

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

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POSTAL RATE COMMISSION
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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DANIEL TO INTERROGATORIES OF ADVO, INC.
(ADVO/USPS-T28—1-4)**

The United States Postal Service hereby provides the responses of witness Daniel to the following interrogatories of the Advo, Inc.: ADVO/USPS-T28—1-4, filed on February 28, 2000. Interrogatories ADVO/USPS-T28—5-7 are redirected to the Postal Service.

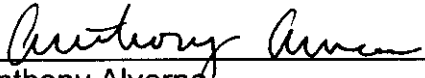
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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March 13, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF ADVO, INC.**

ADVO/USPS-T28-1. With respect to LR-I-92, LR92bECR.xls Section 2, page 9 (Tab: volume&lbs), please:

- (a). Explain why total base year letter volume of 13,295,273,000 differs from the comparable volume of 12,943,926,795 shown in witness Moeller's WP-1, page 1.
- (b). Explain why total base year nonletter (flats + parcels) volume of 20,763,854,000 differs from the comparable volume of 21,115,199,912 (piece rated + pound rated) shown in witness Moeller's WP-1, page 1.
- (c). Reconcile total base year letter weight of 687,184,000 to 1998 billing determinants.
- (d). Reconcile total base year nonletter (flats + parcels) weight of 4,184,897,000 to 1998 billing determinants.

RESPONSE:

(a-b). The letter and nonletter volumes in USPS LR-I-92 are derived in USPS LR-I-102. These volumes are based on the processing category recorded in PERMIT, which should correspond to the DMM definition of shape. It is my understanding that the volumes in witness Moeller's WP-1 are from billing determinants which are based on the rates paid, not necessarily the DMM defined shape. For example, letter-shaped pieces as defined by the DMM that weigh over 3.3 ounces will pay the nonletter rate. Witness Moeller will show these pieces as nonletters, while USPS LR-I-92 will show these pieces as letters. Thus, the number of letters in USPS LR-I-92 is higher than those in witness Moeller's WP-1 and the number of nonletters in USPS LR-I-92 is lower than those in witness Moeller's WP-1.

(c-d). The total base year ECR letter weight in USPS LR-I-92 is 687,184,000 while the comparable figure in the 1998 billing determinants is 638,615,889. The total base year ECR nonletter weight in USPS LR-I-92 is 4,184,897,000 while the comparable figure in the 1998 billing determinants is 4,233,465,774. The weight of letters in USPS LR-I-92 is higher than those in witness Moeller's WP-1 and the weight of nonletters in USPS LR-I-92 is lower than those in witness Moeller's WP-1 for the reasons discussed in response to subparts (a-b).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
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ADVO/USPS-T28-2. With respect to LR-95, spreadsheet LR95del.xls, tab "summaryBY," there is a figure of 8,330,028 for ECR Saturation Nonletters in the column labeled (000s) "Permit Volume." The total of this column for BY ECR is 34,059,127 which ties in with the Total ECR volume shown in witness Moeller's WP-1, p. 1. However, Moeller WP-1, p. 1, shows that BY NL ECR Saturation volumes are 8,940,756 (piece rated (6,184,030) + pound rated (2,756,726)). Please reconcile the difference.

RESPONSE:

PERMIT volume is based on processing category which should match the DMM definition of shape. It is my understanding that the volumes in witness Moeller's WP-1 are from billing determinants which is based on the rates paid. See also the response to interrogatory ADVO/USPS-T28-1.

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ADVO/USPS-T28-3. Please confirm that the DPS cost savings distributed on page 12 of USPS LR I-95 are already included in the test year costs (from USPS-T-14, WP.H) used on pages 5 and 6. If you cannot, please explain why not.

RESPONSE:

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
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ADVO/USPS-T28-4. Please refer to LRs I-97 and I-98:

- (a). Please explain how total ECR Vehicle Service Driver costs were distributed among the ECR subcategories and provide the rationale for that distribution key.
- (b). Please explain how total ECR Purchased Transportation costs were distributed among the ECR subcategories and provide the rationale for that distribution key.

RESPONSE:

- (a). Vehicle Service Driver costs are allocated to shape in Section 8 of USPS LR-I-98 by multiplying the density (pounds per cubic foot as determined in USPS LR-MCR-13 Supplement) for letters, flats, and parcels by the number of pounds of each shape to compute the number of cubic feet for each shape. The proportion of cubic feet was used as the distribution key. Volume variable costs of Vehicle Service Driver labor are distributed to classes and subclasses of mail in the CRA in the same proportions as cubic feet of total mail. This approach was therefore used to distribute Vehicle Service Driver costs to shape. Flats and parcels were combined into a nonletter category for use in USPS LR-I-97.
- (b). Air and water transportation costs are allocated to shape in Section 8 of USPS LR-I-98 by using the proportion of pounds by shape as the distribution key. This is consistent with how air and water transportation costs are incurred according to the summary descriptions filed as USPS LR-I-1 sections 14.1.1.1 and 14.1.4.1 respectively. Highway and rail transportation costs are allocated to shape in Section 8 of USPS LR-I-98 by using the proportion of cubic feet by shape (calculated in the same manner as described in subpart (a)) as the distribution key. This is consistent with how highway and rail transportation costs are incurred according to the summary descriptions filed as USPS LR-I-1 sections 14.1.2.1 and 14.1.3.1. Flats and parcels were combined into a nonletter category for use in USPS LR-I-97.

DECLARATION

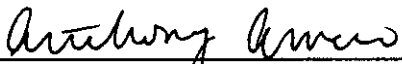
I, Sharon Daniel, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


SHARON DANIEL

Dated: 3/13/00

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 Alveho

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