

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

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OFFICE OF THE SECRETARY

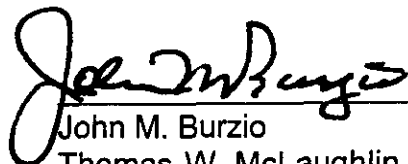
POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

INTERROGATORIES OF ADVO, INC.
TO UNITED STATES POSTAL SERVICE WITNESS
SHARON DANIEL (ADVO/USPS-T28-8-11)

Pursuant to sections 25 and 26 of the Rules of Practice, Advo, Inc. (Advo) directs the following interrogatories to United States Postal Service witness Karen Meehan. If the witness is unable to respond to any interrogatory, we request that a response be provided by appropriate USPS witness capable of providing an answer.

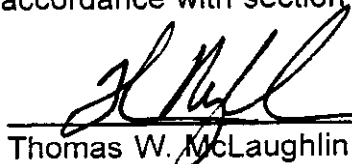
Respectfully submitted,



John M. Burzio
Thomas W. McLaughlin
Burzio & McLaughlin
1054 31st Street, N.W.
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Counsel for ADVO, INC.

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

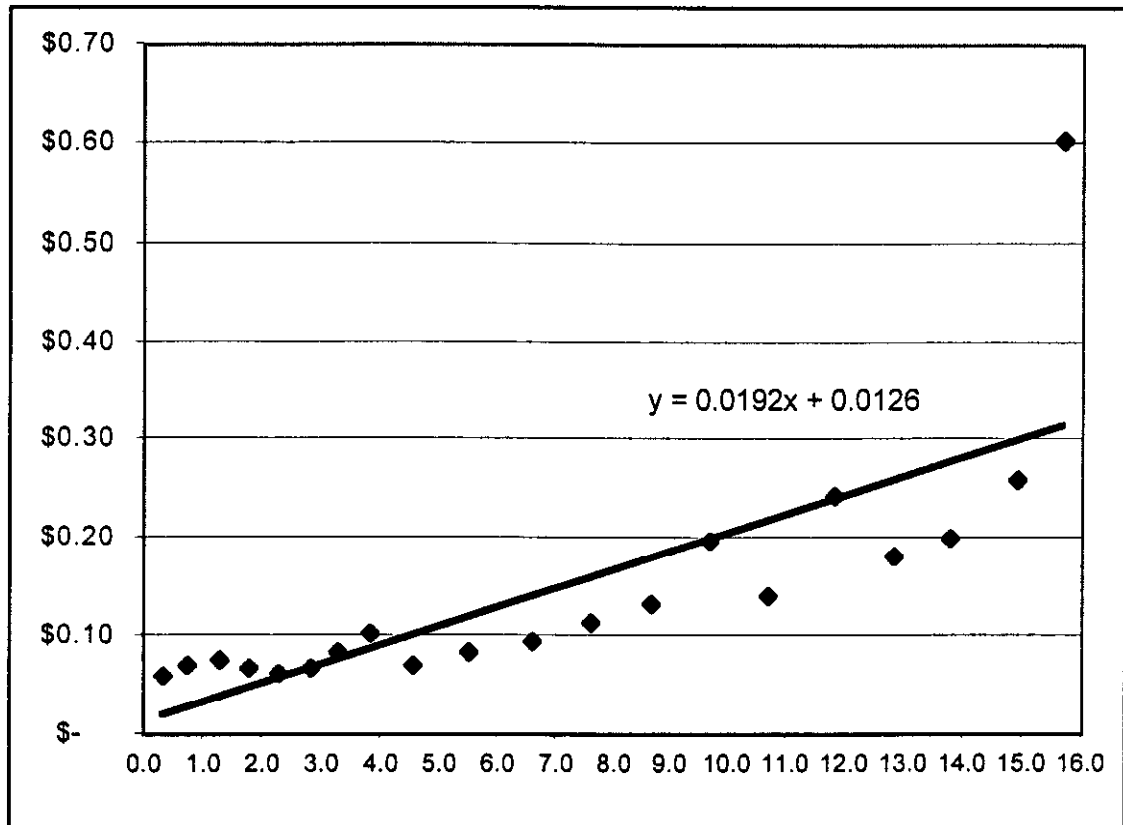


Thomas W. McLaughlin

March 22, 2000

ADVO, INC. INTERROGATORIES TO USPS WITNESS SHARON DANIEL

ADVO/USPS-T28-8. In LR-92, Spreadsheet LR92bECR.xls, Worksheet "ECR all (detailed)," you present a graph of ECR unit costs by ounce increment. That graph, with the scale adjusted for better viewing, is copied from your spreadsheet below:



With respect to this graph, please respond to the following:

- (a) Please confirm that this graph accurately represents the graph shown in your referenced worksheet, with the x and y axes adjusted for better viewing. If you cannot confirm, please provide what you believe to be the correct graph, in approximately the same scale as shown above.
- (b) Please confirm that the straight line on this graph represents your simple unweighted straight-line regression of the data points, shown by the equation $y = 0.0192x + 0.0126$.
- (c) Please confirm that below 2 ounces,
 - (i) There are 4 actual unit cost data points shown;

- (ii) All 4 of the actual unit cost data points lie above the line that represents the equation.
 - (iii) The percentage difference between the actual and formula unit costs is progressively greater for the lightest weight increments, i.e., in the 0-.5 ounce increment the actual unit cost is more than 3 times or 200% greater than the formula unit cost, whereas in the 1.5-2.0 ounce increment the actual unit cost is more than 40% greater than the formula unit cost.
- (d) Please confirm that above 4 ounces,
- (i) There are 12 actual unit cost data points shown.
 - (ii) Nine of the 12 actual unit cost data points lie below the line that represents the equation, and 8 of those 9 are more than 20% lower than the formula unit cost.
 - (iii) Two of the 12 actual unit cost data points lie approximately on the line that represents the equation.
 - (iv) Only one of the 12 unit cost data points -- for the last 15-16 ounce increment -- lies above the line that represents the equation.
- (e) With respect to the last 15-16 ounce increment, please confirm that:
- (i) The unit cost for the last 15-16 ounce increment is 2.3 times (or 130%) greater than the unit cost for the 14-15 ounce increment.
 - (ii) The volume in the last 15-16 ounce increment constitutes less than 0.04% (four ten-thousandths) of total ECR volume.
 - (iii) In developing the equation shown on the graph, the unit cost for this last weight increment was given equal weight with the unit costs for all other weigh increments.

If you cannot confirm any of the above, please provide the figures you believe to be correct and indicate your source and derivation.

ADVO/USPS-T28-9. Please refer to the table below, which is based on the ECR unit cost data by ounce increment contained in your LR-92, Worksheet LR92bECR.xls:

Weight Increment	Ave. Wt. (oz.)	Unit Cost	Formula	Unit Cost - Formula	Unit Cost ÷ Formula
0 to .5	0.33	\$ 0.058	\$ 0.019	\$ 0.040	209%
.5 to 1.0	0.73	\$ 0.072	\$ 0.027	\$ 0.045	168%
1.0 to 1.5	1.28	\$ 0.076	\$ 0.037	\$ 0.039	105%
1.5 to 2	1.78	\$ 0.068	\$ 0.047	\$ 0.021	44%
2 to 2.5	2.30	\$ 0.062	\$ 0.057	\$ 0.005	8%
2.5 to 3	2.81	\$ 0.069	\$ 0.066	\$ 0.003	4%
3 to 3.5	3.29	\$ 0.084	\$ 0.076	\$ 0.008	11%
3.5 to 4	3.85	\$ 0.103	\$ 0.086	\$ 0.016	19%
4 to 5	4.56	\$ 0.072	\$ 0.100	\$ (0.028)	-28%
5 to 6	5.53	\$ 0.085	\$ 0.119	\$ (0.034)	-28%
6 to 7	6.59	\$ 0.094	\$ 0.139	\$ (0.045)	-32%
7 to 8	7.61	\$ 0.114	\$ 0.159	\$ (0.045)	-28%
8 to 9	8.67	\$ 0.132	\$ 0.179	\$ (0.047)	-26%
9 to 10	9.67	\$ 0.198	\$ 0.198	\$ (0.000)	0%
10 to 11	10.68	\$ 0.141	\$ 0.218	\$ (0.076)	-35%
11 to 12	11.78	\$ 0.244	\$ 0.239	\$ 0.005	2%
12 to 13	12.80	\$ 0.181	\$ 0.258	\$ (0.077)	-30%
13 to 14	13.77	\$ 0.200	\$ 0.277	\$ (0.077)	-28%
14 to 15	14.91	\$ 0.260	\$ 0.299	\$ (0.039)	-13%
15 to 16	15.69	\$ 0.601	\$ 0.314	\$ 0.287	92%

With respect to this table and your Worksheet LR92bECR.xls, please confirm the following:

- (a) The average weights per piece (total weight in ounces ÷ total volume) and the unit costs by ounce increment shown above accurately reflect the data in Worksheet LR92bECR.xls.
- (b) The costs in the "Formula" column, derived from the equation $y = 0.0192x + 0.0126$ shown in your worksheet (where x = the average weight by ounce increment shown in column 2 above), accurately reflect the "predicted" or "formula" unit costs derived from your equation..

- (c) The values in "Unit Cost - Formula" column accurately represent the differences between the actual unit costs in your worksheet and the "predicted" or "formula" unit costs derived from your equation.
- (d) The values in "Unit Cost + Formula" column accurately represent the percentage differences between the actual unit costs in your worksheet and the "predicted" or "formula" unit costs derived from your equation.

ADVO/USPS-T28-10. Please provide, in a format similar to that presented in your Worksheet LR92bECR.xls, adjusted attributable costs, mail volumes, and unit costs separately for (i) ECR total and (ii) ECR flats, after adjustment for worksharing characteristics. Please explain and provide your derivations.

ADVO/USPS-T28-11. In Table 7 at page 29 of your testimony, you show ECR letter-nonletter unit costs by density tier (Basic, High Density, and Saturation). With respect to these unit costs, please answer the following:

- (a) Please provide for each density tier the average weight per piece (i) for letters and (ii) for nonletters.
- (b) Please confirm that for each density tier, nonletters have a higher average weight per piece than letters.
- (c) Please provide for each density tier the percentage of ECR nonletters that weigh more than the breakpoint. If a precise percentage is not available, please provide the closest estimate, such as the percentage of pieces weighing more than 3.5 ounces.
- (d) Please confirm that for each density tier, the unit cost differences between letters-nonletters include not only the effects of shape-related cost differences, but also the effects of weight-related cost differences between letters and nonletters (e.g., the 0.478¢ unit cost difference between Saturation nonletters and Saturation letters reflects both shape- and weight-related cost effects).