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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000	Docket No. R2000–1

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

The United States Postal Service hereby provides the response of witness Campbell to the following interrogatories of KeySpan Energy: KE/USPS -T29-24 through 30, 32, 36, 37 and 39 through 41, filed on March 15, 2000.
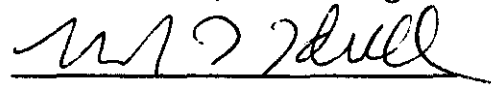
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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March 31, 2000

KE/USPS-T29-24.

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

RESPONSE:

(a) Confirmed. A manual counting and sorting productivity was used as a

proxy for the specified counting and sorting techniques, given the

absence of productivity data for these techniques.

(b) Preliminary attempts have been made through site visits and

telephone calls to determine a "typical" processing method for both

high and low volume QBRM recipients. No studies have been

conducted on the subject because preliminary attempts to determine

whether a "typical" processing method exists revealed that there is no

"typical" method for either high or low volumes.

Response to KE/USPS-T29-24 (continued)

(c) High and low-volume QBRM pieces are sometimes processed using

the same counting method at a particular site. For example, a site that

uses BRMAS to count and sort BRM on a DBCS may process both

high and low-volume accounts on the same machine, at the same

time. Therefore, in many cases, the field does not differentiate

between high and low-volume accounts when counting, rating, and

billing business reply mail.

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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?

RESPONSE:

(a) Confirmed. It is my understanding that witness Schenk's methodology incorporated a reduced coverage factor for the BRMAS operation in an effort to reflect BRM migration to PRM. In the PRC's Opinion and Recommended Decision, however, the Commission stated that "the coverage factor resulting from the Service's BRM operations study should not be altered" (see PRC Op. R97-1, page 320).

In this case, I do not expect that operations would be significantly impacted following the introduction of the new QBRM rate design. Therefore, I have not conducted an alternative cost analysis.

<u>**Response to KE/USPS-T29-25 (continued)**</u>

(b) My methodology removes counting costs for QBRM pieces counted by
BRMAS software or end-of-run reports because these costs are not
incremental to QBRM. By this, I mean that these pieces would
generally be sorted and counted on a BCS if they were not QBRM
pieces.

(c) My methodology subtracts out incoming secondary costs only for those
QBRM pieces that are manually sorted and counted because the
incoming secondary costs for those QBRM pieces sorted and counted
on automation (i.e., BCS) are not included in the cost methodology
(see my response to KE/USPS-T29-25 (b)). Sorting and counting
costs for those QBRM pieces that are manually sorted and counted
are considered "incremental" to QBRM in my costing approach, as
defined in my response to part (b). An Automation Basic Presort
incoming secondary subtraction is incorporated for these pieces to
alleviate double counting given that First-Class postage already pays
for an incoming secondary.

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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 BRM received by individual customers in large
volumes.

RESPONSE:

(a) Confirmed.

(b) The use of 100 percent volume variability in the postage due unit is an

institutional decision made by the Postal Service and is not within the

scope of my testimony. I referred you to witness Bozzo's (USPS-T-15)

testimony because he explains why the Postal Service uses 100

percent volume variability for some cost pools, while using less than

100 percent for others. Please note that the Commission has

Response to KE/USPS-T29-26 (continued)

historically favored the use of 100 percent volume variability for all cost

pools.

(c) If I had assumed that the manual productivity of 951 PPH was less

than 100 percent variable with volume, then the estimated cost to sort

and count QBRM received by individual customers in large volumes

would have been lower than 2.0 cents.

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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?

RESPONSE:

(a) Confirmed.

(b) Confirmed.

For purposes of this response, I assume that "postage prepaid" as used throughout KE/USPS-T29-27 is the same as "postage prepaid with stamps applied."

(c) My observations have confirmed that BRM processing sites do not necessarily use the least costly method to process QBRM pieces received in high volumes.

(d) The barcoding requirement permits the Postal Service to maximize the use of automation to process QBRM. Without the barcode and other required features of QBRM, such mail would not qualify for the QBRM postage rate. In some cases, however, it makes more operational sense to process BRM using manual methods. See the response to KE/USPS-T29-2.

(e) See my response to part (d). These features also permit the Postal Service to use automation, where feasible, to perform the QBRM accounting function. However, the Postal Service has not come close to realizing the potential for automated accounting which was projected a decade ago.

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Response to KE/USPS-T29-27 (continued)

(f) No study has been performed which would reveal such data.

(g) No study has been performed which would reveal such data.

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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."

RESPONSE:

First, you incorrectly state that 66.5% of all QBRM are sorted manually. As I point out in footnote 1 of KE/USPS-T29-23, 47.5% of QBRM is counted manually, while 19.3% is counted using an alternative method such as weight averaging. Additionally, you incorrectly state that the Postal Service would "manually sort an estimated 154 million QBRM letters received by individual recipients in high volumes." The correct test year estimate is 73.15 million "high" volume pieces counted manually (154 million "high" volume QBRM pieces x 47.5% counted manually).

You are correct in saying that the Postal Service "has the capability to sort these same letters...on automation equipment." However, for a variety of reasons, many sites do not take advantage of QBRM's low-cost characteristics. As stated in the response to KE/USPS-T29-9 (g) (redirected to USPS), "[s]ome facilities with high-volume accounts may have available end-of-run bin counts, but find the EOR unreliable and end

Response to KE/USPS-T29-28 (continued)

up relying on counting machines or manual counts, instead. Competition with other operations for bar code sorter utilization during early morning critical mail processing windows (such as delivery point sequencing) may drive an office to rely on manual counts or weight averaging, instead of BRMAS or EOR bin counts, irrespective of volumes. A lot also depends on whether the volumes for a particular high-volume account are steady."

Further, in my response to KE/USPS-T29-23 (e), I stated that "[t]he primary factor in determining a processing method...appears to be a site's daily BRM volume. Many sites receive inconsistent volumes for individual QBRM accounts on a day-to-day basis. Some days a particular account may receive relatively few QBRM pieces, while other days the same account may receive QBRM in large volumes. Because of such volume fluctuations, some processing sites must resort to manual QBRM sorting and counting in the postage due unit. Other sites resort to alternative methods such as bulk weighing and end-of-run counts, particularly for higher volume accounts. It makes little sense to tie up an entire BCS to process a few pieces on a given day."

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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?

RESPONSE:

(a) Some BRM recipients elect to pick up BRM more than once per day at

their local processing facilities through a caller window. A separate bill

(i.e., transaction) is typically generated for each scheduled pickup.

Thus, multiple transactions may occur in any given 24-hour period.

(b) As I stated in my response to KE/USPS-T29-8 (d), the average volume

per account transaction for QBRM is 132 QBRM pieces.

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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.

KE/USPS-T29-30 (continued)

(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-I-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?

RESPONSE:

(a) I believe that you intended to refer to my response to KE/USPS-T29-9, part (d).

A particular method is "cost effective" provided the fees charged to the customer cover the costs. I agree that a "cost effective" method is not necessarily the "most efficient" method.

Please see my response to KE/USPS-T29-28 for circumstances under which the Postal Service hand counts large volumes of QBRM pieces.

<u>**Response to KE/USPS-T29-30 (continued)**</u>

(b) I do not know how to further explain my answer to KE/USPS-T29-9,

part (e) because I believe the answer speaks for itself. A particular

method is cost effective provided the fees charged to the customer

cover the costs. As indicated in my response to part (a), a "cost

effective" method is not necessarily the "most efficient" method.

The Postal Service hand counts large volumes of nonletter-size BRM

at any postal facility where large volumes are received and weight

averaging is not performed. Currently, my understanding is that weight

averaging is only performed at seven sites for nonletter-size BRM.

(c) Confirmed.

(d) Yes. Confirmed.

(e) Yes. QBRM recipients pay for sortation down to the customer level as

part of First-Class postage. The per-piece fee is intended to cover

those costs of sorting QBRM pieces above and beyond that which is

required for an "Automation Basic Presort First-Class" letter.

Additionally, the per-piece fee is intended to cover the cost of counting

the 66.5 percent of QBRM that are not counted on automation.

(f) See response part (e).

(g) No study has been performed which isolates these costs. As I stated

in my response to KE/USPS-T29-23, parts (c) and (d), "[t]he

productivity for manual distribution is based on a 1989 study (see

Docket No. R90-1, USPS-T-23, Exhibit USPS-23F) which inextricably

Response to KE/USPS-T29-30 (continued)

integrates the manual sorting and counting activities." As a

consequence, it is not possible to provide the unit cost that reflects

only counting BRM pieces.

(h) The 0.57-cent unit cost represents the daily cost to weigh incoming

nonletter-size BRM pieces in bulk. In this case, weighing the pieces is

comparable to counting the pieces.

(i) The Postal Service's proposed per piece fee for QBRM letters reflects

counting and sorting that occurs above and beyond that which is

required for an "Automation Basic Presort First-Class" letter.

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.

Based 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

KE/USPS-T29-32 (continued)

count QBRM using weight conversion techniques would be .64 cents. (28.24 I 6,390 x 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-I, 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.

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RESPONSE TO KE/USPS-T29-32:

(a) The quotations are accurate and appear where cited. Please note that
the above-referenced 1987 study assumes "weight conversion"
counting for 50 percent of the advance deposit BRM volume in the
base year (1986) and only 15 percent in the test year (1989) (see
attachment entitled "WEIGHTED AVERAGE UNIT COST
COMPARISON" from the April 1987 study entitled "BRM Revised Cost
Analysis"). The test year analysis projects a significant amount of
BRM processing on newly deployed barcode sorters (67%), while 18
percent done manually, and 15 percent using weight averaging
techniques.

The 1996 BRM Practices Study, the most recent comprehensive study,
collected data on QBRM volumes counted using various methods (see
attached Table 13 from Docket No. R97-1, USPS LR-H-179). Weight
averaging was implemented for 8.9 percent of QBRM volume
techniques. These data suggest that the use of the weight averaging
method to count BRM pieces has been on the decline since 1986.

(b) My testimony says nothing about manual postage due operations as a
whole as your question implies. Rather, my testimony states that
"[f]ield observations confirmed that the manual distribution productivity
has not changed significantly since 1989" (see USPS-T-29, footnote
5). Manual distribution involves a postal clerk physically sorting and

Response to KE/USPS-T29-32 (continued)

counting mail one piece at a time. Based on my observations, manual distribution is a labor-intensive activity in the year 2000. My testimony also states that "manual billing and rating productivities have not changed significantly since 1989" (see USPS-T-29, footnote 3). Again, to my knowledge, manual billing and rating is still a labor-intensive activity in the year 2000.

(c) Confirmed. Please note that this productivity is based on data collected at just one site.

(d) Confirmed.

(e) Confirmed.

(f) Confirmed.

(g) It is my understanding that the Memphis P&DC is in the process of purchasing a counting machine for BRM. Documentation with technical specifications and operational capabilities for that machine will be provided in USPS Library Reference I-257. I do not know whether this machine is representative of others in use.

(h) The decision to use special counting machines for BRM counting is site-specific and based on a site's unique operational and BRM characteristics.

(i) My understanding is that the counting machine referred to in part (g) cost about $8,000.

Response to KE/USPS-T29-32 (continued)

(j) Productivities are not available for "special counting machines" at this

time. A study would have to be conducted to capture site-specific

operational characteristics that affect counting productivities.

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.

RESPONSE:

(a) I have not studied this issue. Therefore, I can neither disagree nor

agree with your statement.

(b) See part (a).

KE/USPS-T29-37.

Please refer to your response to KENSPS-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.

RESPONSE:

(a) Not confirmed. The model specifically accounts for operations that

handwritten letters incur but QBRM letters do not incur. For example,

the model accounts for the RBCS operation, which is incurred by a

handwritten letter but not incurred by a QBRM letter (see USPS-T-29,

page 38).

(b) Confirmed.

Response to KE/USPS-T29-37 (continued)

(c) Confirmed. A non-automation presort CRA adjustment factor was
used as a proxy because the CRA does not present costs for single-
piece mail. The non-automation presort mail flow closely resembles
that of single-piece mail. QBRM and handwritten letters are both part
of the single-piece mail stream.

(d) I don't know what is meant by "the accuracy of the CRA adjustment
factor." Therefore, I cannot answer the question.

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.

RESPONSE:

(a) According to Appendix C of the January 1999 Decision Analysis

Report (DAR) for RCR upgrades (see USPS LR-I-164, Appendix C),

12.9 billion pieces handwritten pieces were available to RCR in the

base year. Using the DAR assumption of 2 percent letter growth per

year, an estimated 13.7 billion handwritten letters will be available to

the RCR in the test year. Of these 13.7 billion pieces, 5 percent will be

lost to "leakage" (0.7 billion) and another 0.95 percent will be sent to a

manual sort operation (0.1 billion). The result is an estimated 12.9

billion handwritten mail pieces barcoded via the RBCS operation in the

test year.

(b) While I am not an expert on the roll forward model, my understanding

is that the cost savings are "baked" into the test year costs associated

with the RBCS operation. According to the DAR discussed in part (a),

REC sites will capture 90 percent of the modeled savings (see USPS

Response to KE/USPS-T29-39 (continued)

LR-I-164, Appendix C). In addition, the DAR assumes that the first full

year of savings is October 1999 through September 2000.

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

KE/USPST29-40.

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.

RESPONSE:

The unit cost of 0.486 cents per piece for the RCR operation is, in fact, a test year unit cost. The response to KE/USPS-T29-16 (f) was taken directly from USPS LR-I-160, Section L, page 12, footnote 4, which contains an error. An erratum to USPS LR-I-160 is forthcoming.

The response to KE/USPS-T29-16 should read as follows:

$$\frac{\text{TY 2001 RCR Cost from USPS LR-I-77}}{\text{FY 98 RCR Volume from Corporate Information System}} * 100$$

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

The test year RCR cost is found in witness Smith's testimony in Docket No. R2000-1 at USPS-T-21, Attachment 14, page 2. The FY 98 RCR volume was used as a conservative estimate for test year RCR volume. Volume data obtained for FY 1999 and 2000 (to date) show that RCR volume has remained stable since FY 1998.

KE/USPST29-41.

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

KE/USPS-T29-41 (continued)

operation refer to QBRM recipients who might receive 20,000 pieces per day on average? Please explain.

RESPONSE:

Please note that my response to KE/USPS-T29-18 stated "[f]or *many* QBRM pieces (i.e., larger accounts), the incoming primary operation is the last and final sortation" [emphasis added]. This statement was not intended to imply that all high-volume account QBRM pieces receive their "last and final sortation" in the incoming primary operation.

(a) Not confirmed. The 10.71% of QBRM pieces coming from the manual incoming secondary operation represent a portion of the 41.6% of QBRM pieces sorted to the customer manually (see USPS LR-I-160, Schedule L, p. 2). This manual sortation generally takes place in the Postage Due Unit (PDU). So, perhaps a more appropriate label for cell AR87 in LR-I-160, Schedule L, p. 5 would be "To other side of PDU for counting and rating."

(b) No. Some of the 83.02% of QBRM pieces may have already received a machine count using an end-of-run (EOR) report. So, some of the 83.02% of QBRM pieces are sent directly to the PDU for counting and rating and some of the 83.02% of QBRM pieces are sent directly to the PDU for rating only.

(c) No. Some of the 6.27% of QBRM pieces may have already received a machine count using an EOR or BRMAS report. Further, some of

Response to KE/USPS-T29-41 (continued)

these pieces may have already been rated using a BRMAS report. So,

some of the 6.27% of QBRM pieces are sent directly to the PDU for

counting and rating, some of the 6.27% of QBRM pieces are sent

directly to the PDU for rating only, and some of the 6.27% of QBRM

pieces have already been counted and rated.

(d) No. The 66.5% of QBRM pieces referred to receive a *final* piece count

using a manual or other method. This does not mean that these

pieces have not already received a count on a BCS or other method.

(e) It is indeed possible, but unlikely, that QBRM volumes receiving their

last and final sortation in the incoming primary operation are destined

to recipients who might receive 20,000 pieces per day on average.

Only four customers receive 20,000 QBRM pieces per day on average.

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: 3-31-00

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

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March 31, 2000