

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

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS YACOBUCCI TO INTERROGATORY OF ASSOCIATION FOR
POSTAL COMMERCE
(PostCom/USPS-T25—3)**

The United States Postal Service hereby provides the response of witness Yacobucci to the following interrogatory of the Association for Postal Commerce: PostCom/USPS-T25—3, filed on February 24, 2000.

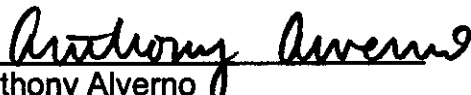
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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March 9, 2000

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PostCom/USPS-T25-3. Please refer to LR-I-90. In particular, refer to Worksheet "Scenario Costs" and the tables titled "Standard (A) Regular Cost Averages - Actual" and "Standard (A) Regular Cost Averages - Normalized Auto-Related Cost Savings" on Worksheet "Cost Averaging."

(a) Please confirm that the figures in the referenced tables are unit costs by rate category and that these unit costs are developed by (1) weighting the modeled unit volume variable costs from the "Scenario Costs" worksheet (by volume) within rate category; and (2) applying CRA adjustment factors to the modeled unit costs. If not confirmed, please explain.

(b) Please confirm that the unit costs for 3/5 digit nonautomation flats are, in principle, weighted averages of the unit costs of 3-digit nonautomation flats and 5 digit nonautomation flats and that the unit costs for 3/5 digit automation are, in principle, weighted averages of the costs of 3 digit automation flats and 5 digit automation flats. If not confirmed, please explain

(c) Please explain in detail how to modify LR-I-90 to deaverage the unit costs for 3/5 digit flats into individual unit costs for 3 digit flats and 5 digit flats so that it provides actual cost averages and normalized cost averages for six types of Standard (A) Regular flats: (1) basic nonautomation; (2) basic automation; (3) 3 digit nonautomation; (4) 3 digit automation; (5) 5 digit nonautomation; and (6) 5 digit automation.

(d) Using this method, what are the actual cost averages and normalized cost averages for the six types of Standard (A) Regular flats mentioned in part (c)?

(e) Please disaggregate Standard (A) Regular flat volume from the mail characteristics study into the six types of flats mentioned in part (c).

RESPONSE:

- a. Not confirmed. The "Standard (A) Regular Cost Averages – Actual" and "Standard (A) Regular Cost Averages – Normalized Auto-Related Savings" figures on the worksheet entitled 'Cost Averaging' are weighted-average mail processing costs by rate category. These unit costs are

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developed by (1) applying the proportional CRA adjustment factor and not worksharing-related CRA cost to the modeled unit volume variable costs on the worksheet entitled '*Scenario Costs*' and (2) weighting the CRA-adjusted unit volume variable costs within rate categories using volumes.

- b. Confirmed. The unit costs for 3/5-digit, nonautomation flats are the weighted averages of the unit costs of eligible 3-digit, nonautomation flats and eligible 5-digit, nonautomation flats. The unit costs for 3/5-digit, automation flats are the weighted averages of the unit costs of 3-digit, automation flats and 5-digit, automation flats.
- c. This response extends package-based and container-based rate eligibility rules akin to those in Periodicals to this hypothetical rate design. For example, a 5-digit, nonautomation package in a 3-digit sack is eligible for the 3-digit, nonautomation rate whereas a 5-digit, nonautomation package on a 3-digit pallet is eligible for the 5-digit, nonautomation rate.

All modifications to USPS LR-1-90 occur in the worksheet entitled '*Cost Averaging*.' For the first and second steps, please refer to Attachment 1 to this subpart which depicts part of the worksheet with row and column headings after modifications are made.

For the first step, enter "3= 3-Digit, Nonautomation," "4= 3-Digit, Automation," "5= 5-Digit, Nonautomation," and "6= 5-Digit, Automation" into the following cells: AF4:AF7, AI4:AI7, AL4:AL7, and AO4:AO7.

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For the second step, enter either a blank or one of the numbers from one through six into cells: AF9:AG52, AI9:AJ52, AL9:AM52, and AO9:AP52 as depicted in Attachment 1.

For the third step, modify the formulae in cells: A63:A64 and K63:K64 as follows.

Cell A63:

```
=IF(AND($A$1="PERIODICALS",$A$2="REGULAR"),T6,IF(AND($A$1="PERIODICALS",  
$A$2="NONPROFIT"),Z6,IF(AND($A$1="STANDARD  
(A)",$A$2="REGULAR"),AF6,IF(AND($A$1="STANDARD  
(A)",$A$2="NONPROFIT"),AL6,""))))
```

Cell A64:

```
=IF(AND($A$1="PERIODICALS",$A$2="REGULAR"),T7,IF(AND($A$1="PERIODICALS",  
$A$2="NONPROFIT"),Z7,IF(AND($A$1="STANDARD  
(A)",$A$2="REGULAR"),AF7,IF(AND($A$1="STANDARD  
(A)",$A$2="NONPROFIT"),AL7,""))))
```

Cell K63:

```
=IF(A63="",,IF(AND($A$1="PERIODICALS",$A$2="REGULAR"),SUMIF($W$9:$X$55,5  
,$K$9:$L$55)/SUMIF($W$9:$X$55,5,$I$9:$J$55),IF(AND($A$1="PERIODICALS",$A$2=  
"NONPROFIT"),SUMIF($AC$9:$AD$55,5,$K$9:$L$55)/SUMIF($AC$9:$AD$55,5,$I$9:$J  
$55),IF(AND($A$1="STANDARD  
(A)",$A$2="REGULAR"),SUMIF($AI$9:$AJ$55,5,$K$9:$L$55)/SUMIF($AI$9:$AJ$55,5,$I  
$9:$J$55),IF(AND($A$1="STANDARD  
(A)",$A$2="NONPROFIT"),SUMIF($AO$9:$AP$55,5,$K$9:$L$55)/SUMIF($AO$9:$AP$5  
5,5,$I$9:$J$55,""))))
```

Cell K64:

```
=IF(A64="",,IF(AND($A$1="PERIODICALS",$A$2="REGULAR"),SUMIF($W$9:$X$55,6  
,$K$9:$L$55)/SUMIF($W$9:$X$55,6,$I$9:$J$55),IF(AND($A$1="PERIODICALS",$A$2=  
"NONPROFIT"),SUMIF($AC$9:$AD$55,6,$K$9:$L$55)/SUMIF($AC$9:$AD$55,6,$I$9:$J  
$55),IF(AND($A$1="STANDARD  
(A)",$A$2="REGULAR"),SUMIF($AI$9:$AJ$55,6,$K$9:$L$55)/SUMIF($AI$9:$AJ$55,6,$I  
$9:$J$55),IF(AND($A$1="STANDARD  
(A)",$A$2="NONPROFIT"),SUMIF($AO$9:$AP$55,6,$K$9:$L$55)/SUMIF($AO$9:$AP$5  
5,6,$I$9:$J$55,""))))
```

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- d. The following table presents Standard Mail (A) Regular cost averages. These numbers were derived using the approach outlined in my response to part (c) of this interrogatory.

	Standard Mail (A) Regular Cost Averages – Actual	Standard Mail (A) Regular Cost Averages – Normalized Auto-Related Savings
Basic, Nonautomation	17.765 (cents)	19.825 (cents)
Basic, Automation	17.459	17.915
3-Digit, Nonautomation	14.022	15.439
3-Digit, Automation	14.308	14.210
5-Digit, Nonautomation	10.489	10.779
5-Digit, Automation	10.508	10.474

- e. The following table presents Standard Mail (A) Regular flat volume share by rate category using volume data in USPS LR-I-90.

	Standard Mail (A) Regular Volume Share
Basic, Nonautomation	6.61%
Basic, Automation	2.22%
3-Digit, Nonautomation	5.97%
3-Digit, Automation	23.89%
5-Digit, Nonautomation	6.71%
5-Digit, Automation	54.61%
Total	100.00%

DECLARATION

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

David Yacobucci

DAVID YACOBUCCI

Dated: 3/8/00

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.


Anthony Alverno

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March 9, 2000