

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
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 7
QUESTIONS 3 AND 4**

The United States Postal Service hereby provides responses to questions 3 and 4 of Presiding Officer's Information Request No. 7, issued on April 6, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 17, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO

PRESIDING OFFICER'S INFORMATION REQUEST NO. 7

3. Please refer to LR-I-95, LR95revised.xls, sheets 'city load' (cl) and 'Delivery Volume' (dv). Shortening the notation somewhat, the formula in cell C64 on sheet cl is $C53 * dvG3 + (dvG13 - dvG3) * C53$, which, after factoring and reducing equals $C53 * dvG13$. In words, the formula is the unit cost of letters times the DMM-defined letter volume. The formula in cell D64 is $D53 * dvH3 + (dvH13 - dvH3) * C53$. This one does not reduce. In words, the formula is the unit cost of flats times the CS7 volume of flats plus the difference in flat volume between the DMM and CS7 times the unit cost of letters. It is not clear why a flat-volume difference should be multiplied by the unit cost of letters. Please provide a rationale for this product and explain the rationale for the lack of symmetry between cells cl C64 through C71, and cells cl D64 through E71.

RESPONSE:

As discussed in my response to POIR#6 question 4, "using City Carrier Cost System (CCS) volumes can overstate true volume of DMM-defined letters delivered by city carriers because the volumes by shape recorded in the CCS can be based on where mail is physically cased instead of its DMM shape." It can be deduced that any amount of volume regarded by the DMM as flats that are in excess of what CCS regards as flats ($dvH13 - dvH3$) must be what CCS regards as letters. Therefore, the appropriate cost per piece for this volume is the CCS letter cost per piece. This happens because some flats have been identified as letters in the CCS because they are cased in the letter case. It is my understanding that these flats are assumed to have the average elemental load costs of letters since they would presumably be part of a letter bundle. Thus, it is logical in this case to assign letter unit costs to this portion of DMM-defined flats.

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4 Please refer to USPS-T-28, Table 5, revised 3/1/00. The cost difference between the "Regular Nonletter Subtotal" of 8.359 cents and the "ECR Basic Nonletters" cost of 6.589 cents, being 1.77 cents, is used by witness Taufique (USPS-T-38) as part of the cost basis for the carrier route discount for Outside-County Periodicals. It appears that both of these cost figures are weighted averages of the corresponding costs of flats and of parcels within each category.

- (a) Please provide the proportion of flats to parcels for each of these Standard A categories.
- (b) Please provide the relative proportions of flats to parcels in the Periodicals categories of 5-digit and carrier route.
- (c) Acknowledging the relative levels of parcels in the two Standard A categories, please explain the meaning of the cost difference of 1.77 cents and explain its applicability to Periodicals discounts.

RESPONSE:

- a. Using data provided in Sections I and II of USPS LR-I-92, Standard (A), the proportions are as follows:

Regular 3/5 Nonauto	36.25% flats to 12.33% parcels (3 to 1)
Regular CR	37.20% flats to 2.31% parcels (16 to 1)

- b. Using data provided in Section IV of USPS :LR-I-94, Periodicals, the proportions are as follows:

Regular 3/5 Nonauto	99.62% flats to 0.042% parcels (2,354 to 1)
Regular CR	99.67% flats to 0.001% parcels (79,042 to 1)
Nonprofit 3/5 Nonauto	93.43% flats to 0.030% parcels (3,090 to 1)
Nonprofit CR	98.85% flats to 0.002% parcels (46,531 to 1)
Combined 3/5 Nonauto	98.51% flats to 0.040% parcels (2,453 to 1)
Combined CR	99.44% flats to 0.002% parcels (65,797 to 1)

- c. The 1.77 cents cost difference is the difference between the weighted average cost of Standard Mail (A) Regular nonletters and ECR Basic nonletters. Since data were not developed separately for flats and parcels in ECR, it is not currently possible to re-estimate Periodicals carrier route costs using Periodical's percentages of flats and parcels. Thus, the 1.77 cents cost difference is the best available proxy for Periodicals costs.

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: 4/17/00

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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