

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES

Docket No. R2000-1

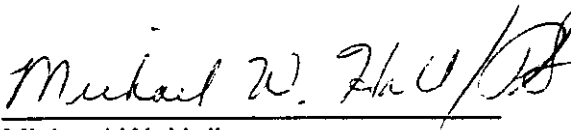
KEYSPAN ENERGY'S
THIRD SET OF INTERROGATORIES AND DOCUMENT PRODUCTION REQUESTS
TO USPS WITNESS CHRIS F. CAMPBELL

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, KeySpan Energy submits the following interrogatories and document production requests to United States Postal Service witness Chris F. Campbell: **KE/USPS-T29-24-48**. If the designated witness is unable to answer any of these questions, please direct them to the appropriate witness who can provide a complete response.

Respectfully submitted,

KEYSPAN ENERGY

By:



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Dated: Round Hill, VA
March 15, 2000

**KeySpan Energy's
Third Set Of Interrogatories And Document Production Requests
To USPS Witness Chris F. Campbell**

KE/USPS-T29-24 Please refer to your responses to KE/USPS-T29-2, parts (b) and (f), and your response to KE/USPS29-11 (c).

- (a) In response to KE/USPS-T29-2 (b) you referred to a list of the various methods used for counting QBRM letters. Please confirm that you assumed the same productivity – namely 951 PPH -- for counting and sorting QBRM by means of a “special counting machine”, “bulk weighing”, and “weighing of identical pieces” as you did for the “manual counting and sorting” method. If you cannot confirm, please explain.
- (b) Interrogatory KE/USPS-T29-2 (f) asked you, in part, to explain why certain studies or analyses were not performed. You did not answer that part of the interrogatory. Please explain why no attempt has been made 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 of low volume QBRM recipients.
- (c) Why did you simply assume, as indicated in your response to Interrogatory KE/USPS29-11 (c), that the methods employed by postal service personnel to count QBRM letters would not be dependent on whether the volume received by an individual customer is high?

KE/USPS-T29-25 Please refer to your response to KE/USPS-T29-4 (b), where you note differences between your methodology for measuring processing costs for QBRM received in high volumes and the methodology used by USPS witness Schenk in the R97-1 proceeding.

- (a) Please confirm that in the R97-1 proceeding, USPS witness Schenk's methodology was used to measure the processing costs of QBRM reply pieces that the Postal Service expected to have remaining after high volume BRMAS recipients migrated to the proposed PRM service. If you cannot confirm, please explain why not.
- (b) Why does your methodology remove counting costs for QBRM pieces counted by BRMAS software or end-of run reports?
- (c) Why does your methodology subtract out incoming secondary costs only for those QBRM pieces that are manually sorted and counted?

KE/USPS-T29-26 Please refer to your response to KE/USPS-T29-5(c). There you were asked why you changed USPS witness Schenk's methodology by adjusting the marginal postage due unit productivity to vary 100% with volume.

- (a) Please confirm that, according to the Postal Service's cost methodology on labor cost variability, manual primary and secondary sortations performed outside the postage due cage (excluding non MODS sites) are only 73.5% variable. See LR-I-160L, p. 12. If you cannot confirm, please explain why not and provide the correct variable cost percentage and citations to appropriate portions of the record where the correct variable cost percentage is derived.
- (b) Please explain specifically why postage due activities for "manually counting and distributing" QBRM letters were considered 79.7% variable with volume in Docket No. R97-1, but are now considered 100% variable with volume in this case. Please note that your general reference to USPS-T-15 was not an adequate or helpful response to the referenced question.
- (c) If you had assumed, as USPS witness Schenk did in Docket No. R97-1, that the manual productivity of 951 PPH was not 100% variable with volume, how would that assumption affect your derived 2.0-cent cost to sort and count QBRM received by individual customers in large volumes.

KE/USPS-T29-27 Please refer to your responses to KE/USPS-T29-6, parts (b) and (c). In your response to part (b) you state that 41.6 percent of QBRM pieces receive a manual sortation to the final customer. Yet, if these pieces were mailed postage pre-paid, you "assume" these same pieces "would reflect mail processing characteristics of a First-Class Automation Basic mail piece".

- (a) Please confirm that, as shown in USPS-T-24, Appendix I, page 24, for an average First-Class Automation Basic mail piece about 90% of the piece handlings are processed on automated equipment in the incoming secondary, at an average unit cost of 2.11 cents per piece.
- (b) Please confirm that you assume that, if these pieces are sent postage prepaid, the average incoming secondary sort costs 2.11 cents per piece, but if they are sent BRM, you assume that the incoming secondary sort costs 4.32 cents per piece. If you cannot confirm, please explain why not and provide the correct unit costs and citations to appropriate portions of the record where the correct unit cost figures are derived.
- (c) Assuming that you confirm part (b), can you explain why you assume that the Postal Service would not process QBRM reply letters received by individual recipients in high volumes in the most efficient manner possible -- by processing these letters along with other regular First-Class automation-compatible/barcoded letters in order to sort down to the customer level-- thereby saving more than 2 cents per piece? In your response, please be sure to refer only to QBRM received by individual customers in high volumes.

- (d) Why would the Postal Service adopt strict procedures for requiring QBRM to be prebarcoded, but then choose to sort 41.6% of those pieces using manual methods that are more than twice as costly as available automated methods?
- (e) Why would the Postal Service adopt strict procedures for requiring QBRM to be prebarcoded, but then choose to count 66.5% of those pieces using manual methods that are more than twice the cost of available automated methods?
- (f) What is the productivity in pieces per hour (PPH) and unit cost to count (*not sort*) QBRM reply pieces manually for letters received by individual recipients in high volumes?
- (g) What is the productivity in pieces per hour (PPH) and unit cost to count (*not sort*) QBRM pieces manually for letters received by individual customers in low volumes?

KE/USPS-T29-28 Please refer to your response to KE/USPS-T29-6(c) and LR-I-160, Schedule B, page 2. There you assume a unit cost of 4.32 cents to manually sort 66.5% of all QBRM received in high volumes to the customer level. Why would the Postal Service manually sort an estimated 154 million QBRM letters received by individual recipients in high volumes (see USPS-T-39, WP-5) at 4.32 cents each, when it has the capability to sort these same letters, which the Postal Service requires to bear unique 5 or 9-digit zip codes, on automation equipment at a unit cost of 1.01 cents? See LR-I-162, p. I-16, Col (8) for "Auto Carrier Route."

KE/USPS-T29-29 Please refer to your response to KE/USPS-T29-8. There you discuss your collection of PERMIT data for estimating postage rating charges.

- (a) In part (a) you mention that some accounts could have as many as 60 transactions in one accounting period. Since there are 24 business days per accounting period, please explain how there can be more than one transaction, in this case maybe three transactions, in one day.
- (b) In part (e) you note that you did not need to know the average volume per account transaction for QBRM recipients who received "high" volumes. Since USPS witness Mayo has proposed a separate per piece fee classification for such pieces, why is this information considered unnecessary?

KE/USPS-T29-30 Please refer to your response to Interrogatory KE/USPS-T29-9.

- (a) What does it mean when you say in response to part (c) that the Postal Service “finds it cost effective to hand count QBRM received by one recipient in large volumes, provided the fees charged to the customer cover the processing costs? Can the method be “cost effective” but not the “most efficient”? Please explain fully the circumstances under which the Postal Service consistently day in and day out will hand count large volumes of QBRM letters.
- (b) What does it mean when you say in response to part (e) that 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? Can the method be “cost effective” but not the “most efficient”? Please explain fully the circumstances under which the Postal Service will hand count large volumes of nonletter-size BRM, consistently day in and day out.
- (c) Please confirm that since you did not attempt to study how processing methods (sorting and counting) might be different for QBRM letters received by individual customers in high versus low volumes, because “[t]he data are not readily available” (see your response to part (f)), you simply assumed that such processing methods would be the same regardless of the volumes received by individual QBRM recipients. If you cannot confirm, please explain.
- (d) Is the reason why you could not confirm KE/USPS-T29-9 (i) because the question suggested that 66.5% of the QBRM pieces were counted “manually”, but you now state that only 47.2% were counted manually and 19.3% were counted by some “other” method? Please explain. If yes, please confirm that your costing methodology combines QBRM counted manually or by some “other” method, allowing for no difference in productivity.
- (e) Do QBRM recipients pay for sortation and separation of their reply pieces down to the customer level, as part of the First-Class postage they pay on their reply pieces? If so, please explain why the additional QBRM per piece fee should include the cost of sorting and separating reply pieces down to the customer level.
- (f) If your response to part (e) is yes, then why does your derived 2.0-cent unit cost include sorting costs, as stated in your response to Interrogatory KE/USPS-T29-9 (k)?
- (g) For QBRM reply letters received in high volumes, please provide the unit cost that reflects only counting (**but not sorting**) such reply letters. Please provide the relevant source citations and documentation as part of your response.

- (h) Does the .57-cent unit cost reflected on the line entitled "Cost per piece (daily weighing)" found in LR-l-160, Schedule K, represent your estimate for the average unit cost to count nonletter-size BRM, or does it represent the average unit cost to count **and** distribute nonletter-size BRM? Please explain exactly what the .57-cent unit cost represents.
- (i) Assuming your response to part (h) is that the .57 cents is the average cost to count nonletter-size BRM, why does the Postal Service's proposed per piece fee for nonletter-size BRM reflect the counting cost, but the Postal Service's proposed per piece fee for QBRM letters reflects both counting and sorting?

KE/USPS-T29-31 Please refer to page 16, footnote 5 of your prepared testimony and your response to Interrogatory KE/USPS-T29-10. In your response, you stated that your field observations confirmed manual counting productivity in the postage due unit for BRM has not changed significantly since 1989.

- (a) Please describe fully the nature and extent of the field observations that you conducted to ascertain that manual counting productivity in the postage due unit for BRM has not changed significantly since 1989.
- (b) Please describe fully the process involved in the decision to make field observations about manual accounting of BRM in the postage due unit. As part of your answer, please identify all the individuals who were involved in making the decision to make field observations of manual counting operations in the postage due unit, state the dates and times you met with such individuals to discuss this matter, and indicate why it was decided to limit field observations to QBRM processing activities conducted in the postage due units. In addition, please provide all documents discussing the decision to conduct field observations of QBRM processing activities.
- (c) Please provide the following information with respect to each of the field observations that you conducted:
 - (1) the name, address, and location of the postal facility where, and the date when, your field observations were conducted;
 - (2) the amount of time you spent in observing QBRM processing activities;
 - (3) an exact and complete description of the QBRM processing activities you observed;
 - (4) the substance of any discussions you had with postal service personnel regarding whether the QBRM reply letters they were counting were

addressed to high volume recipients or addressed to low volume recipients;

- (5) whether the QBRM pieces of particular high volume recipients that you observed being counted manually in the postage due unit represented all, or only a portion of, the QBRM recipient's total pieces received on that day;
 - (6) for instances in which the pieces counted manually represented only a portion of the recipient's total QBRM received during such day, please state what percentage of the recipient's total QBRM volumes were counted manually and what counting method(s) (e.g. EOR reports) was used to determine the remainder of the recipient's pieces;
 - (7) whether your field observations were limited solely to QBRM processing activities conducted in the postage due unit or whether such observations also involved QBRM processing activities conducted at other locations outside the postage due unit;
 - (8) all documents, including but not limited to survey forms completed by local postal service personnel, reports summarizing the results of your field observations and handwritten notes made during your field observations, that discuss or describe your observations of QBRM processing activities in the field.
- (d) Please numerically define "high" volume as you use that term when indicating that field observations confirmed the use of manual counting for high-volume accounts. Please indicate how you arrived at this figure.
 - (e) Please confirm that at the time of your field observations, you did not know what the "break-even" volume would be for the Postal Service's proposed QBRM category for high volume recipients. If you cannot confirm, please explain why not and provide all documents that demonstrate that you knew what the break-even volume would be at the time of your field observations.
 - (f) Please confirm that, for the test year in this case, the Postal Service will sort mail to a much greater depth, i.e. to carrier sequence, in the incoming secondary than it did in 1989, when the 951 PPH for "Marginal Manual Counting/Distribution Productivity, Postage Due Unit" was originally derived. If you cannot confirm, please explain.
 - (g) Please confirm that in the test year, QBRM will be sorted to the recipient, particularly QBRM recipients who receive high volumes, prior to being sent to the postage due unit for counting and rating. If you cannot confirm, please review your mail flow diagram for QBRM and explain why QBRM is sent to

the postage unit for counting and rating but not further distribution. See LR-I-160, Schedule L, p. 5.

- (h) Please explain why you used the 951 PPH marginal productivity for "distributing and counting" QBRM for 66.5% of pieces received by individual recipients in high volumes, when your field observations "confirmed the use of time-consuming manual counting" (but not sorting) BRM pieces in the postage due unit.

KE/USPS-T29-32 Please refer to your responses to Interrogatory KE/USPS-T29-10 and the April 1987 study, entitled "Business Reply Mail Revised Cost Analysis," prepared by the Rate Studies Division of the United States Postal Service (hereinafter "1987 Reply Mail Study").

- (a) Please confirm the following two statements from the 1987 Reply Mail Study:

The only notable improvement, as compared to the situation in 1972, (when the initial study was performed) is the change in the counting and rating procedures. A large number of post offices have begun to use a weight conversion factor to handle the counting and rating of large volumes of BRM involving large users with advance deposit accounts.

1987 Reply Mail Study, p. 1-2.

[B]ased on our observation field trips and discussions with the personnel involved in the handling and processing of BRM, we can reasonably estimate that the weight conversion factor processing method is being used at least for half of the BRM pertaining to advance deposit accounts especially the ones with large users and high BRM volumes.

1987 Reply Mail Study, p. 6.

If you cannot confirm, please explain why not.

- (b) In view of the statements from the 1987 Reply Mail Study quoted in part (a), please explain how your field observations indicate that manual postage due operations have not changed since 1989, yet your QBRM cost analysis for high volume recipients assumes that virtually no QBRM letters are counted by weight conversion techniques.
- (c) Please confirm that the 1987 Reply Mail Study indicated that the productivity in pieces per hour (PPH) for counting BRM letters using

weight conversion techniques was 6,390 pieces per hour. If you cannot confirm please explain.

- (d) Please confirm that, if you had used the 6,390 PPH derived in the 1987 Reply Mail Study, your test year unit direct and indirect cost to count QBRM using weight conversion techniques would be .64 cents. ($28.24 / 6,390 \times 1.456$) If you cannot confirm please explain why not, provide what you believe the test year unit direct and indirect cost to count QBRM using weight conversion techniques would be using the 6,390 PPH productivity factor, and produce all documents or other information relied upon to derive such unit cost.
- (e) Please confirm that, in calculating the unit cost of counting QBRM, you used a productivity of 951 PPH for the 8.9% of QBRM that you show to be counted by weighing techniques (see your answer to KE/USPS-T29-2 (b)).
- (f) Please confirm that, if you had used the 6,390 PPH derived in the 1987 Reply Mail Study for the 8.9% of QBRM that you show to be counted by weighing techniques, your computed unit cost for high volume QBRM recipients would be reduced from 2.00 cents to 1.67 cents, a reduction of .33 cents or 16.5 percent? If you cannot confirm please explain why not.
- (g) Please describe fully, or provide representative documents that describe and indicate the technical specifications and operational capabilities of, what are termed "special counting machines" (see Docket No. R97-1, USPS LR-H-179, Table 13);
- (h) Please describe the reasons why special counting machines are used at the particular postal facilities, where they are used, and why they are not used at other postal facilities.
- (i) Please state the purchase cost for each type of special counting machine.
- (j) What is the productivity in pieces per hour (PPH) for counting the 10.4% of QBRM that are counted using "special counting machines? Please support your response with documents that show the derivation of the PPH. If there are different types of special counting machines, please provide the separate PPH for each such machine and the relative percentage of the 10.4% QBRM volume figure that is counted by each type of special counting machine.

KE/USPS-T29-33 Please refer to your responses to KE/USPS-T29-14 (c), (d) and (e). In those responses you state that you cannot tell how low (100 pieces)

and high (25,000) volumes, or the shape of mail, impact the unit cost to weigh and count nonletter-size BRM.

- (a) Please confirm that you do not know whether volume received for a single recipient has any impact on the unit costs to weigh and count nonletter-size BRM? If you cannot confirm, please explain why not and quantify the impact that volume has on the unit costs of weighing and counting BRM.
- (b) Please confirm that you do not know whether the shape of mail, i.e. letter versus nonletter, might affect the cost to weigh and count BRM. If you cannot confirm, please explain. If you cannot confirm, please explain why not and quantify (in either an absolute or a relative sense) the impact that shape has on the unit costs of weighing and counting BRM.
- (c) Please confirm that, in your opinion, it would be “pure speculation” to assume, for example, that more letter-size pieces could fit in a container than bulky, non-uniform small parcels, as you imply in your response to part (e)? If you cannot confirm, please explain why not and quantify (in either an absolute or a relative sense) the impact that shape has on the unit costs of weighing and counting BRM.
- (d) Please confirm that, in your opinion, it would be “pure speculation” to assume, for example, that it would be an easier, less time consuming, and a less costly task to derive a weight-to-volume conversion factor for uniform letter-size pieces than for bulky, non-uniform small parcels, as you imply in your response to part (e)? If you cannot confirm, please explain why not and quantify (in either an absolute or a relative sense) the impact that relevant differences between these two types of reply mail pieces have on the unit costs of weighing and counting BRM.
- (e) Please provide copies of the instructions or protocols that postal service personnel follow when determining the volume of nonletter-size BRM pieces pursuant to the weight conversion process used for high volume recipients.
- (f) Please provide copies of the instructions or protocols that postal service personnel follow when determining the volume of letter-size QBRM pieces pursuant to the weight conversion process used for (i) high volume recipients and (ii) low volume recipients.

KE/USPS-T29-34 Please refer to your response to KE/USPS-T29-15 (c). In your response to part (c), you assert that it is “both necessary and reasonable” to use “general First-Class Mail flow densities, with one exception” (see USPS-T-29, p. 40, footnote 8) as a proxy for the QBRM mail flow.

- (a) Why was this assumption “reasonable” in view of the fact that all QBRM is automation-compatible, pre-barcoded and sorted perhaps as high as up to

- five digits in the outgoing primary and secondary distributions whereas a significant portion of First-Class letters are not automation-compatible and/or cannot be barcoded?
- (b) Why did you not use First-Class automation basic letters as an exact proxy for QBRM letters after the outgoing primary and secondary operations?
 - (c) What is the basis for your assumption that 100% of all QBRM that is sorted in the incoming MMP primary would also be sorted in the SCF incoming primary? Please provide all documents or other information that you reviewed in formulating your views on this aspect of QBRM reply letter processing. (Please note that your statement that such an assumption is reasonable does not explain the basis for that assumption.)
 - (d) Please confirm that for Basic automation letters, 4,505 out of 5,910 or 76% of the pieces flow from the automated incoming MMP operation to the automated incoming secondary operation. See LR-I-162, I-25. If you cannot confirm, please explain why not, state how many and what percentage of Basic Automation letters flow from the automated incoming MMP operation to an automated incoming secondary operation.
 - (e) Please confirm that QBRM letters are prebarcoded, automation-compatible, and sorted to at least 3-digits and perhaps up to 5-digits, after being processed in the outgoing primary and secondary operations? If you cannot confirm, please explain.
 - (f) Please explain why it would not be more "reasonable" to use the mail flow of First-Class automation basic letters, which are in every respect similar to QBRM after the outgoing primary operation, as a proxy for QBRM mail flow after the outgoing operation?
 - (g) Please confirm that for handwritten-addressed letters, you assumed that 1,258 of 1,914 or 66% of the pieces flow from the automated incoming MMP operation to the automated incoming secondary operation. See LR-I-160, Schedule L, p. 4. If you cannot confirm, please explain why not, state how many and what percentage of handwritten letters flow from the automated incoming MMP operation to an automated incoming secondary operation.
 - (h) Please explain why your mail flow analyses assume that, all things being equal (except that handwritten letters have a handwritten address while QBRM letters have a printed address and a prebarcode), 83% of handwritten letters coming from the incoming MMP automation can bypass the incoming SCF primary automation but no QBRM letters can do so.

KE/USPS-T29-35 Please refer to your response to Interrogatory KE/USPS-T29-15 (h).

- (a) Please explain why “QBRM pieces do not typically go directly from an incoming MMP operation to an incoming secondary operation.” Please provide all documents or other information that you reviewed in forming your conclusions as to this aspect of the processing pattern for QBRM pieces.
- (b) Is it possible that QBRM pieces received by customers in large volume would bypass the incoming secondary, going directly to the postage due unit, because the mail is sorted to the end user in the incoming primary operation? Please explain why you would not account for the possibility of such a mail flow.
- (c) Is it possible that QBRM pieces received by high volume recipients would bypass the incoming primary and secondary, going directly to the postage due unit, because the mail is sorted to the end user in the outgoing primary operation? Please explain why you would not account for the possibility of such a mail flow.

KE/USPS-T29-36 Please refer to your response to KE/USPS-T29-15 (b), where you explain how delivery to businesses is outside the scope of the mail flow densities that you used.

- (a) Do you agree that, as a general matter, mail destined for delivery to businesses, particularly businesses that receive high volumes of mail, would exhibit greater densities than average First-Class letters as the mail flows approach the incoming office? If you do not agree with the foregoing statement, please describe what your understanding is regarding the densities of mail destined for delivery to businesses, particularly businesses that receive high volumes of mail and provide copies of all documents and/or describe any other information that formed the bases for your conclusions.
- (b) If you agree with the statement in part (a), wouldn't your use of mail flow densities for “general” First-Class mail as a proxy for QBRM overstate costs, particularly in the incoming office? Please explain your answer and provide copies of all documents and/or describe any other information that formed the bases for your conclusions.

KE/USPS-T29-37 Please refer to your response to KE/USPS-T29-15 (g). You indicate in your response that your analysis of QBRM cost savings accounts for the several factors listed because you have incorporated a CRA adjustment factor.

- (a) Please confirm that you did not specifically account in your cost models for the additional costs that handwritten letters do incur but QBRM letters do *not* incur, other than simply increasing each of your derived model unit costs (for handwritten and QBRM letters) by the CRA adjustment factor of 22.4%. If you cannot confirm, please explain why not.
- (b) Please confirm that the purpose of the CRA adjustment factor is to tie the derived mail flow model costs to the CRA-derived unit costs, if the latter are known. If you cannot confirm, please explain why not and state what, in your opinion, is the purpose of a CRA adjustment factor.
- (c) Please confirm that you do not know the CRA-derived unit costs for either handwritten letters or QBRM letters. If you cannot confirm, please explain why not and provide the CRA-derived unit costs for handwritten letters and QBRM letters
- (d) Please confirm that the accuracy of the CRA adjustment factor depends on how well a model's derived unit cost compares to the CRA unit cost, if that CRA unit cost is known. If you cannot confirm, please explain why not and state upon what, in your opinion, the accuracy of the CRA adjustment factor depends.

KE/USPS-T29-38 Please refer to LR-I-160, Schedule L, p. 11, where you show that 8.9% of QBRM volume is delivered to a post office box location. In its Opinion And Recommended Decision in Docket R87-1, the Commission stated that "in excess of 90 percent [of BRM reply pieces] are delivered to lock boxes or are firm holdouts" (Op. R87-1, p. 795).

- (a) Please explain the apparent inconsistency between the Commission's statement in Docket No. R87-1 and your assumption in this case.
- (b) Please provide the percentage of BRM that will be delivered to a post office box location or firm holdout in the test year.

KE/USPS-T29-39 Please refer to your response to Interrogatory KE/USPS-T29-16 (b). In your response you note that, as compared to the base year, in the test year the Postal Service expects to save just over a penny for each handwritten letter that goes through the RBCS operation.

- (a) How many handwritten letters does the Postal Service expect to barcode via use of the RBCS operation in the test year?
- (b) In its roll forward model, did the Postal Service project a penny savings for each of the handwritten pieces that you indicate in your response to part (a) between the base and test years? If not, please explain.

- (c) What is the basis for your statement that in the test year 100 percent of handwritten mail pieces will have access to RBCS processing? Please provide all documents or other information that you reviewed in formulating your views on this matter.

KE/USPS-T29-40 Please refer to your response to KE/USPS-T29-16 (f), where you derive the unit cost of 0.486 cents per piece for the RCR operation. There you divide total FY98 RCR Cost by the FY98 RCR Volume. Please provide the comparable unit cost for the test year in this case and explain why you did use a test year unit cost figure in your mail flow cost analyses.

KE/USPS-T29-41 Please refer to your response to KE/USPS-T29-18 (b), where you state that QBRM pieces that are received by individual customers in high volumes receive their "last and final sortation" in the incoming primary operation.

- (a) Please confirm that for QBRM, 10.71% of the pieces are sent from the manual incoming secondary operation directly to the postage due unit for counting and rating, as shown in LR-I-160, Schedule L, p. 5. If you cannot confirm, please state the correct percentage of QBRM pieces that are sent from a manual incoming secondary operation to the postage due unit for counting and rating purposes, show the derivation of that percentage, and provide all documents or other information that you reviewed in deriving that percentage.
- (b) Are 83.02% of QBRM pieces sent directly from the incoming SCF primary automation operation to the postage due unit for counting and rating? If not, please state the correct percentage of QBRM pieces that are sent from the incoming automation SCF primary operation to the postage due unit for counting and rating purposes, show the derivation of that percentage, and provide all documents or other information that you reviewed in deriving that percentage.
- (c) Are 6.27% of QBRM pieces sent directly from the incoming automation 2-pass DPS secondary operation to the postage due unit for counting and rating? If not, please state the correct percentage of QBRM pieces that are sent directly to the postage due unit from the incoming automation 2-pass DPS secondary operation for counting and rating purposes, show the derivation of that percentage, and provide all documents or other information that you reviewed in deriving that percentage.
- (d) Does your mail flow model for QBRM refute your assumption that 66.5% of QBRM pieces, received by individual customers in high volumes, would be both sorted and counted manually in the postage due unit? See LR-I-160, Schedule B, p. 2, footnotes (13) and (14). Please explain.

- (e) USPS witness Kingsley estimated that it might take as many as 20,000 pieces to justify having a separate bin in the incoming primary operation. See her response to KE/USPS-T10-4. Does your statement about QBRM volumes destined for delivery to high volume recipients receiving their last and final sortation in the incoming primary operation refer to QBRM recipients who might receive 20,000 pieces per day on average? Please explain.

KE/USPS-T29-42 Please refer to your responses to Interrogatory KE/USPS-T29-19, parts (a) and (b) and your response to Interrogatory KE/USPS-T29-2 (f). In response to part (a) of Interrogatory KE/USPS-T29-19, you state “[m]annual counting does not typically involve weighing BRM pieces...” even though the question asked about the standard or general method for “counting, rating and billing” BRM. In part (b) of that Interrogatory, you note that the “standard method of BRM counting, rating and billing” would not be appropriate for BRM recipients who receive large volumes. In your response to Interrogatory KE/USPS-T29-2 (f), you indicate that “no such study has been conducted to date” on the typical processing method for high volume QBRM recipients and how it might differ from the typical processing method for low volume QBRM recipients.

- (a) Doesn't a Postal clerk have to weigh each BRM piece, especially if weight is not obvious, in order to determine the correct First-Class postage to charge the recipient in addition to the BRM fee? If not, please explain.
- (b) If the procedures for counting, rating and billing BRM for recipients who receive low volumes are not appropriate for BRM recipients who receive high volumes, why didn't you study and make appropriate adjustments for such differences, particularly with respect to the counting function, in your two, separate cost studies for low volume and high volume QBRM?

KE/USPS-T29-43 Please refer to your response to KE/USPS-T29-22 (b), where you state that BRM operations are unlikely to change because of the newly proposed 3-cent fee.

- (a) Did the BRM operations for processing nonletter-size pieces change when the new classification and lower fee went into effect as a result of the stipulation and agreement approved by the Commission and the Board of Governors in Docket No. MC99-2? Please explain.
- (b) What plans, if any, does the Postal Service have to process more efficiently the QBRM reply letters received by individual recipients customers in high volume? If the Postal Service does have such plans, please provide all documents that discuss such plans.

KE/USPS-T29-44 Please refer to your response to Interrogatory KE/USPS-T29-22 (d), where you were asked if QBRM letters received by individual

recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes. Your response suggests that this is not “universally true” and you discuss some possible exceptions.

- (a) Isn't it true that you did not study whether QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes? If not, please provide all studies or other analyses that were prepared on this subject.
- (b) Isn't it true that you really don't know whether 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 do know, please state the unit cost to count QBRM letters received by individual recipients in high volumes and the unit cost to count QBRM letters received by individual recipients in low volumes, and provide all documents or other information used to derive such unit costs.
- (c) Isn't it true that, for purposes of establishing an additional category for QBRM reply letters received in high volumes, you really did not think that you needed to know whether QBRM letters received by individual recipients in high volumes cost less to count than QBRM letters received by individual recipients in low volumes? If it is not true, please explain.
- (d) Please confirm that the Postal Service's proposal is to charge QBRM recipients who receive high volumes a different, lower per piece fee than it charges QBRM recipients who receive low volumes? If you cannot confirm, please explain why not.
- (e) Isn't it true that, without knowing if there are differences in the unit costs of counting QBRM reply letters received by individual recipients in high volumes versus low volumes, your derived separate unit costs are based on an unsupported assumption that the unit costs of counting QBRM reply letters received by individual recipients in high volumes would be identical to the unit costs of counting QBRM reply letters received by individual recipients in low volumes? If you do not agree with the foregoing statement, please explain why you assumed that the counting productivity high volume recipients would be the same as the counting productivity for low volume recipients

KE/USPS-T29-45 Please refer to your response to Interrogatory KE/USPS-T29-22 (f), where you were asked if nonletter-size BRM received by customers in high volume cost less to count than if received in low volumes. Your response suggests that this is not “universally true” and you discuss some possible exceptions.

- (a) If you cannot confirm that nonletter-size BRM received by customers in high volume cost less to count than if received in low volumes, why does the Postal Service offer a special discount for such pieces?
- (b) Please provide all instances where the Postal Service offers a discount without being able to confirm that the intended discount reflects actual cost savings. For each instance, provide the basis for establishing those discounts.
- (c) Please state the rationale for charging 3 cents per piece for QBRM received in high volumes, which can be counted at very high productivities by machines, and charging only 1 cent for nonletter-size BRM, which cannot be counted by machines.
- (d) Please state the rationale for charging 3 cents per piece for QBRM reply letters received in high volumes, which can be packed very efficiently in containers, such as trays, for weighing, and charging only 1 cent for nonletter-size BRM, which cannot be packed efficiently into such containers?

KE/USPS-T29-46 Please consider a reply mail recipient who receives large volumes of both QBRM and pre-barcoded CRM.

- (a) Please describe all differences in how the Postal Service will process the QBRM and CRM of this recipient, particularly after the letters reach the incoming primary sortation.
- (b) Please confirm that on average, 41.6% of the QBRM will be manually sorted to the end user, as you show in LR-I-160, Section, B, p. 2.
- (c) Please confirm that, on average, prior to being sent to the postage due unit, 83.02% of QBRM will be sorted in the SCF automation incoming primary, 10.71% will be sorted in the manual incoming secondary, and 6.27% will be sorted in the automation incoming 2-pass secondary, as you show in LR-I-160, Section L, p. 5.
- (d) Please explain how both parts (b) and (c) can both describe the correct flow of QBRM letters.
- (e) Please provide the average percentage of CRM pieces that will be sorted in the (1) SCF automation incoming primary, (2) the manual incoming primary, and (3) the automation incoming secondary operations, respectively, prior to being sent to the delivery operation.

- (f) Please explain any differences among the comparable percentages you provide in response to part (e) and the percentages you confirm in response to part (c).

KE/USPS-T29-47 Please refer to your answer to Interrogatory KE/USPS-T29-15(c), where you confirm that you assumed that the mail flow densities for QBRM and handwritten addressed letters are identical, with one exception. You also state on page 40 of your testimony that you used the general First-Class Mail flow densities in your cost analysis to estimate the QBRM and handwritten addressed model unit costs.

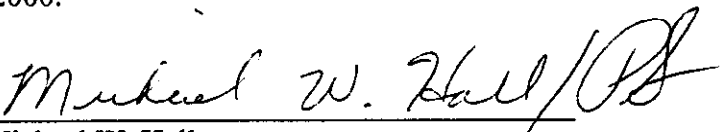
- (a) Does the statement above fairly represent your testimony with regard to the mail flows shown in LR-I-160, Schedule L, pages 2 and 3? If not, please explain.
- (b) Has the Postal Service developed a mail flow cost model for general First-Class letters to see how such a derived unit cost compares to the CRM-derived unit cost of 12.30 cents, provided in LR-I-81, Mpshtusy, Schedule TY Letters (4)? If yes, please provide that flow diagram, including all backup materials and assumptions made pertaining to the derivation of that unit cost? If not, why not?
- (c) How does the cost flow model provided by USPS witness Miller for metered mail differ from that for general First-Class letters, as you have used the mail flow in your testimony? Please describe all differences between the two models as well as the reasons for those differences.
- (d) Do you agree that the unique density characteristic exhibited by QBRM, whereby one-third of the pieces are addressed to individual customers who receive large quantities, is a cost-savings attribute? If you do not agree, please explain how high mail densities at the delivery end of the mail service spectrum would not have the impact of saving costs. See USPS-T-39, WP5.
- (e) How have you reflected the unique density characteristic exhibited by QBRM, discussed in part (d), in your mail flow model derived unit costs? If you did.

KE/USPS-T29-48 Please provide the source of the handwritten and QBRM mail flow densities shown in LR-I-160, Schedule L, pages 7 and 8.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing discovery request upon the United States Postal Service, Ted P. Gerarden, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in compliance with Rules 12, 25, and 26 of the Commission's Rules of Practice And Procedure.

Dated this 15th day of March, 2000.


Michael W. Hall