DOCKET SECTION

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

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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS CAMPBELL TO INTERROGATORIES OF KEYSPAN ENERGY (KE/USPS-T29-34(c), 35(a), 46, 47 AND 49)

The United States Postal Service hereby provides the responses of witness Campbell to the following interrogatories of KeySpan Energy: (KE/USPS-T29-34(c), 35(a), 46 and 47, which were filed on March 15, 2000. Also provided is the response of witness Campbell to KE/USPS-T29-49, which was filed on April 21, 2000.

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

For ease of reference and administration, the responses to T29-34(a,d-g) and T29-35(b,c), which were filed on April 6, 2000, are repeated verbatim here. Accordingly, the response to T29-35 filed today reflects answers to all of the subparts in one document.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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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?

(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

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KE/USPS-T29-34 (continued)

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) My assumption that 100% of all QBRM that is sorted in the incoming MMP primary would also be sorted in the SCF incoming primary is based on field observations. I do not have any documents that would be responsive to this request.

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

(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.

(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) The assumption that "QBRM pieces do not typically go directly from an incoming MMP operation to an incoming secondary operation" is based on field observations. I do not have any documents that would be responsive to this request.

(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

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

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 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/USPST29-46.

Please consider a reply mail recipient who receives large volumes of both QBRM and pre-barcoded CRM.

(a) Please describe all differences in how the Postal Service will process the QBRM and CRM of this recipient, particularly after the letters reach the incoming primary sortation.

(b) Please confirm that on average, 41.6% of the QBRM will be manually sorted to the end user, as you show in LR-I-160, Section, B, p. 2.

(c) Please confirm that, on average, prior to being sent to the postage due unit, 83.02% of QBRM will be sorted in the SCF automation incoming primary, 10.71% will be sorted in the manual incoming secondary and 6.27% will be sorted in the automation incoming 2-pass secondary, as you show in LR-I-160, Section L, p. 5.

(d) Please explain how both parts (b) and (c) can both describe the correct flow of QBRM letters.

(e) Please provide the average percentage of CRM pieces that will be sorted in the (1) SCF automation incoming primary, (2) the manual incoming primary, and (3) the automation incoming secondary operations, respectively, prior to being sent to the delivery operation.

(f) Please explain any differences among the comparable percentages you provide in response to part (e) and the percentages you confirm in response to part (c).

RESPONSE:

(a) In general, mail processing operations for QBRM and CRM pieces are identical with one important distinction. There is a greater likelihood that CRM pieces will be held out in an outgoing operation than QBRM pieces. Thus, CRM pieces may possibly never reach the incoming primary operation. The primary reason is that CRM pieces are more likely to be received in high volumes on a consistent basis than QBRM

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Response to KE/USPS-T29-46 (continued)

pieces, particularly CRM pieces originating and destinating in the same SCF.

(b) Confirmed.

(c) The mail processing model shows that, on average, prior to being sent to the postage due unit, 83.02% of QBRM will be sorted in the SCF automation incoming primary, 10.71% will be sorted in the manual incoming secondary, and 6.27% will be sorted in the automation incoming 2-pass secondary operation.

(d) The model used to estimate the QBRM cost avoidance is based on average mail flow densities and is intended to be consistent with all other First-Class letter models (see my response to KE/USPS-T29-34). The model that is used to estimate QBRM counting, sorting, rating, and billing costs is based on the BRM Practices Study (see USPS LR-H-172), a study that was specifically tailored to business reply mail. Each model is used for very different purposes and, thus, may produce seemingly different outcomes.

(e) The percentages that you are requesting are not available because the Postal Service does not collect these data.

(f) Please see my response to part (e).

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KE/USPS-T29-47.

Please refer to your answer to Interrogatory KEIUSPS-T29-15(c), where you confirm that you assumed that the mail flow densities for QBRM and handwritten addressed letters are identical, with one exception. You also state on page 40 of your testimony that you used the general First-Class Mail flow densities in your cost analysis to estimate the QBRM and handwritten addressed model unit costs.

(a) Does the statement above fairly represent your testimony with regard to the mail flows shown in LR-I-160, Schedule L, pages 2 and 3? If not, please explain.

(b) Has the Postal Service developed a mail flow cost model for general First-Class letters to see how such a derived unit cost compares to the CRM-derived unit cost of 12.30 cents, provided in LR-I-81, Mpshusty, Schedule TY Letters (4)? If yes, please provide that flow diagram, including all backup materials and assumptions made pertaining to the derivation of that unit cost? If not, why not?

(c) How does the cost flow model provided by USPS witness Miller for metered mail differ from that for general First-Class letters, as you have used the mail flow in your testimony? Please describe all differences between the two models as well as the reasons for those differences.

(d) Do you agree that the unique density characteristic exhibited by QBRM, whereby one-third of the pieces are addressed to individual customers who receive large quantities, is a cost-savings attribute? If you do not agree, please explain how high mail densities at the delivery end of the mail service spectrum would not have the impact of saving costs. See USPS-T-39, WP5.

(e) How have you reflected the unique density characteristic exhibited by QBRM, discussed in part (d) in your mail flow model derived unit costs, if you did.

RESPONSE:

(a) Yes. The statement fairly represents my testimony.

(b) I am not aware of any mail flow cost model generated by the Postal Service for "general" First-Class letters.

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Response to KE/USPS-T29-47 (continued)

(c) The cost flow model provided by witness Miller (USPS-T-24) for metered mail differs from my QBRM model in two ways. First, in the metered mail model, 10,000 mail pieces enter the model in the Outgoing ISS operation, which is generally reflective of bulk metered mail. In the QBRM model, 10,000 mail pieces enter in the Outgoing Primary operation because these pieces generally do not flow through the RBCS operation. In the handwritten model, 10,000 mail pieces enter in the Outgoing RCR operation, because handwritten pieces have already received an image-lift in the facing and canceling operation.

The second difference pertains to the percentages found in the Miscellaneous Factors worksheet, Automation Incoming Secondaries. The metered mail and handwritten mail percentages are assumed to be the same because these mail pieces are generally part of the same mail stream. QBRM pieces that are sorted on a DBCS, however, are generally passed two times on the DBCS. The 100 percent found in the Miscellaneous Factors worksheet reflects this assumption.

(d) It is possible that the "unique density characteristic" is a cost savings attribute for a small percentage of QBRM accounts. Please note, however, that there are far more *non-BRM* users who have similar density characteristics and receive mail in high volumes.

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Response to KE/USPS-T29-47 (continued)

(e) The "unique density characteristic" exhibited by QBRM was not specifically addressed in my mail flow model.

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KE/USPS-T29-49.

Using the database and search capabilities available through the PERMIT system, please provide for the base year and the most recent twelve month period for which data are available, a list of the 75 QBRM recipients who received the highest total volumes during such periods. For each high volume QBRM recipient identified as such from the PERMIT system, please provide, in tabular form, the following information from PERMIT data if available or other sources if PERMIT data does not include the requested information:

(a) the location of the postal facility where such QBRM recipient receives its reply mail;

(b) the total volumes of QBRM received during the relevant twelve month period;

(c) how many different addresses the QBRM recipient maintains for QBRM at such postal facility;

(d) if a listed QBRM recipient maintains more than one QBRM address at that facility, the volumes of QBRM delivered to each of the other addresses during the relevant periods;

(e) whether the address printed on each of the QBRM recipient's reply piece is a post office box or a physical street address;

(f) for recipients whose reply mail pieces are addressed to post office boxes, whether the QBRM recipient's reply mail pieces are picked up by the recipient or its designated representatives from the post office box or through firm holdout procedures, or whether postal service personnel routinely deliver the recipient's QBRM volumes to the recipients place of business;

(g) the method customarily used to sort such recipient's QBRM to the recipient and the processing step (e.g. incoming primary, incoming secondary) and the location where the final sort to that recipient occurs (e.g. at another postal facility, outside the postage due unit in the destination facility, or within the postage due unit in the destination facility; and

(h) if the QBRM recipient received BRM at such facility in 1989, please furnish the information requested in part (g) for 1989.

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KE/USPS-T29-49 (continued)

Please note that you are not being requested to identify individual QBRM recipients. If the annual volume received by any of the high volume QBRM recipients you identify is less than 113,333 pieces, please so indicate and do not furnish the information requested in parts (a), (c)-(h).

RESPONSE:

(a), (b) Attachment 1 to this response provides a list of the 75 QBRM accounts identified by PERMIT that received the highest QBRM volumes during the first three quarters of FY98. The fourth quarter of data could not be located. Locations and customer names have been masked due to the sensitive nature of these data.

Attachment 2 provides the same listing described above for the period FY99, AP6 through FY00, AP6. Again, the locations and customer names have been masked.

(c) I am unable to provide the number of different addresses that each QBRM recipient maintains at each postal facility. While many QBRM recipients have multiple addresses at one postal facility, the account names entered into the PERMIT system do not necessarily reflect the same account holder name. For example, Company ABC may have three addresses, or PO box numbers, at Post Office A. The three records entered into the PERMIT system may have completely different names, somewhat similar names, or exactly the same name. This situation makes

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Response to KE/USPS-T29-49 (continued)

the request in KE/USPS-T29-49 (c) virtually impossible to achieve without calling each QBRM site for this information.

(d) I am unable to provide the requested volumes for the reason described above in part (c).

(e)-(g) None of the data requested in these subparts is available within the PERMIT system or any other Postal data base. In an effort to collect these data, individual postal facilities were telephoned over a four-day period. It was soon determined that telephoning individual sites was inefficient and produced little usable data. The only efficient data collection method, given the complexity and scope of the data request, is a multi-faceted survey, which is not feasible at this time. Such a survey would require instruction and completion by personnel at Post Offices and supporting mail processing facilities for each customer identified in Attachments 1 and 2. Among those who would need to be surveyed are mail processing supervisors and clerks, postage due clerks at mail processing facilities and post offices, and delivery personnel. In addition, USPS Labor Relations specialists would have to review the survey prior to its release to field personnel for completion. The time period required for such an undertaking would be four weeks at a minimum.

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Response to KE/USPS-T29-49 (continued)

(h) Mail processing data from 1989 do not exist for the QBRM recipients identified in Attachments 1 and 2.

DECLARATION

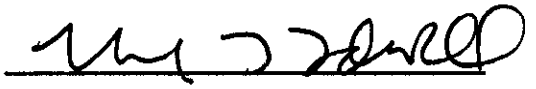
I, Chris F. Campbell, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information and belief.

Chris F. Campbell

April 14, 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.



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