

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-90, 91, 95, 112(j-l), 113, 114, 116, 119(a-j), and 120)

The United States Postal Service hereby provides the responses of witness Kaneer to the following interrogatories of David B. Popkin: DBP/USPS-90, 91, 95, 112(j-l), 113, 114, 116, 119(a-j), and 120, filed on March 23, 2000, and redirected from the Postal Service.

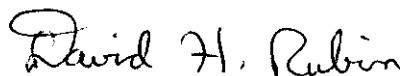
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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April 6, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER TO
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REDIRECTED FROM THE POSTAL SERVICE

DBP/USPS-90 Please clarify and amplify Table 20-A on page 111 of USPS-T-39. [a] What percentage of the Group A facilities and what percentage of the number of individual boxes [regardless of size] will be transferred to Group B2? [b] Same as subpart a except Group A to C3. [c] Same as subpart a except Group B to B2. [d] Same as subpart a except Group B to C3. [e] Same as subpart a except Group B to C4. [f] Same as subpart a except Group C to C3. [g] Same as subpart a except Group C to C4. [h] Same as subpart a except Group C to C5. [i] Same as subpart a except Group D to D6. [j] Same as subpart a except Group D to D7. [k] Provide information on any other possible conversions.

Response:

[a] to [j] Averages may be obtained by simple division from data provided in Exhibit USPS-40B, page 2.

[k] Ten pages of such data were filed (see USPS-LR-I-155, pp. 38-47, the last 10 pages of section B).

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DBP/USPS-91 Confirm, or explain and discuss if you are not able to confirm, that the proposed box rent for Englewood Cliffs, NJ 07632 will be in the highest category box rent in the country.

Response:

Confirmed that Englewood Cliffs, NJ 07632 is proposed to be placed in Group B2, which has the highest fees of the proposed groups.

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DBP/USPS-95 [a] Explain why the cost factor was chosen to divide box rents into groups rather than some other method such as availability to the box or number of days of delivery to the box. [b] What options were considered and what were the reasons for their dismissal?

Response:

[a - b] See my testimony at pages 4-6, especially footnote 8, which quotes the Commission encouraging the Postal Service to develop information to align box costs and fees. Costs reflect the value of the resources utilized by consumers; other options would not reflect this primary consideration, and unduly complicate the fee structure during the proposed alignment of fees and costs. The only other alternative that was directly considered was capacity utilization. However, due to concerns about fee structure complexity, capacity utilization was rejected as a factor at this time. Please see my response to OCA/USPS-T40-3.

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DBP/USPS-112 [j] Please provide, in detail, the procedure that will be utilized to determine the rental fee for space located in buildings that are privately owned. [k] Please confirm, or explain and discuss if you are not able to confirm, that, for the purpose of box rent calculations, there are only two categories - those facilities that are located in buildings owned by the US Government whether it is the Postal Service or GSA or some other federal agency and those facilities which are not located in buildings owned by the US Government. [l] If you are not able to confirm subpart k, please provide, in detail, the procedure that will be utilized to determine the rental fee for each of the other categories.

Response:

[j] Please see witness Yezer's response to DFC/USPS-T31-1 and 2.

[k-l] Not confirmed. In estimating rental costs, the types of facilities you list were treated similarly. See witness Yezer's response to DFC/USPS-T31-3.

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DBP/USPS-113 The response to DBP/USPS-7 indicated that the purpose of changing only 29 offices was to gain operational experience with fee changes driven by location cost. [a] Please provide, in detail, any operational experience that was gained by studying the 29 offices. [b] Please provide the operational experience that was gained by studying Englewood Cliffs.

Response:

[a] Please see my testimony, page 11, lines 6-20. Location based fees were established at 21 locations (not 29). Our operational experience was that location-based fees are viable, which supported plans for the fee groups proposed in this case

[b] The experience at Englewood Cliffs was not unusual, and thus supports the conclusions I discuss in Part C of my Testimony.

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DBP/USPS-114 The response to DBP/USPS-8 indicated the proposed fee group for all of the 076 offices. [a] The listing does not provide a response for 07606 and 07663. Please provide. [b] Was Tenafly 07670 calculated before or after the major renovation that was completed recently? [c] How often and under what circumstances will offices be reevaluated for potential changes of their Group? [d] Provide any insight as to why 81% of the Group C facilities will become Group C3, the highest of Group C. [e] Explain why Alpine 07620 is a Group D office rather than a Group E office. [f] If a resident of another area which has city delivery service goes to a Group E office, what Group rate is paid. [g] Same as subpart f except for rural/HCR delivery only. [h] Same as subpart f, except for a resident who does not have access to delivery service.

Response:

[a] Available data were filed under protective conditions in LR-I-241, disk 3.

[b] Base year 1998 costs were used by witness Yezer.

[c] The plans for re-estimation of economic rental values, and related re-evaluations, have not been determined.

[d] I do not know the source of your 81 percent figure, and believe it is not accurate. Group C facilities were assigned to Group C if their economic rental value was greater than \$10 per square foot.

[e] It is a non-delivery location. Group E is a customer based designation and does not apply to any particular post office (see DMM D910.5.1b).

[f-g] Group E eligibility is based on the delivery status of individual postal customers. Thus, Group D fees apply to a customer who is eligible for either city or noncity carrier delivery and obtains post office box service at a non-delivery office.

[h] This customer would generally be eligible for a Group E fee.

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DBP/USPS-116 Please provide the Box Group and whether or not the building located at 1675 7th Street, Oakland CA with box section using a ZIP Code of 94623 is government owned.

Response:

The proposed box group is C4. The Building at 1675 7th Street is not owned by a government entity.

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DBP/USPS-119 Refer to the Proposed Classifications shown on page 13 of USPS-T-40. [a] Please provide a similar table that makes the distinction between the present Groups A, B, and C. [b] Is the dollar value representing cost the same in both the table on page 13 and the response to subpart a? [c] If not, explain the difference. [d] How were the specific dollar values chosen in both the existing rates as well as the proposed rates? [e] Are they arbitrary dollar values or do they represent a specific distinction in type of facility? Please explain. [f] Were they chosen to allow for a certain total increase in box rent income? [g] Are there any present Group A boxes with a cost of < \$10.00? [h] If so, why are they proposed for Group C3 rather than C4 or C5? [i] Are there any present Group B boxes with a cost of < \$7.50? [j] If so, why are they proposed for Group C4 rather than Group C5

Response:

[a] Please see Exhibit USPS-40C, Table 1, column C.

[b] No.

[c] The current fee groups are not defined by rent ranges.

[d] For current fee groups, see [c]; for proposed groups, please see USPS-T-40, pages 7-10, "Constructing Cost Homogeneous Groups".

[e] See response [d] above. The dollar values represent ranges which begin the move toward homogeneous groups, with the largest groups, in terms of number of ZIP Codes, in the middle rent ranges.

[f] No.

[g] Yes. See Exhibit USPS-40C, page 1, table 1, line 5.

[h] The goal was to keep all fee changes as moderate as practicable. See witness Mayo's response to DBP/USPS-119(k).

[i] Yes.

[j] The goal was to keep all fee changes as moderate as practicable. See witness Mayo's response to DBP/USPS-119(k).

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DBP/USPS-120 [a] Please provide an explanation that a distinction between post office box rates at offices that have city delivery service compared to those that have only rural/HCR service is appropriate. [b] Please provide an explanation that determining post office box rents based on the cost of the facility is appropriate? [c] Are there any other criteria utilized, either for the present system or the proposed system? [d] If so, enumerate and explain why they are appropriate. [e] Please enumerate the criteria that were considered and rejected and provide reasons why they were not appropriate. [f] Was the availability of access to the box section [this means both the greater access on a given day - such as 24 hour a day access - and the limitation of access to only 5 or 6 days rather than 7] evaluated as a potential rating factor? [g] If so, why was it rejected?

Response:

[a] This distinction has existed in the fee groups for many years; the current fee groups are an understandable outgrowth of their development.

[b,e] See my testimony, pages 26-29.

[f] No.

[c, g] The existing fee group assignments are utilized in order to avoid fee shock. In light of the degree of complexity involved in aligning cost and fees, considerations of other such factors are unreasonable at this time. Also see my response to DBP/USPS-95.

DECLARATION

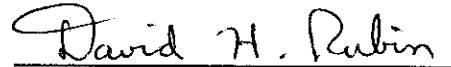
I, Kirk T. Kaneer, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Kirk T. Kaneer

Dated: APRIL 6, 2000

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.



David H. Rubin

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