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

| POSTAL RATE AND FEE CHANGES, 2000 | Docket No. R2000–1 |
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# RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORIES OF KEYSPAN ENERGY

The United States Postal Service hereby provides the responses of witness Campbell to the following interrogatories of KeySpan Energy: KE/USPS–T29-33, 34(a,b,d-g), 35(b,c), 38, 39(c), 42, 44, 45 and 48, filed on March 16, 2000.

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

T29-43 has been redirected to the Postal Service for response today. Responses to other interrogatories in this set are forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 6, 2000

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

**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

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**KE/USPS-T29-33 (continued)**

QBRM pieces pursuant to the weight conversion process used for (i) high volume recipients and (ii) low volume recipients.

**RESPONSE:**

(a) I do not have data which permit me to quantify any differences which may be attributable to volume per account. The data collected in the nonletter-size BRM experiment revealed that it takes an average 68.38 minutes to weigh an average 8,288 daily pieces. If I assume that weighing time varies 100 percent with volume, then the derived unit cost will not change if the average daily volume fluctuates to 25,000 pieces per day. Since I do not know how weighing time varies with volume, I cannot answer the original question. To some degree, such factors as mail piece size and weight and volume per account could influence weighing and counting productivity.

(b) I do not have data which quantifies any cost difference between weighing a single letter versus a single nonletter. Placing a "typical" letter (1 oz. or less) on a scale may not be materially different than placing a "typical" nonletter (2 or 3 oz.) on a scale. I also do not have data which would permit me to quantify any differences in cost between weighing a tray of letters and a sack of nonletters of equal weight. Assuming the time involved is approximately equal, any difference in unit cost could be attributable to the difference in the

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**Response to KE/USPS-T29-33 (continued)**

number of pieces per container and any difference in the productivity with which the different containers could be weighed.

(c) Assuming the same container, I would expect fewer of the bulky, non-uniform items to fit inside. However, whether or not a full tray of letters contains more pieces than a sack of other container of nonletters would depend on the nonletter container and the bulk of the nonletters.

(d) Assuming less weight variation among uniform letters than non-uniform, bulky nonletters, one would expect it to be a less complicated process to develop weight-to-volume conversion factors for letters.

(e) Please see USPS LR I-260, which contains two documents. The first document is entitled "User's Guide for Nonletter-size BRM Weight Averaging." The second document is entitled "Supervisor's Supplement to the User's Guide for Nonletter-size BRM Weight Averaging."

(f) No such instructions or protocols exist because none have been developed for QBRM weight averaging.

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**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?

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**KE/USPS-T29-34 (continued)**

(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.

**RESPONSE:**

(a) Average mail densities were used as inputs in *all* First-Class letter models (see USPS-T-24, Appendix I, page 40) to estimate mail processing costs and to determine worksharing discounts. In fact, the inputs for all models are generally on the *average* (e.g., productivities, wage rates, acceptance rates). In an effort to be consistent with all other First-Class letter models, my models for both handwritten and preapproved prebarcoded mail pieces incorporate *average* densities. I believe this is reasonable.

(b) See my response to part (a).

(c) Response forthcoming.

(d) Confirmed. Please note that this calculation is based on an *average* First-Class density of 79.57% and an *average* accept rate of 95.80% on the Incoming BCS MMP operation.

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**Response to KE/USPS-T29-34 (continued)**

(e) Confirmed.

(f) See my response to part (a).

(g) Confirmed.

(h) Response forthcoming.

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**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.

**RESPONSE:**

(a) Response forthcoming.

(b) It is possible, but unlikely, that QBRM pieces received by high volume recipients would bypass the incoming primary and secondary operations, going directly to the postage due unit because the mail is sorted to the end user in the incoming primary operation. On average, this is not the case. As pointed out in KE/USPS-T29-41, witness Kingsley stated that it might take as many as 20,000 pieces to justify having a separate bin in the incoming primary operation. As I pointed out in my response, according to PERMIT data, only four recipient accounts receive 20,000 QBRM pieces per day on average. Thus, it is unlikely that QBRM pieces received by high volume recipients would

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**RESPONSE TO KE/USPS-T29-35 (continued)**

bypass the incoming primary and secondary operations, going directly to the postage due unit because the mail is sorted to the end user in the incoming primary operation.

(c) It is possible, but highly unlikely, that QBRM pieces received by high volume recipients would bypass the incoming primary and secondary operations, going directly to the postage due unit, because the mail is sorted to the end user in the outgoing primary operation. If this were the case, then these QBRM pieces would originate and destinate in the same processing facility in high volumes. This scenario is extremely rare with QBRM pieces.

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**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-I, 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.

**RESPONSE:**

(a) The 8.9 percent represents the *average* percentage of mail pieces that receive a manual delivery point sequence (DPS) at the post office box. This activity is considered mail processing. The 90 percent of BRM pieces delivered to lock boxes or firm holdouts is outside the scope of mail processing.

(b) To my knowledge, the Postal Service does not collect data on the percentage of BRM delivered to a post office box or firm holdout.

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**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 formulated your views on this matter.

**RESPONSE:**

(a) Response filed on March 31, 2000.

(b) Response filed on March 31, 2000.

(c) It is my understanding that RBCS equipment has been fully deployed, with the exception of recent software upgrades. In an effort to be consistent with the letter models presented by witness Miller (USPS-T-24), I have also incorporated 100 percent RBCS coverage as a simplifying assumption.

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**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]anual 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?

**RESPONSE:**

(a) No. A Postal clerk does not have to weigh each BRM piece in order to determine the correct First-Class postage. Postal clerks typically visually scan trays of BRM pieces and cull out pieces that appear to be over 1 ounce, and weigh the pieces accordingly to determine the correct First-Class postage.

(b) Please see my response to KE/USPS-T29-44 (c).

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**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.

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**RESPONSE TO KE/USPS-T29-44:**

(a) It is true that I did not specifically 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. Rather, my cost analyses depend upon data obtained from the 1996 BRM Practices Study and field observations.

(b) It is true that I 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. Again, my cost analyses depend upon data obtained from the 1996 BRM Practices Study and field observations.

(c) It is not true that, for purposes of establishing an additional category for QBRM letters received in high volumes, I did not think that I 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. Given certain time constraints with an impending rate case filing, I was unable to conduct a study such as the one you describe in part (a). I believe that data obtained from such a study could improve the cost estimates presented in this rate case filing.

(d) It is the proposal of the Postal Service that high volume recipients have the option of a lower fee structure. The lower fee proposed for QBRM

**Response to KE/USPS-T29-44 (continued)**

recipients who receive QBRM in high volumes is combined with a proposed quarterly fee. The quarterly fee is based on the premise that the cost to generate a bill for a high-volume customer varies with the number of postage due bills (15 per AP, on average) and not the volume of QBRM pieces, while the cost to generate a bill for a low-volume customer varies more with the volume of QBRM pieces.

(e) Yes. Given the lack of standardized procedures for counting QBRM pieces across QBRM processing sites, I believe that assuming identical counting costs for high-volume and low-volume QBRM recipients is a fair way to allocate costs across sites. Assuming a higher counting cost for all low-volume QBRM recipients would ignore the fact that some low-volume QBRM is subject to the same low-cost accounting methods as some high-volume QBRM. It also would ignore the fact that the accounting for a significant portion of high-volume QBRM is performed via manual piece counts. My response to KE/USPS-T29-22, part (d) provides specific examples. The response states that "[s]ome offices processing a few high-volume QBRM accounts are not equipped to count the pieces using automation due to BCS capacity constraints. These pieces are counted using alternative methods such as labor-intensive (*i.e.*, expensive) manual counting. Conversely, some offices receiving low-volume accounts can count

**Response to KE/USPS-T29-44 (continued)**

these pieces on automation (*i.e.*, inexpensive) along with the high-volume accounts."

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**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?

**RESPONSE:**

(a) Above a certain volume, it costs less to perform weight averaging to rate nonletter-size BRM than to individually count and weigh each piece. The Postal Service offers weight-averaging fees for nonletter-size BRM recipients who find the fees (and the associated improvement in accounting efficiency) advantageous. Currently, my understanding is that only seven high-volume customers participate in the program. For those high-volume customers who choose not to

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**Response to KE/USPS-T29-45 (continued)**

participate in weight-averaging, their nonletter-size BRM pieces are counted and rated manually, the same method used for low-volume nonletter-size BRM recipients.

(b) I am not aware of any instances where the Postal Service offers a discount without being able to confirm that the intended discount reflects actual cost savings.

(c) Please see my testimony (USPS-T-29) beginning at page 5 for a description of the cost basis fort he fees proposed by witness Mayo. Please see my testimony (USPS-T-29) beginning at page 42 for an explanation of the cost basis for witness Mayo's proposal to charge 1 cent per piece for nonletter-size BRM pieces.

QBRM accounting costs reflect that a mix of methods – high cost and low cost, automated and manual and other – are used to perform QBRM accounting. In contrast the nonletter-size weight averaging is based on the de-averaged cost of the one and only feasible alternative to manual piece-by-piece accounting. An apples-to-apples comparison between QBRM and nonletter-size BRM accounting costs would be to compare the cost for each based on the average cost of all applicable accounting methods.

(d) Please see my response to part (c).

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**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.

**RESPONSE:**

The above-referenced handwritten and QBRM mail flow densities were taken from a mail flow density study conducted by witness Miller (see USPS-T-24, Appendix IV).

## DECLARATION

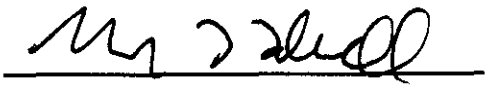
I, Chris F. Campbell, declare under penalty of perjury that the foregoing answers are true to the best of my knowledge, information and belief.

Chris F. Campbell

Dated: 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.



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