

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

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POSTAL RATE AND FEE CHANGES, 2000

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R2000-1

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER  
TO INTERROGATORY OF E-STAMP  
(E-STAMP/USPS-T33-2) (ERRATUM)

The United States Postal Service hereby provides the revised response of witness Miller to the following interrogatory of E-Stamp: E-STAMP/USPS-T24-2. The original response was filed on March 22, 2000. The revised response supplements the original response with additional information. The revised response supersedes the original response.

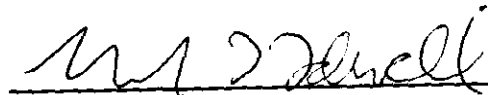
The interrogatory is stated verbatim and is followed by the revised response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2998 Fax -5402  
April 12, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO  
INTERROGATORIES OF E-STAMP CORPORATION  
REVISED 4/12/2000**

**E-STAMP/USPS-T24-2**

In Appendix I, page 1, you have listed a summary of First Class letters where in you compare Bulk Metered Mail letters as a benchmark to the various presort categories of First Class letters, and estimate the work sharing related savings for each category. Please provide the same information for the non-automation presort letters and automation basic presort letters, using a benchmark of handwritten letters rather than Bulk Metered Mail letters.

**RESPONSE:**

As stated on page 1, the purpose of my testimony is to develop cost estimates related to the First-Class Mail presort letters and cards and the Standard Mail (A) presort letters rate categories. I have not attempted to develop worksharing related savings estimates using specific single-piece mail types as benchmarks, other than Bulk Metered Mail (BMM) letters. In order to develop a handwritten estimate using a cost methodology that is consistent with the remainder of my testimony, it would be necessary to de-average the First-Class single-piece letters mail processing unit costs from LR I-81 for all single-piece mail types. I have not performed the background work necessary to accomplish this task as it is clearly outside the scope and purpose of my testimony.

In order to develop First-Class handwritten letters cost estimates, the following tasks would have to be performed: (1) a new CRA mail processing unit cost category would have to be calculated, (2) a single-piece EXCEL workbook would have to be created from the base model workbook, (3) the density tables would have to be revised, and (4) the delivery unit costs for single piece letters would have to be created.

**(1) CRA MAIL PROCESSING UNIT COSTS**

The single-piece letters rate category contains the following mail types: Courtesy Reply Mail (CRM) letters, Business Reply Mail (BRM) letters, handwritten letters, machine printed letters, and metered letters. One of these mail types, BRM letters, has a unique rate and fee structure. As a result, it would at least be necessary to calculate a CRA mail processing unit cost category that excludes BRM. Since LR-I-81 already contains

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INTERROGATORIES OF E-STAMP CORPORATION  
REVISED 4/12/2000**

**RESPONSE to E-STAMP/USPS-T24-2 (Continued)**

the unit costs for single-piece metered letters, it may be best to calculate the mail processing unit costs for "single piece non-metered non-BRM letters."

In addition, it may also be necessary to evaluate the impact that weight differences between the mail types would have on the final result. For example, it is likely that the average weight for a CRM letter is less than that for a handwritten letter. These weight differences could affect the results. Therefore, this issue would have to be investigated.

The RPW system can be used to obtain single-piece letters mail volumes by ounce increment, but cannot be used to determine the single-piece letters mail volumes by mail type. On the other hand, the ODIS system can be used to determine the single-piece letters mail volumes by mail type, but cannot be used to obtain single-piece letters mail volumes by ounce increment. It is therefore possible to apply the ODIS percentages by mail type to the RPW volumes, but it is not possible to further break down those volumes by both mail type and ounce increment. Since the RPW volumes are a crucial element in calculating CRA mail processing unit costs, it is not possible to limit the impact that weight differences between mail types might have on the final result.

It is estimated that it would take at least one week to determine and calculate the proper CRA mail processing unit cost category for single-piece letters. I would consider this optimistic based on my cost estimating experience as it is rare that some unforeseen issue does not surface.

**(2) FIRST-CLASS SINGLE-PIECE LETTERS EXCEL WORKBOOK**

I would also have to create a new single-piece letters EXCEL workbook from my base model workbook. This workbook would consist of mail flow spreadsheets and cost

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INTERROGATORIES OF E-STAMP CORPORATION  
REVISED 4/12/2000**

**RESPONSE to E-STAMP/USPS-T24-2 (Continued)**

spreadsheets for CRM letters, handwritten letters, and machine printed letters (assuming that "First-Class single-piece non-metered non-BRM letters" proves to be the proper CRA mail processing unit cost category). In addition, a supporting summary spreadsheet and CRA adjustment spreadsheet would have to be created. The latter spreadsheet would rely on mail volume data. Therefore, both ODIS volumes and RPW volumes for these mail types would have to be obtained and analyzed. I estimate that it would take at least 2 weeks to complete these tasks in a manner where I would feel confident in the results.

**(3) DENSITY TABLES**

The density tables that have been updated in this docket (see USPS-T-24, Appendix IV and Miller Workpaper I) would also have to be recalculated to include single-piece mail volumes that were ignored when the presort tables were calculated last fall. In updating those tables, I analyzed the End-Of-Run reports, bin-by-bin, for all the sort plans used for a given set of operation numbers from 38 different plants. The raw data alone involves hundreds of spreadsheets that would have to be reviewed and changed to include single-piece mail volumes. In addition, it may be necessary to develop multiple tables for the different mail types. This point would require further investigation.

The process of updating the tables last fall required 6 weeks of full-time data entry and consolidation. I would estimate that the process of revising these tables would take at least 2 weeks and could very well require more time.

**(4) DELIVERY UNIT COSTS**

I assume that the average single-piece letters delivery unit costs would be used as a proxy for handwritten letters. It is my understanding that the process of de-averaging the single-piece letters delivery unit costs is more complicated than that used to

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INTERROGATORIES OF E-STAMP CORPORATION  
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**RESPONSE to E-STAMP/USPS-T24-2 (Continued)**

de-average presort letters delivery unit costs. As a result, if E-Stamp wishes to have the single-piece letters delivery unit costs de-averaged, additional time would be required. It is difficult to estimate the time necessary to perform this task as single-piece letters delivery unit costs are not typically de-averaged.

Accordingly, I would suggest using data that exists within some other data source (e.g., LR-I-81) as a proxy for the mail processing costs for single-piece handwritten letters.

**DECLARATION**

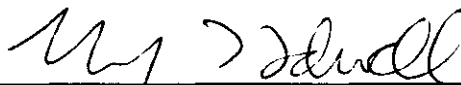
I, Michael W. Miller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Michael W. Miller", written over a horizontal line.

Dated: 4/12/2009

## 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.

A handwritten signature in black ink, appearing to read "M. T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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