

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

RECEIVED

APR 19 4 45 PM '00

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 KEYSpan ENERGY
(KE/USPS-T33-3(e) (REVISED) AND (g), (h)) (ERRATUM)
(April 19, 2000)

The United States Postal Service hereby provides its responses to the following interrogatories of KeySpan Energy, filed on March 23, 2000: KE/USPS-T33-3(c), (g), and (h).

Witness Fronk responded to subparts (a) through (c) on April 6, 2000. Subparts (d) through (f) were redirected from witness Fronk to the Postal Service for response on April 6, 2000. Subparts (g) and (h) were the subject of motions practice, which has been resolved today, and also are being redirected to the Postal Service for response. Thus, subparts (d) through (h) have been redirected to the Postal Service for response.

The revised response to subpart (e) provided today supersedes the original response filed on April 6, 2000. The revision makes clear that the QBRM accounting fee referenced in the original response is the "per-piece" accounting fee. For ease of administration, the previously filed (and unchanged) institutional responses to subparts (d) and (f) of KE/USPS-T33-3 are integrated into today's filing, so that all redirected responses to subparts of T33-3 are contained in one document.

Thus, subparts (d) through (h) of KE/USPS-T33-3 are repeated verbatim and followed by the responses.

**REVISED RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF KEYSpan ENERGY REDIRECTED FROM WITNESS FRONK
(4/19/00)**

KE/USPS-T33-3. Please refer to the Postal Service's institutional response to Interrogatory KE/USPS-T33-2. That interrogatory sought certain information regarding the effect on QBRM recipients of the Board of Governors' rejection, in Docket No. R97-1, of the Postal Service's own proposal to establish a new service called Prepaid Reply Mail (PRM).

- (a) Is it your understanding that the potential customers for Prepaid Reply Mail (PRM) service were high volume BRM recipients who had qualified for the then effective BRMAS BRM per piece fee of 2 cents? If that is not your understanding, please explain.
- (b) Please confirm that, under the Postal Service's fee design proposals in Docket No. R97-1, a potential Prepaid Reply Mail (PRM) customer would have to receive at least 200,000 pieces of PRM annually before the customer would begin to pay lower overall reply mail postage fees than the customer would pay as a QBRM recipient. If you cannot confirm, please explain why not.
- (c) Please confirm that, when the Postal Service derived the per-piece fee for QBRM, the Service assumed that approximately 287 million pieces of high volume BRMAS BRM reply letters would migrate to the proposed Prepaid Reply Mail (PRM) service. See Docket No. R97-1, USPS-T-32, p.42.
- (d) Is it your understanding that when the Board of Governors rejected the Postal Service's own proposal to establish a Prepaid Reply Mail (PRM) service in Docket No. R97-1, the Governors did not modify the Commission's QBRM cost analysis that supported the 5-cent QBRM per piece fee recommended to the Governors? Please explain.
- (e) Is it your understanding that when the Board of Governors rejected the Postal Service's own proposal to establish a Prepaid Reply Mail (PRM) service, the Governors did not modify the Commission's 5-cent QBRM per piece fee that it recommended to the Board of Governors in Docket No. R97-1? Please explain.
- (f) Do you agree that, when the Board of Governors rejected the Postal Service's own proposal to establish the Prepaid Reply Mail (PRM) service, existing high volume BRMAS BRM recipients, who had been paying a per piece fee of 2 cents, had no choice but to use QBRM service and pay a per piece fee of 5 cents, i.e two-and-a-half times the per piece fee they had been paying? If you do not agree, please explain what other options were available to these high volume BRMAS BRM recipients.
- (g) Do you agree that, by rejecting the Postal Service's own PRM proposal and accepting without modification the Commission's QBRM cost analysis and 5-cent per piece rate recommendation, the Board of Governors effectively accepted a QBRM per piece fee that did not reflect 287 million lower-cost BRMAS BRM pieces in the derivation of the unit cost to process QBRM letters. If you do not agree, please explain.

**REVISED RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF KEYSpan ENERGY REDIRECTED FROM WITNESS FRONK
(4/19/00)**

KE/USPS-T33-3 (continued)

- (h) In your opinion, is the current QBRM per piece fee of 5 cents as approved by the Board of Governors based on a cost analysis that overstates the unit cost to process QBRM letters? Please explain.

RESPONSE:

- (a) – (c) Answered by witness Fronk.
- (d) The Governors' decision contains no discussion of a modification of the Commission's QBRM cost analysis.
- (e) The Governors' decision did not modify the Commission's recommended QBRM per-piece fee.
- (f) Yes, but QBRM customers also saw their postage rate decline. Before the implementation of Docket No. R97-1, BRMAS BRM letter recipients would pay 34 cents per piece (full single-piece postage of 32 cents + a 2-cent BRMAS per piece fee). Since the implementation of Docket No. R97-1, QBRM letter recipients pay 35 cents per piece (discounted single-piece postage of 30 cents + a 5-cent QBRM per piece fee). The overall one-cent increase experienced by BRMAS/QBRM recipients was in line with the increases experienced by other First-Class Mail customers.
- (g) The Postal Service disagrees with this characterization because it is inaccurate. The Postal Service acknowledges that the QBRM cost analysis in support of its QBRM per-piece fee proposal in Docket No. R97-1 did assume that approximately 287 million BRMAS BRM letters would migrate to PRM. This assumption was discussed in the testimony of Postal Service witness Schenk (Docket No. R97-1, USPS-T-27 at pages 12-13) and captured methodologically in her reduction of the BRMAS coverage factor from 14.2 percent to 5.9 percent. However, it is the Postal Service's understanding that the PRC did not accept the Postal Service's assumption

**REVISED RESPONSE OF U.S. POSTAL SERVICE TO INTERROGATORIES
OF KEYSpan ENERGY REDIRECTED FROM WITNESS FRONK
(4/19/00)**

RESPONSE to KE/USPS-T33-3 (continued)

about migration of pieces to PRM when it recalculated QBRM fee costs for its Docket No. R97-1 Decision and reduced the proposed 6-cent per-piece fee to 5 cents. The PRC used the BRMAS coverage factor of 14.2 percent, not 5.9 percent. Please see the Docket No. R97-1 Opinion and Recommended Decision at paragraph 5174, and PRC-LR-10 at Chapter IV.

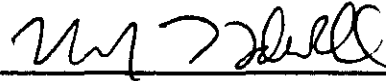
(h) No. Please see response to part (g).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

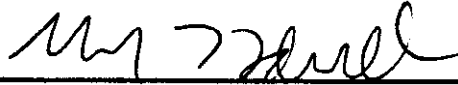
A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998 Fax -5402
April 19, 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.

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

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998 Fax -5402
April 19, 2000