

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

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-106 AND 112)

The United States Postal Service hereby provides its response to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-106 and 112, which were filed on March 31, 2000.

Each interrogatory is stated verbatim and is followed by the response. In OCA/USPS-106, both the question and the answer to 106(d) follow the answers to 106(a-c).

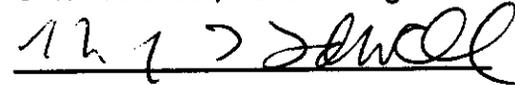
These interrogatories were filed as part of a set including OCA/USPS-106 through 116. Under separate cover, the answers to all but 106, 108 and 112 were filed on Friday, April 14th. It is anticipated that the response to 108 will be filed this week.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 17, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-106 Please refer to the response to OCA/USPS-69.

- (a) Please provide the same information for GFY 1998.
- (b) Please provide the information requested in OCA/USPS-69 and in part (a) of this interrogatory by shape - i.e., letters, flats, parcels.
- (c) Please confirm that the Postal Service earns additional revenue on nonstandard single-piece First Class Letters of approximately 50 percent of the revenue it would earn if all pieces paid proper postage (net overpayments of \$21.5 million versus approximately \$41.8 million if \$380 million pieces paid \$0.11). If you do not confirm, please provide the correct percentages and derivations for GFYs 1998 and 1999.

RESPONSE:

- (a) See Attachments 1-3.
- (b) See Attachments 4-9 for GFY 1999 and 10-15 for GFY 1998.
- (c) Not confirmed. For First-Class nonstandard letters, the percentages are calculated as follows:

| | <u>GFY 98</u> | <u>GFY 99</u> |
|----------------------------------|---------------|---------------|
| Total Nonstd Letter Volume | 64,552,853 | 72,673,950 |
| Nonstd Surcharge | \$0.11 | \$ 0.11 |
| Total Nonstd Postage | \$ 7,100,814 | \$ 7,994,135 |
| Over Paid Revenue | \$ 2,536,236 | \$ 2,012,692 |
| Short Paid Revenue | \$ 595,337 | \$ 743,888 |
| Net Over/Short Paid Revenue | \$ 1,940,899 | \$ 1,268,804 |
| Net Revenue/Total Nonstd Postage | 27.33% | 15.87% |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE LETTERS, FLATS, AND IPPs
GFY 1998**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|---------------------------------|----------------------------|-------------------------------|
| \$0.010 | 3,293,519 | 32,934 |
| \$0.110 | 789,451 | 86,767 |
| \$0.120 | 17,343,861 | 2,081,260 |
| \$0.130 | 1,781,599 | 231,287 |
| \$0.220 | 1,193,522 | 262,526 |
| \$0.230 | 260,917,811 | 60,011,087 |
| \$0.320 | 41,152,056 | 13,168,352 |
| \$0.330 | 782,404 | 258,166 |
| \$0.440 | 146,885 | 64,629 |
| \$0.460 | 13,906,089 | 6,396,801 |
| \$0.660 | 92,563 | 61,092 |
| \$0.690 | 4,224,167 | 2,914,675 |
| \$0.880 | 371,877 | 327,251 |
| \$0.920 | 2,012,346 | 1,851,358 |
| Varies | 136,695,735 | 33,301,791 |
| | 484,703,885 | 121,049,976 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|--------------------------------|----------------------------|------------------------------|
| \$0.090 | 247,611,219 | 22,285,010 |
| \$0.110 | 14,648,662 | 1,611,384 |
| \$0.220 | 4,768,490 | 1,049,067 |
| \$0.230 | 442,100,507 | 101,683,200 |
| \$0.310 | 2,075,658 | 643,455 |
| \$0.320 | 131,493,217 | 42,077,829 |
| \$0.330 | 912,231 | 301,101 |
| \$0.440 | 98,200 | 43,208 |
| \$0.460 | 24,810,484 | 11,412,815 |
| \$0.660 | 361,090 | 238,320 |
| \$0.690 | 4,969,068 | 3,428,657 |
| \$0.880 | 25,714 | 22,628 |
| \$0.920 | 3,082,695 | 2,836,080 |
| Varies | 292,014,592 | 101,994,977 |
| | 1,168,971,827 | 289,627,731 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE NONSTANDARD LETTERS, FLATS, AND IPPs
GFY 1998**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|--|-----------------------------------|--------------------------------------|
| \$0.110 | 27,541,412 | 3,029,556 |
| Varies | 2,742,263 | 284,016 |
| | 30,283,675 | 3,313,572 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|---------------------------------------|-----------------------------------|-------------------------------------|
| \$0.110 | 61,501 | 6,748 |
| \$0.120 | 55,093,908 | 6,611,268 |
| \$0.210 | 16,766,700 | 3,521,007 |
| \$0.220 | 428,071 | 94,176 |
| Varies | 15,617,173 | 4,958,216 |
| | 87,967,353 | 15,191,415 |

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE CARDS
GFY 1998**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|---------------------------------|----------------------------|-------------------------------|
| \$0.200 | 1,796,077 | 359,149 |
| Varies | 2,607,386 | 60,483 |
| | 4,403,463 | 419,632 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|--------------------------------|----------------------------|------------------------------|
| \$0.120 | 146,037,655 | 17,524,519 |
| \$0.130 | 96,279 | 12,516 |
| Varies | 26,681,267 | 1,456,707 |
| | 172,815,201 | 18,993,742 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE LETTERS
GFY 1999**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|--|-----------------------------------|--------------------------------------|
| \$0.010 | 238,655,560 | 2,386,556 |
| \$0.110 | 10,918,859 | 1,201,215 |
| \$0.120 | 4,828,382 | 579,774 |
| \$0.130 | 8,676,585 | 1,127,657 |
| \$0.220 | 121,285,728 | 26,682,939 |
| \$0.230 | 48,330,269 | 11,115,908 |
| \$0.320 | 13,889,049 | 4,443,729 |
| \$0.330 | 22,042,286 | 7,273,581 |
| \$0.440 | 3,944,733 | 1,735,683 |
| \$0.460 | 794,939 | 365,672 |
| \$0.660 | 711,164 | 469,368 |
| \$0.690 | 140,153 | 96,705 |
| \$0.880 | 158,682 | 139,640 |
| \$0.920 | 12,966 | 11,929 |
| Varies | 67,070,788 | 7,660,704 |
| | 541,460,143 | 65,291,060 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|---------------------------------------|-----------------------------------|-------------------------------------|
| \$0.090 | 49,082,590 | 4,417,492 |
| \$0.110 | 111,315,931 | 12,244,752 |
| \$0.220 | 218,567,588 | 48,084,869 |
| \$0.230 | 77,499,382 | 17,824,858 |
| \$0.310 | 41,292,681 | 12,800,686 |
| \$0.320 | 41,896,597 | 13,406,911 |
| \$0.330 | 85,255,865 | 28,134,436 |
| \$0.440 | 16,777,487 | 7,382,094 |
| \$0.460 | 2,885,917 | 1,327,522 |
| \$0.660 | 5,137,125 | 3,390,503 |
| \$0.690 | 215,814 | 148,912 |
| \$0.880 | 429,242 | 377,733 |
| \$0.920 | 483,067 | 444,422 |
| Varies | 161,898,415 | 38,971,632 |
| | 812,737,701 | 188,956,822 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE FLATS
GFY 1999**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|---------------------------------|----------------------------|-------------------------------|
| \$0.010 | 1,462,847 | 14,628 |
| \$0.110 | 15,887,212 | 1,747,538 |
| \$0.120 | 2,019,988 | 242,399 |
| \$0.130 | 1,340,316 | 174,241 |
| \$0.220 | 54,954,698 | 12,090,034 |
| \$0.230 | 19,325,966 | 4,444,972 |
| \$0.320 | 198,487 | 63,516 |
| \$0.330 | 3,990,664 | 1,316,919 |
| \$0.440 | 6,709,434 | 2,952,151 |
| \$0.460 | 2,622,608 | 1,206,400 |
| \$0.660 | 2,733,577 | 1,804,160 |
| \$0.690 | 969,608 | 669,030 |
| \$0.880 | 1,333,210 | 1,173,221 |
| \$0.920 | 471,514 | 433,793 |
| Varies | 43,148,051 | 18,731,113 |
| | 157,168,180 | 47,064,115 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|--------------------------------|----------------------------|------------------------------|
| \$0.090 | 22,310,065 | 2,007,906 |
| \$0.110 | 51,541,901 | 5,669,636 |
| \$0.220 | 113,439,169 | 24,956,617 |
| \$0.230 | 46,168,695 | 10,618,800 |
| \$0.310 | 1,054,651 | 326,942 |
| \$0.320 | 1,938,655 | 620,370 |
| \$0.330 | 8,426,026 | 2,780,589 |
| \$0.440 | 19,983,865 | 8,792,874 |
| \$0.460 | 4,080,345 | 1,876,959 |
| \$0.660 | 4,718,247 | 3,114,043 |
| \$0.690 | 1,590,964 | 1,097,765 |
| \$0.880 | 2,401,341 | 2,113,180 |
| \$0.920 | 657,912 | 605,279 |
| Varies | 161,159,865 | 41,756,505 |
| | 439,471,701 | 106,337,465 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE IPPs
GFY 1999**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|--|-----------------------------------|--------------------------------------|
| \$0.010 | 189,552 | 1,896 |
| \$0.110 | 828,612 | 91,147 |
| \$0.120 | 157,764 | 18,932 |
| \$0.130 | 78,327 | 10,183 |
| \$0.220 | 5,954,328 | 1,309,952 |
| \$0.230 | 2,312,991 | 531,988 |
| \$0.320 | 18,170 | 5,814 |
| \$0.330 | 333,995 | 110,218 |
| \$0.440 | 854,213 | 375,854 |
| \$0.460 | 354,897 | 163,253 |
| \$0.660 | 345,786 | 228,218 |
| \$0.690 | 138,736 | 95,728 |
| \$0.880 | 184,605 | 162,453 |
| \$0.920 | 90,024 | 82,822 |
| Varies | 5,447,540 | 3,086,479 |
| | 17,289,540 | 6,274,937 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|---------------------------------------|-----------------------------------|-------------------------------------|
| \$0.090 | 1,646,084 | 148,148 |
| \$0.110 | 4,206,671 | 462,734 |
| \$0.220 | 12,740,856 | 2,802,988 |
| \$0.230 | 5,382,156 | 1,237,895 |
| \$0.310 | 121,252 | 37,588 |
| \$0.320 | 165,583 | 52,987 |
| \$0.330 | 1,063,336 | 350,901 |
| \$0.440 | 1,981,304 | 871,774 |
| \$0.460 | 369,293 | 169,875 |
| \$0.660 | 580,417 | 383,076 |
| \$0.690 | 166,565 | 114,930 |
| \$0.880 | 228,385 | 200,979 |
| \$0.920 | 66,796 | 61,453 |
| Varies | 17,449,333 | 6,322,453 |
| | 46,168,031 | 13,217,781 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE NONSTANDARD LETTERS
GFY 1999**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|---------------------------------|----------------------------|-------------------------------|
| \$0.110 | 6,460,773 | 710,685 |
| Varies | 833,292 | 33,203 |
| | 7,294,065 | 743,888 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|--------------------------------|----------------------------|------------------------------|
| \$0.110 | 2,249,513 | 247,446 |
| \$0.120 | 1,989,977 | 238,797 |
| \$0.210 | 1,319,547 | 277,105 |
| \$0.220 | 2,082,147 | 458,072 |
| Varies | 3,709,546 | 791,272 |
| | 11,350,730 | 2,012,692 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE NONSTANDARD FLATS
GFY 1999**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|--|-----------------------------------|--------------------------------------|
| \$0.110 | 31,398,905 | 3,453,835 |
| Varies | 6,323,306 | 423,882 |
| | 37,722,211 | 3,877,717 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|---------------------------------------|-----------------------------------|-------------------------------------|
| \$0.110 | 49,454,573 | 5,440,003 |
| \$0.120 | 16,019,952 | 1,922,394 |
| \$0.210 | 3,117,021 | 654,574 |
| \$0.220 | 9,769,273 | 2,149,240 |
| Varies | 15,635,034 | 6,275,286 |
| | 93,995,853 | 16,441,497 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE NONSTANDARD IPPs
GFY 1999**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|---------------------------------|----------------------------|-------------------------------|
| \$0.110 | 1,678,815 | 184,670 |
| Varies | 369,619 | 11,076 |
| | 2,048,434 | 195,746 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|--------------------------------|----------------------------|------------------------------|
| \$0.110 | 1,792,914 | 197,221 |
| \$0.120 | 571,705 | 68,605 |
| \$0.210 | 580,501 | 121,905 |
| \$0.220 | 962,524 | 211,755 |
| Varies | 6,852,572 | 5,633,218 |
| | 10,760,216 | 6,232,704 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE LETTERS
GFY 1998**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|--|-----------------------------------|--------------------------------------|
| \$0.010 | 967,896 | 9,678 |
| \$0.110 | 522,140 | 57,376 |
| \$0.120 | 11,595,767 | 1,391,492 |
| \$0.130 | 998,611 | 129,502 |
| \$0.220 | 523,441 | 115,108 |
| \$0.230 | 184,260,189 | 42,379,843 |
| \$0.320 | 40,892,752 | 13,085,377 |
| \$0.330 | 122,080 | 40,286 |
| \$0.440 | 773 | 340 |
| \$0.460 | 3,902,324 | 1,795,069 |
| \$0.660 | 9 | 6 |
| \$0.690 | 320,484 | 221,134 |
| \$0.880 | 331 | 291 |
| \$0.920 | 269,302 | 247,758 |
| Varies | 70,138,969 | 8,978,292 |
| | 314,515,068 | 68,451,552 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|---------------------------------------|-----------------------------------|-------------------------------------|
| \$0.090 | 180,338,205 | 16,230,438 |
| \$0.110 | 8,541,406 | 939,586 |
| \$0.220 | 591,325 | 130,090 |
| \$0.230 | 287,361,639 | 66,093,285 |
| \$0.310 | 63,027 | 19,539 |
| \$0.320 | 126,827,029 | 40,584,649 |
| \$0.330 | 490,531 | 161,940 |
| \$0.440 | 721 | 317 |
| \$0.460 | 11,524,314 | 5,301,184 |
| \$0.660 | 251,624 | 166,072 |
| \$0.690 | 1,442,103 | 995,051 |
| \$0.880 | 9,631 | 8,475 |
| \$0.920 | 1,535,965 | 1,413,088 |
| Varies | 142,728,212 | 48,863,552 |
| | 761,705,732 | 180,907,266 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE FLATS
GFY 1998**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|---------------------------------|----------------------------|-------------------------------|
| \$0.010 | 2,073,520 | 20,735 |
| \$0.110 | 232,748 | 25,598 |
| \$0.120 | 5,517,483 | 662,098 |
| \$0.130 | 536,544 | 69,747 |
| \$0.220 | 608,636 | 133,900 |
| \$0.230 | 68,753,190 | 15,813,225 |
| \$0.320 | 188,674 | 60,376 |
| \$0.330 | 602,785 | 198,892 |
| \$0.440 | 142,460 | 62,682 |
| \$0.460 | 8,996,408 | 4,138,348 |
| \$0.660 | 83,313 | 54,987 |
| \$0.690 | 3,511,304 | 2,422,800 |
| \$0.880 | 296,480 | 260,902 |
| \$0.920 | 1,396,405 | 1,284,692 |
| Varies | 59,182,598 | 21,279,208 |
| | 152,122,548 | 46,488,190 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|--------------------------------|----------------------------|------------------------------|
| \$0.090 | 62,076,162 | 5,586,855 |
| \$0.110 | 5,829,046 | 641,195 |
| \$0.220 | 3,574,080 | 786,298 |
| \$0.230 | 139,430,871 | 32,069,076 |
| \$0.310 | 1,717,818 | 532,524 |
| \$0.320 | 4,289,201 | 1,372,544 |
| \$0.330 | 360,454 | 118,950 |
| \$0.440 | 86,849 | 38,214 |
| \$0.460 | 12,154,419 | 5,591,026 |
| \$0.660 | 96,607 | 63,761 |
| \$0.690 | 3,212,748 | 2,216,796 |
| \$0.880 | 11,947 | 10,513 |
| \$0.920 | 1,399,681 | 1,287,707 |
| Varies | 131,501,470 | 46,722,723 |
| | 365,741,353 | 97,038,182 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE IPPs
GFY 1998**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|--|-----------------------------------|--------------------------------------|
| \$0.010 | 252,103 | 2,521 |
| \$0.110 | 34,563 | 3,793 |
| \$0.120 | 230,611 | 27,670 |
| \$0.130 | 246,444 | 32,038 |
| \$0.220 | 61,445 | 13,518 |
| \$0.230 | 7,904,432 | 1,818,019 |
| \$0.320 | 70,630 | 22,599 |
| \$0.330 | 57,539 | 18,988 |
| \$0.440 | 3,652 | 1,607 |
| \$0.460 | 1,007,357 | 463,384 |
| \$0.660 | 9,241 | 6,099 |
| \$0.690 | 392,379 | 270,741 |
| \$0.880 | 75,066 | 66,058 |
| \$0.920 | 346,639 | 318,908 |
| Varies | 7,374,168 | 3,044,291 |
| | 18,066,269 | 6,110,234 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|---------------------------------------|-----------------------------------|-------------------------------------|
| \$0.090 | 5,196,852 | 467,717 |
| \$0.110 | 278,210 | 30,603 |
| \$0.220 | 603,085 | 132,679 |
| \$0.230 | 15,307,997 | 3,520,839 |
| \$0.310 | 294,813 | 91,392 |
| \$0.320 | 376,987 | 120,636 |
| \$0.330 | 61,246 | 20,211 |
| \$0.440 | 10,630 | 4,677 |
| \$0.460 | 1,131,751 | 520,605 |
| \$0.660 | 12,859 | 8,487 |
| \$0.690 | 314,217 | 216,810 |
| \$0.880 | 4,136 | 3,640 |
| \$0.920 | 147,049 | 135,285 |
| Varies | 17,784,910 | 6,408,702 |
| | 41,524,742 | 11,682,283 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE NONSTANDARD LETTERS
GFY 1998**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|---------------------------------|----------------------------|-------------------------------|
| \$0.110 | 4,955,500 | 545,105 |
| Varies | 770,329 | 50,232 |
| | 5,725,829 | 595,337 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|--------------------------------|----------------------------|------------------------------|
| \$0.110 | 3,505 | 368 |
| \$0.120 | 5,651,627 | 678,195 |
| \$0.210 | 3,966,860 | 833,041 |
| \$0.220 | 0 | 0 |
| Varies | 4,527,520 | 1,024,632 |
| | 14,149,512 | 2,536,236 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE NONSTANDARD FLATS
GFY 1998**

| <u>Short Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Short Paid Revenue</u> |
|---------------------------------|----------------------------|-------------------------------|
| \$0.110 | 21,615,197 | 2,377,672 |
| Varies | 1,924,679 | 227,685 |
| | 23,539,876 | 2,605,357 |

| <u>Over Paid Amount/Pc</u> | <u>GFY 1999 Volume</u> | <u>Over Paid Revenue</u> |
|--------------------------------|----------------------------|------------------------------|
| \$0.110 | 57,996 | 6,380 |
| \$0.120 | 46,864,186 | 5,623,702 |
| \$0.210 | 11,208,159 | 2,353,713 |
| \$0.220 | 70,854 | 15,588 |
| Varies | 10,269,926 | 3,531,910 |
| | 68,471,121 | 11,531,293 |

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**FIRST CLASS SINGLE-PIECE NONSTANDARD IPPs
GFY 1998**

| Short Paid <u>Amount/Pc</u> | GFY 1999 <u>Volume</u> | Short Paid <u>Revenue</u> |
|--|-----------------------------------|--------------------------------------|
| \$0.110 | 970,715 | 106,779 |
| Varies | 47,255 | 6,099 |
| | 1,017,970 | 112,878 |

| Over Paid <u>Amount/Pc</u> | GFY 1999 <u>Volume</u> | Over Paid <u>Revenue</u> |
|---------------------------------------|-----------------------------------|-------------------------------------|
| \$0.110 | 0 | 0 |
| \$0.120 | 2,578,095 | 309,371 |
| \$0.210 | 1,591,681 | 334,253 |
| \$0.220 | 357,217 | 78,588 |
| Varies | 819,727 | 401,674 |
| | 5,346,720 | 1,123,886 |

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OCA/USPS-106.

(d) Is net overpayment of all First Class postage included in the Postal Service's test year revenue calculations? If so where?

RESPONSE: Historically, the net overpayment of First Class postage in the letters subclass was included in the estimated volume of additional ounces. This was because all "residual revenue" was attributed to additional ounces by dividing such residual revenue by the prevailing additional ounce rate. For example, for First-Class single-piece, one would first sum the revenue obtained by: (1) multiplying the number of single pieces by the first-ounce rate, and (2) multiplying the number of nonstandard pieces by the nonstandard surcharge. Then, one would subtract this calculated sum from the postage revenue in RPW and attribute the resulting difference to additional ounces.

As a result of this approach, the historical estimates of additional ounces included both "physical" additional ounces associated with actual weight and "revenue" additional ounces associated with residual revenue. For workshared mail, the effect of this approach on additional ounces was modest. However, for single-piece mail, this calculation created a significant number of additional ounces. For example, according to the 1998 billing determinants (USPS-LR-I-125 at Table A-1) there was \$182 million of unexplained revenue in GFY 1998 (\$21,807,405 thousand less \$21,625,308 thousand). This would result in 792 million additional ounces associated with revenue under the historical method (\$182 million divided by 23 cents per additional ounce at the time). This approach did make intuitive sense since much of this unexplained revenue was most likely explained by single-piece mailers using first-ounce stamps for additional ounce postage.

For this docket, witness Fronk sought to improve the historical method by obtaining the distribution of single-piece mail by weight step from domestic RPW and the distribution of workshared mail by weight step from mailing statement data. He used this approach in developing the 1998 First-Class Mail billing determinants, thus obtaining a physical measure of additional ounces tied

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specifically to weight. This approach also created revenue adjustment factors for the letters subclass which were used to adjust revenue calculated using the billing determinants to 1998 RPW revenue totals, as shown in the First-Class Mail billing determinants for 1998.

In preparing the billing determinant portion of his workpaper, witness Fronk erred by not including these newly calculated revenue adjustment factors in his test year revenue calculation, thereby not properly reflecting the results of his improved additional ounce calculation. For the workshared portion of the letters subclass, the effect is relatively modest, as quantified below. However, for single-piece mail the potential impact of this is more significant due to the net overpayment of postage by mailers using first-ounce stamps.

Witness Fronk is filing errata to his workpaper and his testimony dated April 17, 2000 to incorporate the newly calculated revenue adjustment factors for the letters subclass in the test year revenue calculation. Because the factors for the cards subclass have a *de minimis* impact (approximately \$1 million in revenue), he will not adjust the cards subclass revenue calculation. The revenue adjustment factor for the cards subclass is small because cards paid at the letter rate have long been included directly in the billing determinants.

In addition to incorporating revenue adjustment factors, he is making a second change, also related to additional ounces. This second change revises the approach used to calculate Test Year single-piece additional ounces in this docket in favor of returning to the approach used by the Postal Service and the Commission in past dockets. This second change is prompted by his examination of the GFY 1999 versus GFY 1998 weight distribution data for single piece provided in his April 4 response to OCA/USPS-T33-13 (f), as discussed below.

Estimating single-piece additional ounces in the test year for this docket is complicated by: (1) the change in the maximum weight for First-Class Mail from

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11 ounces to 13 ounces, (2) the elimination of Standard (A) single piece on January 10, 1999 (Standard (A) single piece is typically heavier than existing First-Class), and (3) the fact that historical additional ounce volumes (before 1997) include additional ounces associated with residual or unexplained revenue.

Both the as-filed calculation and the revised method take the same approach to the breakpoint change and the elimination of Standard (A) single-piece, as indicated in his workpaper (revised page 7). The approaches differ in their treatment of the 0-11 ounce weight range.

In past dockets, it was assumed that the additional ounces per piece in the historical 0-11 ounce weight range for single-piece mail would remain the same between the base year and the test year. For this docket, the as-filed approach assumed that the additional ounces per piece for all mail in the letters subclass as a whole (both single-piece and workshared) and for the workshared portion of the letters subclass would remain the same between the base year and the test year. The result was an increase in the additional ounces per piece for the single-piece portion of the letters subclass between 1998 and the test year. This result was consistent with the observed increase in additional ounces per single piece between 1997 and 1998, the first year a comparison can actually be made between "physical" measures of additional ounces. This result was also consistent with mail migrating from the single piece category to the workshare category in response to worksharing incentives. If the pieces migrating from single-piece to workshare were typical of existing workshare mail pieces, the migrating pieces would be lighter than the average piece of single piece mail. The average weight of the remaining single-piece mail would increase.

This approach made intuitive sense and was consistent with data available when his workpaper was being developed. However, the newly available 1999 data filed by witness Fronk in response to OCA/USPS-T33-13 (f), indicate that the additional ounces per piece in this 0-11 ounce weight range

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have remained almost constant between 1998 and 1999. There were 0.3378 ounces per piece per the 1998 billing determinants, and 0.3387 ounces per piece in 1999 per the attachment to OCA/USPS-T33-13 (f)¹. Note that this 1999 figure may be somewhat overstated because the calculation does not attempt to adjust for heavier Standard (A) mail pieces migrating into First-Class single-piece.

If the as-filed approach had been applied to 1999, it would have resulted in approximately 350 million more additional ounces in 1999 for the 0-11 ounce weight range than actually occurred. As a result, the revised approach for 0-11 ounce pieces set forth on April 17, 2000 in the errata to his workpaper applies the 1998 additional ounce percentage to the test year (see Fronk workpaper at revised page 7), consistent with Postal Service and Commission precedent. It may be that the as-filed approach overestimated 1999 additional ounces because new pieces are also entering both the single-piece and workshare mailstreams, in addition to migrating between single-piece and workshare. This makes the situation quite dynamic and the associated weight changes hard to predict.

The increase in weight per piece assumed in the as-filed calculation of additional ounces for 0-11 ounce pieces was also accompanied in the filing by a final cost adjustment (that is, a cost adjustment after the rollforward was run) to account for the greater costs of processing heavy pieces. This has been recalculated, as indicated below. The final cost adjustment associated with the

¹ The 53,783,619 thousand pieces in the attachment result in 19,235,261 thousand additional ounces. Pieces in the 1 to 2 ounce weight increment are multiplied by 1, in the 2 to 3 ounce increment by 2, etc. The 52,583 thousand pieces in the 11 to 12 ounce weight step result in 578,417 thousand additional ounces ($52,583 * 11$), and the 39,518 thousand pieces in the 12 to 13 ounce weight step result in 474,219 ($39,518 * 12$) thousand additional ounces. Subtracting the additional ounces associated with these pieces from the total yields 18,182,625 thousand pieces for the 0-11 ounce weight range ($19,235,261 - 578,417 - 474,219$). Dividing these additional ounces by the corresponding pieces in the 0-11 ounce weight range ($53,783,619 - 52,583 - 39,518$) results in approximately .3387 additional ounces per piece.

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OCA/USPS-112

With respect to letter-sorting automation, is there an envelope size, color and weight (or range of sizes, colors, and weights) that (*ceteris paribus*) maximize the productivity of the equipment? If so, what are the optimal size(s), colors, and weights(s) for each type of equipment? Are there other mailpiece attributes that significantly affect the productivity of letter-sorting automation? If so, what are those attributes and what values (or ranges of values) of those attributes maximize the productivity of each type of equipment?

RESPONSE:

See DMM C810. As indicated there, Postal Service automated letter processing equipment is designed to accommodate a certain range of mail piece characteristics. For readability, white backgrounds are preferred over colors. Within specified limits, shorter pieces have a higher throughput than longer ones; rectangular pieces (length greater than height) avoid "tumbling" problems associated with square pieces; one-ounce pieces have a higher throughput than two- and three-ounce pieces.

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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