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

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

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA (NAA/USPS-T28—15-26)

The United States Postal Service hereby provides the responses of witness Daniel to the following interrogatories of the Newspaper Association of America:

NAA/USPS-T28—15-26, filed on March 23, 2000.

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

Anthony Alverno
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax –6187
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NAA/USPS-T28-15. Please refer to your direct testimony, USPS-T-28, page 3, lines 3-4, where you state that your testimony draws from library references LR-I-91 through LR-I-102. Your direct testimony reproduces from the library references regressions of the effect on unit costs of weight for certain categories of mail. However, the library references include regressions of the effect on unit cost of weight for only certain types of mail.

a. Is it possible to draw an inference of your belief in the reliability of the regressions from the fact that regressions were run for only certain types of mail?

b. If so, please explain why. If not, please explain the rationale for the disparate treatment.

RESPONSE:

a-b. The regressions produced by Excel in library references USPS LR-I-91 and 92 were not relied upon by the Postal Service because each data point was given equal weight, and were not weighted by volume. Therefore, tables presented in my testimony either had the Excel-produced trendline deleted or separately plotted the line produced by a regression generated by SAS software.[1] The numerous regression lines contained in the analyses presented in USPS LR-I-91 and 92 were not intended to be used for any purpose.

[1] The regression lines shown in Tables 4a and 4b were derived by the SAS program documented in USPS LR-I-94.

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NAA/USPS-T28-16. Please refer to your Errata to USPS-T-28, pages 11 and 14. Prior to your Errata, these appeared to be identical to pages found in LR-I-91.

a. Do the revisions contained in your Errata also require revisions to LR-I-91?

b. If so, please provide an Errata revising all necessary pages of the library references you relied upon.

RESPONSE:

a-b. Yes. Errata to LR-I-91 were also filed on 3/1/00 which, among other things, corrected the title to Table 2 in Section 2 of USPS LR-I-91.

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NAA/USPS-T28-17. Please refer to Library Reference LR-I-92, Section 3. page 11 of 29 and Section 4, page 11 of 29. These pages do not contain regressions of unit cost on weight for pound-rated non-profit and non- profit ECR similar to those found in Section 1, page 11 of 31 (Standard Mail (A) Regular) and Section 2, page 11 of 31 (Standard Mail (A) ECR).

a. Do you believe the regressions for pound rated Standard (A) Regular and ECR are reliable measures of the effect of weight on costs? Please provide all statistical measures of reliability on which you base your answer.

b. Do you believe the excluded regressions to be unreliable? Please provide all statistical measures upon which you rely.

RESPONSE:

a. Please see my responses to interrogatories NAA/USPS-T28-13(c-d) and –14(c-d), VP-CW/USPS-T28-19(b), -20(b), -22(b) and –23(b).

b. Please see my response to interrogatory NAA/USPS-T28-15. For clarification, these pages do not contain a separate graph of pound-rated ECR pieces, which is the primary reason they do not contain a regression.

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NAA/USPS-T28-18. Please refer to Witness Moeller's response to NAA/USPS-T-35-21.

a. Please provide all data necessary to make your cost data compatible with the before and after rates cost data employed by Witness Moeller in calculating his before and after rates cost coverage for ECR Mail.

b. What adjustments, if any, need to be made to your calculated average cost/piece and regression equations to make them consistent with the test year cost data used by Witness Moeller?

RESPONSE:

a-b. Typically, the Postal Service has only provided TYBR unit cost estimates to support rate design because of an infinite loop created by costs, which affect rates, which affect (TYAR) volumes, which creates new TYAR costs, which affect rates, etc. Adjustments to the total cost of ECR mail are made in USPS LR-I-97 using TY before rates unit costs to account for the volume mix changes between rate categories in TY after rates. The costs presented in the attachment present TYAR costs (including final adjustments and the contingency) for Standard Mail (A) ECR by detailed weight increment using TYAR volumes and implied weight. The assumptions made in developing these costs are described below.

In order to tie to the TYAR costs presented in witness Kashani's Exhibit (USPS-14K) in the same way costs were developed for TYBR, witness Smith's (USPS-T-21) work in developing piggybacks and costs by shape would need to be repeated. The analysis in USPS LR-I-94 would then need to incorporate these factors and this output would need to be incorporated in USPS LR-I-92. One would not expect the unit volume variable costs for TYBR and TYAR for homogeneous categories to be remarkably different. Therefore, TYBR unit costs by shape and ounce increment for mail processing, city in-office and window service have been used as a proxy for TYAR unit costs in the attachment to this interrogatory. All other cost components were developed in the same manner as TYBR.

The distribution of pieces to weight increment between before rates and after rates does not change because the BY distribution is used for both cases. The TYAR forecast of shape was incorporated into the volumes and weight by weight increment in the attachment.

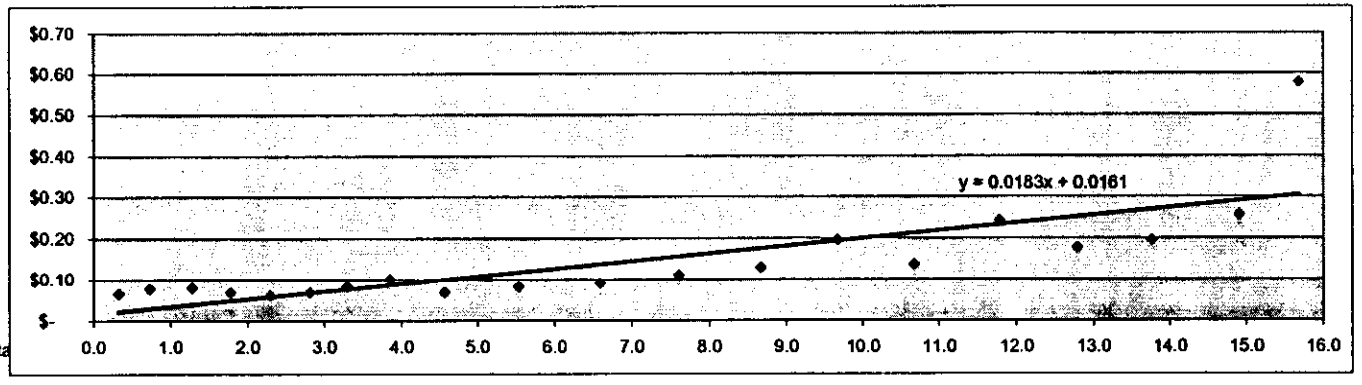
Std. A ECR All Shapes Test Year (AFTER RATES) Unit Costs by Detailed (1/2 ounce) Weight Increments

	0 to .5	.5 to 1.0	1.0 to 1.5	1.5 to 2	2 to 2.5	2.5 to 3	3 to 3.5	3.5 to 4	4 to 5	5 to 6	6 to 7	7 to 8
[1]volume	5,367,957,486	4,872,897,238	2,888,412,046	2,982,544,772	3,704,808,015	3,105,799,113	2,007,142,373	1,682,637,044	3,254,203,016	1,468,448,525	765,164,083	406,925,761
[2]pounds	411,060,725	1,224,443,619	215,473,747	332,445,910	531,971,724	544,919,474	412,755,628	404,567,469	927,844,465	507,643,692	315,336,535	193,533,512
[3]cubic feet (weight/density)												
	1.72											
[4]total mp (3.1) tally	75,172	97,057	58,281	36,188	29,737	29,566	34,072	41,376	20,040	12,187	7,307	7,342
[5]window service (3.2) tally	2,343	2,033	1,100	1,095	1,353	1,268	730	614	1,179	532	277	147
[6]delivery in-office (6.1) tally	92,209	82,327	41,283	38,574	30,671	28,637	24,963	33,038	21,648	12,981	6,105	4,055
[7]delivery in-office (6.2) 6.1	18,481	16,501	8,274	7,731	6,147	5,740	5,003	6,622	4,339	2,602	1,224	813
[8]del. route (7.1) piece	8,539	7,751	4,277	4,744	5,893	4,940	3,193	2,677	5,177	2,336	1,217	647
[9]del. access (7.2) piece	8,196	7,440	4,105	4,554	5,657	4,742	3,065	2,569	4,969	2,242	1,168	621
[10]elem. load (7.3)shape&wt	34,699	56,275	36,892	42,010	59,640	58,869	40,783	33,969	73,267	39,998	24,779	15,290
[11]del. support (7.4) sum6&7	26,145	27,993	15,755	16,360	18,541	17,690	13,106	13,151	19,123	10,476	6,056	3,752
[12]vehicle service (8) cube	1,279	2,798	2,957	4,825	7,772	7,987	6,207	6,093	14,024	7,679	4,768	2,931
[13]delivery rural (10)shape&pc	84,634	72,799	37,263	39,253	48,336	40,384	25,570	21,306	41,033	18,503	9,645	5,124
[14]air/water trans. (14) weight	31	62	59	92	147	150	114	112	256	140	87	53
[15]hwy/rail trans. (14)cube	1,037	2,270	2,399	3,914	6,305	6,479	5,035	4,943	11,377	6,229	3,867	2,377
[16]Other weight	1,056	2,133	2,048	3,160	5,056	5,179	3,923	3,845	8,819	4,825	2,997	1,840
[17]Total Cost	353,820	377,436	214,694	202,500	225,256	211,631	165,762	170,314	225,249	120,730	69,496	44,993
[18]Total Unit Cost	$ 0.066	$ 0.077	$ 0.080	$ 0.068	$ 0.061	$ 0.068	$ 0.083	$ 0.101	$ 0.069	$ 0.082	$ 0.091	$ 0.111
Marginal Cost Difference		$ 0.012	$ 0.002	$ (0.012)	$ (0.007)	$ 0.007	$ 0.014	$ 0.019	$ (0.032)	$ 0.013	$ 0.009	$ 0.020

unit cost < 3.0 ounces	$ 0.0698	unit cost < 3.5 ounces	$ 0.0708
unit cost > 3.0 ounces	$ 0.0877	unit cost > 3.5 ounces	$ 0.0890

Linked to volumes/pounds
Linked to tally analysis
Calculations
C/S&C data (USPS-T-14)
piggys (USPS-T-21 Attach 11)
check

1-2: USPS LR-I-102
3: density (ft³/lb)* Weight
4: USPS LR-I-94
5: USPS LR-I-99
6: USPS LR-I-100
7: =[6]by oz/[6]total*[7]total
8&9: =[1]by oz/[1]total*[8&9]total
10&13: sum of shapes
11: =SUM([6]:[10]by oz)/SUM([6]:[10]tota
12&15: =[3]by oz/[3]total*[12&15]total
14&16: =[2]by oz/[2]total*[14&16]total



Std. A ECR All Shapes Test Year Unit Costs by Detailed (1/2 ounce) Weight Increments (continued)

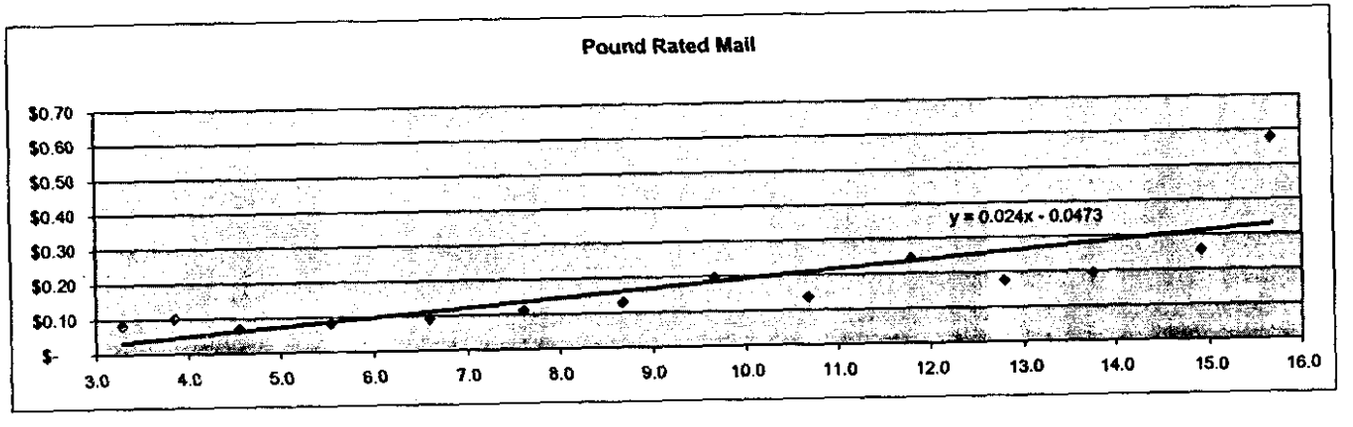
	8 to 9	9 to 10	10 to 11	11 to 12	12 to 13	13 to 14	14 to 15	15 to 16+	Total
[1]volume	220,617,148	86,322,553	8,148,042	37,014,240	35,223,359	27,820,415	18,799,933	14,292,566	12,828,211,129
[2]pounds	10,136,424	52,147,080	54,981,845	27,252,160	28,157,696	23,923,131	17,617,373	14,011,793	6,058,783,449
[3]cubic feet (weight/density)									
[4]total mp (3.1) tally	3,777	4,961	1,978	2,791	1,192	478	1,543	5,687	470,731
[5]window service (3.2) tally	80	31	30	13	13	10	7	5	12,859
[6]delivery in-office (6.1) tally	3,764	2,466	464	1,412	489	921	476	350	426,832
[7]delivery in-office (6.2) 6.1	754	494	93	283	98	185	95	70	85,548
[8]del. route (7.1) piece	351	137	130	59	56	44	30	23	52,220
[9]del. access (7.2) piece	337	132	124	57	54	42	29	22	50,124
[10]elem. load (7.3)shape&wt	9,523	4,328	4,330	2,190	2,275	1,953	1,390	1,127	543,588
[11]del. support (7.4) sum6&7	2,544	1,286	919	677	523	539	350	277	195,262
[12]vehicle service (8) cube	1,812	795	824	414	428	364	266	213	74,435
[13]delivery rural (10)shape&pc	2,774	1,083	1,025	465	443	349	237	180	450,405
[14]air/water trans. (14) weight	33	14	15	8	8	7	5	4	1,395
[15]hwy/rail trans. (14)cube	1,470	645	669	336	347	295	215	173	60,382
[16]Other weight	1,135	496	517	259	268	227	166	133	48,083
[17]Total Cost	28,353	16,868	11,117	8,963	6,193	5,415	4,809	8,263	2,471,864
[18]Total Unit Cost	$ 0.129	$ 0.195	$ 0.136	$ 0.242	$ 0.176	$ 0.195	$ 0.256	$ 0.578	$ 0.075
Marginal Cost Difference	$ 0.018	$ 0.067	$ (0.059)	$ 0.106	$ (0.066)	$ 0.019	$ 0.061	$ 0.322	

unit cost < 3.0 ounces
unit cost > 3.0 ounces

Unit Cost (cents)	CRA No Piggy		Piggys/ density
			21.21
	vol var cost	+fin adj.* contingency	
1.43	292,894	300,211	1.568
0.04	8,599	8,814	1.459
1.30	303,733	311,329	1.371
0.26	60,876	62,398	1.371
0.16	37,160	38,089	1.371
0.15	35,668	36,560	1.371
1.66	386,816	396,490	1.371
0.59	138,948	142,423	1.371
0.23	47,740	48,938	1.521
1.37	353,228	362,062	1.244
0.00	1,361	1,395	1.000
0.18	58,907	60,382	1.000
	2,398,626	2,471,864	

Linked to volumes/pounds
Linked to tally analysis
Calculations
C/S&C data (USPS-T-14)
piggys (USPS-T-21 Attach 11)
check

1-2: USPS LR-I-102
3: density (ft³/lb)* Weight
4: USPS LR-I-94
5: USPS LR-I-99
6: USPS LR-I-100
7: =[6]by oz/[6]total*[7]total
8&9: =[1]by oz/[1]total*[8&9]total
10&13: sum of shapes
11: =SUM([6]:[10]by oz)/SUM([6]:
12&15: =[3]by oz/[3]total*[12&15]t
14&16: =[2]by oz/[2]total*[14&16]t



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NAA/USPS-T28-19. Please refer to LR-I-91, Section 1, pages 1 and 11 of 34. You did not provide a regression of unit cost on weight for the first data set ("costs by ounce increment") but you did provide such a regression for the second data set ("detailed (1/2 ounce) weight increment") for first class single piece mail. Please explain why you provided a regression for one but not the other.

RESPONSE:

Please see my response to interrogatory NAA/USPS-T28-15. The "first data set" (costs by ounce increment) was used in my testimony while the "second data set" ("detailed (1/2 ounce) weight increment") was only provided as supplemental information in the library reference. It was not intended for use in support of the USPS Request.

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NAA/USPS-T28-20. Please refer to LR-I-91, Section 1, pages 11 and 13 of 34, which present regressions of unit costs on weight for first class single piece all shape mail. Do you believe these regressions are reliable measures of the effect of weight on unit costs? Please explain the basis for your answer.

RESPONSE:

Please see my response to interrogatory NAA/USPS-T28-17(a).

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NAA/USPS-T28-21. Please refer to LR-I-91, Section 2, pages 1 and 10 of 30. You do not provide a regression of unit cost on weight for the first data set ("costs by ounce increment"), but you do provide a regression for the second data set ("unit costs by detailed (I/2 ounce) weight increments") for first class presort. Please explain why you provide only the one regression.

RESPONSE:

Please see my response to NAA/USPS-T28-19.

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NAA/USPS-T28-22. Please refer to the chart entitled "Std. A ECR All Shapes Test Year Unit Costs by Detailed (I/2 ounce) Weight Increments" in LR-I-92. Section 2.

a. For mail processing costs (cost segment 3.1) please indicate for each ½ ounce weight increment, the number of IOCS tallies underlying the costs shown.

b. Please also indicate whether any IOCS tallies were included which could not be specifically categorized by weight increment, i.e. "weightless" tallies.

c. What is the minimum number of tallies needed for a reliable estimate of costs within a single ½ ounce cell? What is the maximum variance that is acceptable for an estimate to be considered reliable?

d. Please confirm that the IOCS mail processing tallies which you used for this study have a field which indicates whether the clerk or mailhandler tallied was handling (i) a piece of mail, (ii) an item, or (iii) a container. If you do not confirm, please provide a list showing all information contained on IOCS mail processing tallies for this study.

e. Assuming that information described in preceding part c is available, please provide a breakdown of the mail processing tallies in each ½ ounce increment showing whether the person tallied was handling (i) a piece, (ii) an item, or (iii) a container.

RESPONSE:

a. Please see the attached table for the direct tally records (and dollar weighted tallies) by ounce increment and handling type (per subpart (e)).

b. Assuming that the term "included" in the question means included in the table provided in response to subpart (a), the "weightless" tallies are provided in a separate category. For a discussion of the treatment of such tallies in my analysis, please see the response to interrogatory VP-CW/USPS-T28-26(b) and the portions of my testimony and library references cited therein.

c. It is my understanding that, as a general matter, a minimum number of tallies is not necessarily required to determine a "reliable" estimate of costs for an arbitrary weight increment "cell." For instance, in some cases, the absence of tallies in a cell may provide a reliable estimate of zero, or nearly zero, volume-variable cost for the cell.

It is also my understanding that with regard to variance, it is presumed that the question intends to measure the sampling variance relative to the size of the estimate. For example, the estimated standard deviation (i.e., square root variance) of $22.659 million reported by witness Ramage for the First-Class Single Piece mail processing volume-variable cost (see USPS-T-2 at page 8) suggests that the corresponding point estimate is not subject to a great deal of sampling variation. By contast, for another subclass, such as Classroom Periodicals, a standard deviation of $22.659 million would have a much different

implication for the cost estimate. That said, the maximum acceptable variance will depend on the use to which the estimate is put. The maximum acceptable variance could be relatively low if a downstream analysis is sensitive to the value of the point estimate. On the other hand, if the key requirement is that the cost estimates be statistically unbiased, the maximum acceptable variance will tend to be relatively high. Since the pricing witnesses do not use the individual estimates of the costs by weight increment, the variance of these estimates in and of themselves is not as important.

d. Confirmed. It is my understanding that the IOCS field F9213 indicates whether an employee handling mail at the time of the observation was handling a single piece of mail, an item, or a container.

e. Please see the response to subpart (a).

BY98 IOCS Direct Tally Record Counts
Standard A Commercial Rate ECR Mail - All Mail Processing (Cost Segment 3.1) for Clerks/Mailhandlers

	Weight Increment (ounces)																						
Handling Category	< 0.5 oz	.05 - 1 oz	1 - 1.5 oz	1.5 - 2 oz	2 - 2.5 oz	2.5 - 3 oz	3 - 3.5 oz	3.5 - 4 oz	5 oz	6 oz	7 oz	8 oz	9 oz	10 oz	11 oz	12 oz	13 oz	14 oz	15 oz	16 oz	> 16 oz	No Wgt	Total
Piece	193	203	106	62	39	39	47	65	23	17	14	10	4	7	2	5	2	2	3	5	0	0	848
Direct Item	160	217	135	102	78	65	77	94	47	30	14	16	7	7	4	6	3	0	2	15	0	36	1,115
Direct Container	95	380	79	1	4	67	187	112	2	1	0	0	1	0	0	0	0	0	0	88	0	0	1,016
Total	448	800	320	165	121	171	311	271	72	48	28	26	12	14	6	11	5	2	5	108	0	36	2,979

BY98 IOCS Direct Tally Dollar Weights (000) - IOCS Field F9250
Standard A Commercial Rate ECR Mail - All Mail Processing (Cost Segment 3.1) for Clerks/Mailhandlers

	Weight Increment (ounces)																						
Handling Category	< 0.5 oz	.05 - 1 oz	1 - 1.5 oz	1.5 - 2 oz	2 - 2.5 oz	2.5 - 3 oz	3 - 3.5 oz	3.5 - 4 oz	5 oz	6 oz	7 oz	8 oz	9 oz	10 oz	11 oz	12 oz	13 oz	14 oz	15 oz	16 oz	> 16 oz	No Wgt	Total
Piece	14,810	15,327	8,598	4,681	2,840	3,269	4,192	5,301	2,082	1,041	1,105	1,006	653	660	102	294	136	119	380	485	0	0	67,080
Direct Item	12,091	16,015	11,219	7,090	5,341	5,287	6,222	6,810	3,753	2,287	1,044	944	456	521	369	355	199	0	167	1,135	0	1,610	82,914
Direct Container	196	1,031	319	56	196	359	319	211	118	78	0	0	47	0	0	0	0	0	0	88	0	0	3,017
Total	27,096	32,373	20,136	11,826	8,377	8,916	10,733	12,322	5,953	3,406	2,149	1,949	1,155	1,181	471	649	336	119	546	1,708	0	1,610	153,011

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NAA/USPS-T28-23. Please refer to the chart entitled "Std. A ECR All Shapes Test Year Unit Costs by Detailed (1/2 ounce) Weight Increments" in LR-I-92. Section 2.

a. For city carrier street labor costs (cost segment 7) please indicate for each ½ ounce weight increment, the number of recorded observations underlying the costs shown.

b. Please also indicate whether any recorded observations were included which could not be specifically categorized by weight increment, i.e. "weightless" observations.

c. What is the minimum number of tallies needed for a reliable estimate of costs within a single 1/2 ounce cell? What is the maximum variance that is acceptable for an estimate to be considered reliable?

d. Please confirm that the city carrier street labor cost observations which you used for this study have a field which indicates whether the clerk or mailhandler tallied was handling (i) a piece of mail, (ii) an item, or (iii) a container. If you do not confirm, please provide a list showing all information contained on city carrier street labor cost observations for this study.

e. Assuming that information described in preceding part c is available, please provide a breakdown of the city carrier street labor cost observations in each % ounce increment showing whether the person tallied was handling (i) a piece, (ii) an item, or (iii) a container.

RESPONSE:

a. The city carrier street (C/S 7) data (e.g., the City Carrier System, or CCCS data used to distribute certain C/S 7 costs to subclass) do not identify weight of the sampled pieces as well as subclass; consequently, it is not possible to provide the number of observations for each ½ ounce increment. For details of CCCS, please see the testimony of witness Harahush (USPS-T-3). I describe the methods I use to distribute C/S 7 costs to weight increment at pages 8-9 of my testimony.

b. Please see the response to part subpart (a).

c. Please see the response to interrogatory NAA/USPS-T28-22(c).

d. Not confirmed. Please see the testimony of witness Harahush (USPS-T-3) and the related library references LR-I-16, LR-I-18, LR-I-19, and LR-I-20.

e. Not applicable.

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NAA/USPS-T28-24. Please refer to the chart entitled "Std. A ECR All Shapes Test Year Unit Costs by Detailed (I/2 ounce) Weight Increments" in LR-I-92, Section 2.
a. Please confirm, for comparison purposes, that for Standard A ECR, this chart corresponds to the First-Class Single-Piece and First-Class Presort charts contained on pages 11 and 14 of your testimony.
b. If you cannot so confirm, please provide a citation to the Standard A ECR chart which, for comparison purposes, is equivalent to the First-Class Single-Piece and First-Class Presort charts contained on pages 11 and 14 of your testimony.

RESPONSE:

a-b. Not confirmed. The chart in LR-I-92, Section 2 referred to in this question is by detailed (1/2 ounce) weight increments while those charts contained on pages 11 and 14 of my testimony are by whole ounce increments. The charts on page 10 of USPS LR-I-91 Sections 1 and 2 contain costs by ½ ounce weight increments for First-Class Mail Single-Piece and Presort. The most equivalent Standard A ECR chart to the First-Class Single-Piece and First-Class Presort charts contained on pages 11 and 14 of my testimony is on page 12 in USPS LR-I-92 Section 2 entitled " Std. A ECR All Shapes Test Year Unit Costs by Combined Weight Increments" where the data are aggregated by the following nine weight increments: 0 to 1, 1 to 2, 2 to 3, 3 to 5, 5 to 7, 7 to 9, 9 to 11, 11 to 13 and over 13 ounces.

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NAA/USPS-T28-25. Please refer to the FY98 IOCS data (LR-I-12) and your library references LR-I-99, LR-I-100, and LR-I-101.

a. Please confirm that the FY98 IOCS data contain records for more than 820,000 tallies.
b. Please confirm that approximately 349,000 tallies are not dollar-weighted.
c. Please explain the basis by which you allocated these non dollar-weighted tallies.
d. What percentage of the non-dollar-weighted tallies have activity codes associated with "Leave."
e. Please identify the number of tallies without dollar-weights identified in (b) that are re-distributed to each of the First Class, Standard (A) Regular, and Standard (A) Regular ECR categories.
f. If tallies from (b) are re-distributed. please identify the proportion of these tallies that contained a weight in pounds or ounces, and describe the basis on which they were assigned to a weight increment.

RESPONSE:

a. Confirmed. It is my understanding that the FY98 IOCS data file contains 821,609 total records.
b. Confirmed. It is my understanding that the FY98 IOCS data file contains 349,135 records that have been assigned a dollar weight of zero.
c. Since there is zero dollar weight for the tallies referenced in subpart (b), there is nothing to "allocate" and, hence, no basis for the non-existent allocation.
d. If the question's use of the term "leave" is intended to refer to activity codes 9010 (annual leave), 9020 (sick leave), 9040 (military leave), 9050 (other paid leave), 9060 (jury duty/court leave), and 9110 (leave without pay), then it is my understanding that there are 116,320 records, or 33.3% of the tallies referenced in subpart (b), that have "leave" activity codes.
e. Zero. Please see the response to subpart (c).
f. Not applicable.

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO
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NAA/USPS-T28-26. Please refer to your testimony at page 28, lines 8-14, where you state that "costs per pound for non-transportation savings calculated by USPS witness Crum (USPS-T-21) are multiplied by the pounds by shape and rate category entered at each destination (Origin, DBMC, DSCF and DDU) as reported in FY98 Billing Determinants (USPS-LR-I-125) to compute the total average dropship savings per piece. These dropship savings are added to the mail processing costs on page 17 of USPS LR-I-96 so that the effect of finer depth of sort can be calculated in the absence of dropshipping."

a. Please confirm that the mail processing costs to which dropship adjustments are being added are Test Year costs.

b. Please confirm that Witness Crum's costs per pound for non-transportation savings are reported as Test Year data.

c. Please confirm that Witness Crum's TY cost per pound estimates are multiplied by FY98 pounds by shape and rate category to calculate dropship adjustment costs.

d. Please confirm whether the FY98 data on pounds by shape and rate category from LR-I-96 correspond to the BY data on pounds from LR-I-92, and explain any discrepancies.

RESPONSE:

a. Confirmed.

b. Confirmed. See page 6 lines 13-16 of USPS-T-27.

c. Confirmed. It is my understanding the dropship profile is assumed to be the same in the test year as it is in the base year.

d. Data by rate category are not presented in USPS LR-I-92. The data in USPS LR-I-96 use billing determinant data while USPS LR-I-92 uses PERMIT mailing statement data. Please see my response to interrogatory ADVO/USPS-T28-1.

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: 4/6/00

CERTIFICATE OF SERVICE

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

Anthony Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax –6187
April 6, 2000