece cost would change if the shape of the BRM pieces were letter-size. An answer would be pure speculation.

(f) To my knowledge, the productivity of 7,272.3 assumes that labor costs vary 100 percent with volume. This assumption is consistent with the Postal Service's use of volume variability in this proceeding. See USPS-T-15 for a complete discussion on volume variability in relation to this proceeding.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-15.

On page 39 of your testimony you discuss the derivation for QBRM cost savings. You note the differences between your methodology in this case and the methodology you employed in Docket No. R97-1.

(a) Why did you expand the model to incorporate mail processing costs through the incoming secondary operation?

(b) Aren't QBRM pieces usually returned to a business? If so, why do you assume that the QBRM mail flow densities will be the same as for all First-Class mail, as stated in footnote 8 on page 40 of your prepared testimony?

(c) Referring to footnote 8 on page 40 of your prepared testimony, did you assume for purposes of your cost models that the densities for QBRM and handwritten addressed letters were identical? Please explain.

(d) Why did you choose to use the CRA adjustment factor for "non-automation presort" in this case, rather than the "automation non-carrier route presort" CRA adjustment factor that you used in Docket No. R97-1?

(e) If you had used the "automation non-carrier route presort" CRA adjustment factor, as you did in Docket No. R97-1, wouldn't that have implied that your model-derived unit costs overstated the actual costs? Please explain your answer.

(f) If QBRM letters are prebarcoded and automation-compatible, why do you claim that operations for non-automation presort mail more closely resemble those for QBRM letters? Aren't these pieces more similar to automation letters? Please explain.

(g) Did your models capture additional costs that QBRM save and handwritten letters do not, such as bin capacity constraints, barcoding limitations, REC keying errors, system failures and REC Productivity? (See Docket No. R97-1, USPS-T-23, p. 9) If so, how? If not, how did you account for these factors?

(h) Why did you assume that 100% of the QBRM would flow from the incoming MMP operation to the SCF-Incoming Primary operation, as stated in footnote 8?

(i) What is the basis for your statement on page 40 that improvements in RBCS character recognition have lowered the cost associated with handwritten single-piece processing? Please provide copies of all studies or other documents that discuss the impact of improvements in

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-15 (continued)

RBCS character recognition on the cost of processing handwritten single-piece letters.

RESPONSE:

(a) As stated on page 38 of my testimony, USPS witness Miller's model presented in Docket No. R97-1 captured "mail processing costs up to the point where each mail piece receives its first barcoded sortation on a BCS." The expanded model, however, captures all mail processing costs through the incoming secondary operation. Thus, I incorporated the expanded model to fully capture mail processing cost differences between a preapproved prebarcoded First-Class mail piece and a handwritten First-Class mail piece.

(b) The mail flow densities referred to in footnote 8 on page 40 of my testimony are limited to mail processing operations through the incoming secondary operation. Delivery to businesses is outside the scope of these mail flow densities.

(c) Yes. For purposes of my cost models, I assumed that the mail flow densities for QBRM and handwritten addressed letters are identical with one exception, as noted on page 40 of my testimony. The densities are based on a mail flow density study (see Docket No. R2000-1, USPS-T-24, Appendix IV), which did not capture densities specifically for QBRM. Therefore, the assumption stated above is both necessary and reasonable.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-15 (continued)

(d) The non-automation presort mailstream serves as a good proxy for the single-piece mailstream, which includes both QBRM and handwritten mail pieces.

(e) The cost models rely on average data inputs and simplified processing assumptions such that the weighted model cost results will not be equal to the CRA mail processing worksharing related proportional costs. The CRA worksharing related proportional adjustment factors are applied to the final model cost results to compensate for this fact.

(f) See my response to KE/USPS-T29-15 (d).

(g) As stated in Docket No. R97-1, USPS-T-23, page 9, "[t]he application of this factor is appropriate since the models do not consider some elements which would have contributed to further increasing the cost avoidance." The "factor" is the CRA adjustment factor, which my models incorporate.

(h) QBRM pieces do not typically go directly from an incoming MMP operation to an incoming secondary operation.

(i) Please see my response to KE/USPS-T29-16 (b).

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-16.

Please refer to LR-I-160, Section L, p. 2 and Docket No. R97-1, Exhibit USPS-T-23D, where you estimate unit costs for processing handwritten-addressed letters through the outgoing RBCS operation.

(a) Please confirm that your cost models indicate that it costs an average of 3.626 cents to process a handwritten letter in the outgoing RBCS operation in Docket No. R97-1, but will cost only 2.567 cents in the test year in the current proceeding? If you cannot confirm, please provide the correct cost figures and explain the derivation of those unit costs.

(b) Please explain why, in spite of an 11% increase in the wage rate (from $25.45 to $28.24), the unit labor cost through the RBCS operation for handwritten letters decreased by 29% (from 3.626 to 2.567 cents). If you cannot confirm the unit costs in part (a), please answer this question using the new figures you provide in response to part (a).

(c) Why did the number of handwritten letters processed through the REC decrease from 9,606 in Docket No. R97-1 to 3,213 in this case. Please support your answer.

(d) When handwritten letters are sent through the outgoing RBCS operations, will they always be given an 11-digit barcode? Please explain your answer.

(e) Why are there no handwritten letters sent to the incoming RBCS operations, as shown in USPS LR-I-160, Section L, p. 2?

(f) Please provide the derivation of the RCR unit cost of .486 cents.

RESPONSE:

(a) Confirmed.

(b) The answer to this question is two-fold. First, as stated on page 40 of my testimony, "[i]mprovements in RBCS character recognition have lowered the cost associated with handwritten single-piece processing." RCR software finalization rates have improved from an average 31.6

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-16 (continued)

percent in 1998 to an estimated 69 percent in test year 2001 (see Docket No. R2000-1, USPS LR-I-164). With more mail pieces being resolved by RCR software, fewer mail piece images are forwarded to labor-intensive (i.e., costly) RECs for finalization.

Second, in Docket No. R97-1, only 92.59 percent of handwritten mail pieces had access to RBCS in the test year (i.e., FY98). This means that a significant amount of handwritten mail pieces were processed in a labor-intensive (i.e., costly) manual operation. In the current test year (i.e., FY2001), 100 percent of handwritten mail pieces have access to RBCS processing.

Through a combination of RCR finalization rate improvements and increased access to RBCS processing, both RBCS and outgoing primary unit costs have declined for handwritten mail pieces.

(c) See my response to KE/USPS-T29-16 (b).

(d) As stated in Docket No. R97-1, USPS-T-23, page 9, "some handwritten mail may not obtain a complete 11-digit barcode through RBCS." The primary reason for not obtaining an 11-digit barcode is an incomplete or incorrect address that cannot be resolved at the REC.

(e) In general, mail pieces that go through the outgoing RBCS operation do not go through an incoming RBCS operation.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-16 (continued)

(f) $$\frac{\text{FY 98 RCR Cost from USPS LR-I-77}}{\text{FY 98 RCR Volume from Corporate Information System}} * 100$$

= ($109,317,075) / (22,500,709,679 pieces) * 100 = 0.486 cents / piece

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-17.

Please refer to LR-I-160, Section L, p. 3 and Docket No. R97-1, Exhibit USPS-T-23D, where you estimate unit costs for processing QBRM letters through the outgoing primary operation.

(a) Please confirm that your cost models indicate that it cost an average of .942 cents to process a QBRM letter in the outgoing primary operation in Docket No. R97-1, but will cost 1.2905 cents in the test year in the current proceeding? If you cannot, please provide the correct cost figures and explain the derivation of those unit costs.

(b) Please explain why the unit model cost for handwritten letters going through the outgoing RBCS and outgoing primary operations went down 33% (from 4.408 cents in Docket No. R97-1 to 2.933 cents in this case), while the unit model cost for QBRM letters going through the outgoing primary operation went up 37% (from .942 cents in Docket No. R97-1 to 1.2905 cents in this case.

RESPONSE:

(a) Confirmed.

(b) Please see my response to KE/USPS-T29-16 (b) for an explanation of declining RBCS and outgoing primary unit costs for handwritten mail.

As you noted, the modeled outgoing primary unit cost for QBRM pieces increased by 37 percent between test year 1998 and test year 2001. Two factors account for this increase. First, the average hourly wage rate for clerks increased by 11 percent during this time period, while the piggyback factor for a DBCS increased by 31.6 percent.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-18.

Please refer to LR-I-160, Section L, pp. 2 and 3, where you estimate unit costs for processing QBRM and handwritten letters through the incoming primary operation.

(a) Please confirm that the unit costs to process QBRM and handwritten letters through the incoming primary operations are 1.5382 cents (.3693+.1578+.7602+.2509 cents) and .9576 cents (.1902+.1644+.4002+.2028 cents), respectively. If you cannot confirm, please provide the correct unit costs and an explanation of how they are derived.

(b) Why do your analyses show that the costs to process handwritten letters are so much lower than costs to process QBRM letters in the incoming primary operations? In your answer, please explain why, compared to QBRM letters, so many handwritten letters can bypass this operation.

RESPONSE:

(a) Confirmed.

(b) [Response forthcoming]

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-19.

The standard method of BRM counting, rating and billing is to individually weigh each piece, compute the appropriate postage, set up a worksheet tally to keep track of the number of pieces and postage per recipient, and then calculate the postage due for each customer.

(a) Do you agree that these steps essentially cover the manual method for processing BRM letters? If not, please explain.

(b) Do you agree that while such processing might be cost effective for BRM recipients who receive small volumes, it would not be appropriate for BRM recipients who receive large volumes?

If you do not agree with part (b), please explain the circumstances where it would be cost effective to individually count and weigh each BRM piece, determine the applicable postage for each piece, maintain a tally worksheet, and then calculate the total postage due for that customer.

RESPONSE:

(a) This response assumes the question is addressing the counting, rating, and billing of BRM letters and cards. I do not agree with the above description of "standard" manual counting, rating, and billing. Manual counting does not typically involve weighing BRM pieces, but rather involves a clerk physically counting each BRM piece and recording the data on a tally sheet. Rating BRM pieces manually typically involves a clerk calculating the appropriate postage and fees due based on the manual count. Manual billing involves a clerk preparing a bill for each BRM account based on the postage and fee calculation.

(b) The processing that you have described would not be appropriate for BRM recipients who receive large volumes of BRM pieces (*i.e.*, weigh

Response to KE/USPS-T29-19 (continued)

each piece, compute the appropriate postage, set up a worksheet tally to keep track of the number of pieces and postage per recipient, and then calculate the postage due for each customer).

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-20.

In Campbell WP II you show the derivation of your manual productivity PPH of 951 for "counting and distribution of BRM."

(a) Please confirm that this PPH was derived from data collected in 1989 and presented by USPS witness Pham in Docket No. R90-1 (Pham Study). If you cannot confirm, please provide the source information for the derivation of this PPH.

(b) Please confirm that of the 7,763.48 hours recorded for counting and distributing BRM in the Pham Study, 2,217.90 or 28.6% came from one office, which had almost 10,000 individual advance deposit BRM accounts?

(c) Please confirm that, for the 15 offices studied over a two-week period in 1989, the computed productivities ranged from a low of 465 PPH to a high of 1,977 PPH. If you cannot confirm, please provide the correct range of productivities and explain how they were derived.

(d) Why didn't you modify the derived 951 PPH as you did other manual operations to compute a marginal productivity that is consistent with the Postal Service's position that labor costs do not vary 100% with volume? *See*, for example, LR-I-160, Section L, p. 12, where you divided the MODS Productivity for manual operations by .735 to compute the marginal productivities.

(e) Please confirm that in Docket No. R97-1, USPS witness Schenk adjusted the manual BRM sortation productivity in the postage due unit by dividing the 951 PPH from the R90-1 Pham Study by .797 to compute the marginal productivity. *See* USPS-T-27, p. 11 and Exhibit USPS-27C, footnote 7. If you cannot confirm, please explain.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) See my response to KE/USPS-T29-5 (c).

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

Response to KE/USPS-T29-20 (continued)

(e) Not confirmed. In Docket No. R97-1, USPS witness Schenk adjusted the manual BRM sortation productivity in the postage due unit by dividing 362 PPH from the Pham study by 0.797 to compute the marginal productivity.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-21.

In Docket No. R97-1, USPS witness Schenk noted that a new version of the BRMAS program was being contemplated by the Postal Service. *See* USPS-T-27, pages 7-8.

(a) Has the new version of the BRMAS program been developed? If not, why was that project stopped?

(b) If your answer to part (a) is yes, please describe how the new BRMAS program will improve upon the old program and provide all documents discussing the benefits of this new BRMAS program.

(c) If your answer to part (a) is yes, please provide the date on which the new BRMAS program was implemented or, if it has not yet been implemented, the Postal Service's plans for implementing the new version of the BRMAS program.

(d) If your answer to part (a) is yes, how did you take this information into account in your derivation of QBRM unit costs?

RESPONSE:

(a) Redirected to USPS for response.

(b) Redirected to USPS for response.

(c) Redirected to USPS for response.

(d) [Awaiting response to part (a)]

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-22.

In Docket No. R97-1, USPS witness Schenk noted that Prepaid Reply Mail (PRM) service "would be advantageous for some high-volume BRMAS-qualified BRM recipients. If there is migration of BRMAS-qualified volumes to PRM, the BRMAS coverage factor would change, which would affect the cost of BRMAS-qualified BRM". (USPS-T-27, p. 13).

(a) Please confirm that USPS witness Schenk determined the unit cost for QBRM by using an adjusted BRMAS coverage factor of 5.87 percent, which was intended to take into account USPS witness Fronk's projection that 66 percent of BRMAS-qualified BRM volume would migrate to PRM. If you cannot confirm, please explain.

(b) Did you make any adjustment in your development of QBRM unit costs, similar to the adjustment made by USPS witness Schenk in R97-1, to reflect the possible migration of QBRM volumes from paying the proposed 6-cent fee to the newly proposed 3-cent per piece fee (with fixed quarterly fee)? If yes, please explain exactly what kind of adjustment you made. If you did not make such an adjustment, please explain why not?

(c) Do you agree that a BRM recipient who received large volumes would be the type of Postal customer who would have taken advantage of the proposed PRM service, if it had been implemented, and who will take advantage of the new, 3-cent QBRM fee that the Postal Service proposes in this case? If you do not agree, please explain and provide all documents reviewed by you in connection with the formulation of your response to this interrogatory.

(d) Please confirm that QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes? If you cannot confirm, please explain why not.

(e) If you confirm the statement in part (d), wouldn't your derived unit cost for QBRM (high volume) be overstated, while your unit cost for QBRM (low volume) be understated? Please explain your answer.

(f) Please confirm that nonletter-size BRM pieces received by individual recipients in high volumes cost less to count than nonletter-size BRM pieces received by individual recipients in low volumes? If you cannot confirm, please explain why not.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY

KE/USPS-T29-22 (continued)

RESPONSE:

(a) Confirmed.

(b) No. I did not make such an adjustment. The adjustment made by USPS witness Schenk in R97-1 was made because BRM operations likely would have changed with the introduction of PRM. In this proceeding, however, BRM operations (*i.e.*, counting, rating, and billing) are unlikely to change with the introduction of the newly proposed 3-cent per piece fee.

(c) Redirected to USPS for response.

(d) Not confirmed. This statement is not universally true. Some offices processing a few high-volume QBRM accounts are not equipped to count the pieces using automation due to BCS capacity constraints. These pieces are counted using alternative methods such as labor-intensive (*i.e.*, expensive) manual counting. Conversely, some offices receiving low-volume accounts can count these pieces on automation (*i.e.*, inexpensive) along with the high-volume accounts.

(e) I did not confirm the statement in part (d).

(f) Not confirmed. This statement is not universally true. The methods used to count high-volume nonletter-size BRM accounts vary. Likewise, the methods used to count low-volume nonletter-size BRM accounts vary. As a result, generalizations can not be made about

Response to KE/USPS-T29-22 (continued)

nonletter-size BRM costs for high-volume accounts and low-volume accounts.

DECLARATION

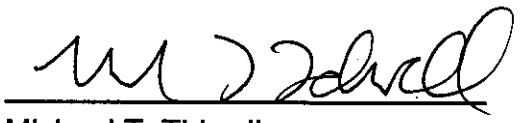
I, Chris F. Campbell, declare under penalty of perjury that the foregoing answers are true to the best of my knowledge, information and belief.

Chris F. Campbell

Dated: 2-28-00

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.



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2998 Fax –5402
February 28, 2000