

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 WITNESS CAMPBELL
TO INTERROGATORY OF KEYSpan ENERGY
(KE/USPS-T29-31)

The United States Postal Service hereby provides the response of witness Campbell to the following KeySpan Energy interrogatory, filed on March 15, 2000: KE/USPS-T29-31.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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(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.



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**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

KE/USPS-T29-31.

Please refer to page 16, footnote 5 of your prepared testimony and your response to Interrogatory KE/USPS-T29-10. In your response, you stated that your field observations confirmed manual counting productivity in the postage due unit for BRM has not changed significantly since 1989.

- (a) Please describe fully the nature and extent of the field observations that you conducted to ascertain that manual counting productivity in the postage due unit for BRM has not changed significantly since 1989.
- (b) Please describe fully the process involved in the decision to make field observations about manual accounting of BRM in the postage due unit. As part of your answer, please identify all the individuals who were involved in making the decision to make field observations of manual counting operations in the postage due unit, state the dates and times you met with such individuals to discuss this matter, and indicate why it was decided to limit field observations to QBRM processing activities conducted in the postage due units. In addition, please provide all documents discussing the decision to conduct field observations of QBRM processing activities.
- (c) Please provide the following information with respect to each of the field observations that you conducted:
 - (1) the name, address, and location of the postal facility where, and the date when, your field observations were conducted;
 - (2) the amount of time you spent in observing QBRM processing activities;
 - (3) an exact and complete description of the QBRM processing activities you observed;
 - (4) the substance of any discussions you had with postal service personnel regarding whether the QBRM reply letters they were counting were addressed to high volume recipients or addressed to low volume recipients;
 - (5) whether the QBRM pieces of particular high volume recipients that you observed being counted manually in the postage due unit represented all, or only a portion of, the QBRM recipient's total pieces received on that day;
 - (6) for instances in which the pieces counted manually represented only a portion of the recipients total QBRM received during such day, please

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

KE/USPS-T29-31 (continued)

state what percentage of the recipients total QBRM volumes were counted manually and what counting method(s) (e.g. EOR reports) was used to determine the remainder of the recipients pieces;

- (7) whether your field observations were limited solely to QBRM processing activities conducted in the postage due unit or whether such observations also involved QBRM processing activities conducted at other locations outside the postage due unit;
- (8) all documents, including but not limited to survey forms completed by local postal service personnel, reports summarizing the results of your field observations and handwritten notes made during your field observations, that discuss or describe your observations of QBRM processing activities in the field.
- (d) Please numerically define "high" volume as you use that term when indicating that field observations confirmed the use of manual counting for high-volume accounts. Please indicate how you arrived at this figure.
- (e) Please confirm that at the time of your field observations, you did not know what the "break-even" volume would be for the Postal Service's proposed QBRM category for high volume recipients. If you cannot confirm, please explain why not and provide all documents that demonstrate that you knew what the break-even volume would be at the time of your field observations.
- (f) Please confirm that, for the test year in this case, the Postal Service will sort mail to a much greater depth, i.e. to carrier sequence, in the incoming secondary than it did in 1989, when the 951 PPH for "Marginal Manual Counting/Distribution Productivity, Postage Due Unit" was originally derived. If you cannot confirm, please explain.
- (g) Please confirm that in the test year, QBRM will be sorted to the recipient, particularly QBRM recipients who receive high volumes, prior to being sent to the postage due unit for counting and rating. If you cannot confirm, please review your mail flow diagram for QBRM and explain why QBRM is sent to the postage unit for counting and rating but not further distribution. See LR-I-160, Schedule L, p. 5.
- (h) Please explain why you used the 951 PPH marginal productivity for "distributing and counting" QBRM for 66.5% of pieces received by individual recipients in high volumes, when your field observations

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

KE/USPS-T29-31 (continued)

"confirmed the use of time-consuming manual counting" (but not sorting) BRM pieces in the postage due unit.

RESPONSE:

- (a) I observed QBRM processing at three Postal facilities in the spring of 1999, including postage due unit activities and mail processing operations. Each of these facilities incorporated some degree of manual counting in the postage due unit, some more than others. In general, my observations provided evidence that manual counting is time and labor intensive. At one site discussed in depth below, a tray of QBRM counted in my presence required 45 minutes of the postage due clerk's time. Further, I observed that even some high-volume QBRM accounts are manually counted as described below.
- (b) I do not have any notes or documents describing the process involved in the decision to make field observations about manual accounting of BRM in the postage due unit. (I assume that when you use the term "accounting," you mean the QBRM counting activity and not the accounting activity.) I believe that I spoke with USPS cost analysts and operations personnel about manual counting, but I do not have specific dates and times that I met with these individuals about this matter because these discussions were held informally over one year ago.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

Response to KE/USPS-T29-31 (continued)

(c) The following is a summary addressing the requested information for each site where I conducted field observations.

Carol Stream (Illinois) Processing and Distribution Center

Address: 500 E. Fullerton Ave., Carol Stream, IL 60199-9997.

Date of observations: April 6, 1999.

Time spent observing: 2 hours.

BRM operations observed: Postage Due Unit.

Description of QBRM processing activities (taken directly from my notes):

Incoming Primary Operation

BRM and CRM mail for customers using Caller Service (60197) are held out in the incoming primary operation. These pieces are then sent to a DBCS for a one-pass sort to PO box number. After being containerized into trays, these BRM/CRM pieces are loaded onto BMCs and sent to the loading dock, just outside the Postage Due Unit. Examples of 60197 BRM customers are [companies deleted due to sensitivity concerns].

Those BRM mail pieces for customers not using Caller Service are addressed to the 60188 ZIP code, which corresponds to the town of Carol Stream. All 60188 mail pieces (BRM or not) are isolated in the incoming secondary and sent to a DBCS for two passes (incoming secondary).

Incoming Secondary Operation

BRM mail pieces in the 60188 ZIP code are processed on an incoming secondary sort along with the town's mail. BRM pieces are sorted into ZIP + 4 order on the second pass and sent to the Postage Due Unit in APCs. BRM is brought over to Postage Due anytime between 6AM and 12noon.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

Response to KE/USPS-T29-31 (continued)

Postage Due Unit

Separation of BRM/CRM -- Tour 2 clerks separate both 60197 and 60188 mail into BRM and CRM trays. On average, a light day has 6-8 BRM trays, while a heavy day has 20-30 BRM trays. Once separated, all BRM trays are brought into the Postage Due Unit, while CRM caller mail remains on the dock for customer pick-up.

Sorting and counting -- Each tray of BRM is sorted and counted manually. Larger customers usually have full trays and don't require sorting. Residue trays with smaller customers require sorting by PO box number. The clerk brings each tray of BRM over to a table and sits down. For those trays containing multiple-mailer BRM, the clerk sorts BRM by PO box, counts each stack, records the count on a piece of scratch paper, and puts a rubber band around each stack. Any pieces that feel heavy (>2 oz) are removed for weighing and rating. When all trays have been sorted and counted, the clerk totals the counts on her scratch paper for each PO box number. She puts rubber bands around each

I assisted [postage due clerk] in sorting and counting BRM. One tray of residue BRM required about 45 minutes to sort and count. One tray contains about 500 pieces of BRM.

I do not have specific recollection of discussions with Postal Service personnel regarding whether the QBRM reply letters they were counting were addressed to high volume recipients or addressed to low volume recipients. My notes from Carol Stream indicate that "[l]arger customers usually have full trays and don't require sorting. Residue trays with smaller customers require sorting by PO box number."

My recollection is that I observed sorting, counting, and rating of both high and low QBRM accounts. I do not recall specific volumes or percentages

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

Response to KE/USPS-T29-31 (continued)

of the "high-volume" pieces observed in relation to the QBRM recipient's total pieces received on that day.

I have attached my written notes regarding my observations at Carol Stream P&DC.

Palatine (Illinois) Processing and Distribution Center

Address: 1300 East Northwest Highway, Palatine, IL 60095-9997.

Date of observations: April 7, 1999.

Time spent observing: 3 hours.

BRM operations observed: Incoming primary and secondary operations, postage due unit operations.

Description of QBRM processing activities (taken directly from my notes):

Incoming Primary Operation

BRM comes in with both SCF and incoming mail (Operations 874 and 873). All BRM and CRM have 60094 ZIP. During the incoming primary sort, all 60094 mail is sorted to bin number 27. These pieces are swept off the machine and taken to incoming secondary on DBCS (Operation 897).

Incoming Secondary Operation

Beginning about midnight, BRM and CRM are sorted to PO box in the first pass on DBCS. Each bin's contents is swept, put into trays, and placed in BMCs. At the end the run, two copies of the EOR report are generated. Around 2:45am, the 60094 BMC is moved to the Postage Acceptance Unit by a mail handler, accompanied by an EOR report. More BRM/CRM trickles into the PAU for the next few hours.

Postage Acceptance Unit

Upon receiving BRM and CRM from incoming secondary, the PAU clerks must work quickly to sort, count, and rate mail because Caller Service customers begin arriving at 4am.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

BRM/CRM breakdown/sorting – The clerks break down the BMCs and sort by PO box number. Some trays are completely full, while others only have a few mail pieces. BRM for low-volume customers is sorted into cases by PO box while large-volume customer (e.g., [companies deleted due to sensitivity concerns]) BRM trays are stacked in APCs.

Trays containing CRM are placed onto carts just outside the PAU for Caller Service pick-up.

Counting and rating/billing – The clerks use the EOR report count only for Palatine's largest BRM customer, [company deleted due to sensitivity concerns]. The EOR counts are compared against BRM trays to check for blatant errors. All other BRM is counted manually. Cased-BRM is counted, rubber banded, and placed into trays. BRM in trays is also counted manually. All counts are written on a worksheet for rating purposes. The clerk uses a calculator to rate each BRM account and records the total postage and fees on her worksheet. She then fills out a Form 3582-A for each PO box, generates a meter strip reflecting postage due, and affixes it onto the form. She photocopies each form for her records.

I do not have specific recollection of discussions with Postal Service personnel regarding whether the QBRM reply letters they were counting were addressed to high volume recipients or addressed to low volume recipients. My notes indicate that "BRM for low-volume customers is sorted into cases by PO box while large-volume customer...BRM trays are stacked in APCs." Regarding counting and rating, my notes state that "[t]he clerks use the EOR report count only for Palatine's largest BRM customer...All other BRM is counted manually."

My recollection is that I observed sorting, counting, and rating of both high and low QBRM accounts. I do not recall specific volumes or percentages

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

Response to KE/USPS-T29-31 (continued)

of the "high-volume" pieces observed in relation to the QBRM recipient's total pieces received on that day.

I have attached my written notes regarding my observations at the Palatine P&DC.

Chicago Processing and Distribution Center

Address: 433 W. Harrison St., Chicago, IL 60607-9997.

Date of observations: April 8, 1999.

Time spent observing: 3 hours.

BRM operations observed: Incoming primary and secondary operations, postage due unit operations.

Description of QBRM processing activities (taken directly from my notes):

Chicago Central's BRM operation consists largely of QBRM. The few non-QBRM pieces received here are processed manually.

Incoming Primary Operation – Most BRM is processed on a DBCS for its incoming primary sortation (Operation 895). Two DBCS bins are dedicated to QBRM corresponding to Irving Park Road and Chicago Central. A few BRM pieces are processed on Operation 885, MLOCR-ISS, as its incoming primary sortation.

Incoming Secondary Operation/counting and rating – Nearly all BRM is processed on a DBCS using BRMAS software for its incoming secondary sortation (Operation 896). Large-volume BRM accounts have dedicated bins in the first pass and are sorted to the ZIP + 4. Small-volume accounts are sent to a residue bin and must go through a second pass for finalization (12 percent of total BRM volume). A few pieces are rejected and sent to "manual." The BRMAS software counts and rates all BRM mail processed on the DBCS.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

Response to KE/USPS-T29-31 (continued)

Bill generation – Bills are printed out using the BRMAS software and rubber banded together with the corresponding trays. Trays are sorted into APCs according to the 5-digit ZIP. APCs containing 60680 (Chicago Central) is sent to the Postage Due Unit. APCs containing 60690 (Chicago Loop Station) is sent directly to the Loop Station.

Postage Due Unit – APCs containing BRM come from the BRMAS operation upstairs. Each tray has a bill generated by the BRMAS program. Upon receipt of the BRMAS mail, the postage due clerks scan each tray for “heavies” (> 2oz) and rates these pieces accordingly. A clerk scans each bill to make sure nothing is blatantly out of the ordinary. If an error is found, the clerk recalculates postage and fees using the PERMITS system. The clerks count and rate non-QBRM pieces here.

The Postage Due clerks use the PERMITS program for all accounting activities. Each BRM customer’s advance deposit account is debited accordingly.

I do not have specific recollection of discussions with Postal Service personnel regarding whether the QBRM reply letters they were counting were addressed to high volume recipients or addressed to low volume recipients. My notes indicate that on the incoming secondary operation “[s]mall-volume accounts are sent to a residue bin and must go through a second pass for finalization.” In general, my recollection is that both low and high- volume QBRM accounts are processed on automation (DBCS) using the BRMAS program.

My recollection is that I observed sorting, counting, and rating of both high and low QBRM accounts. I do not recall specific volumes or percentages of the “high-volume” pieces observed in relation to the QBRM recipient’s total pieces received on that day.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

Response to KE/USPS-T29-31 (continued)

I have attached my written notes regarding my observations at the Chicago P&DC.

(d) At the time my field observations were made in 1999, I did not have a definition of "high-volume" QBRM accounts. Retrospectively, however, assuming the account volumes that I observed were typical on a given business day, I can say that the accounts that I observed being sorted and counted manually would qualify as "high-volume" given the 113,000-piece breakeven point between high-volume and low-volume fees presented in this docket.

(e) *Confirmed.*

(f) Not confirmed. I have no reason to believe that the Postal Service will sort mail to a much greater depth in the test year than in 1989. QBRM pieces are not generally sorted to carrier sequence.

(g) Not confirmed. Please see my testimony on page 7 where it states that "BRM letters and cards are generally held out in the Incoming Primary operation and sent to either the BRMAS operation or to a manual sortation operation (usually in the Postage Due Unit or Box Section)." There is no formula that determines where QBRM pieces are sorted to the recipient, including QBRM for recipients who receive high volumes. These decisions are made on a site by site basis. At some sites, QBRM pieces are sent to a BCS for sortation to the

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

Response to KE/USPS-T29-31 (continued)

recipient. At other sites, QBRM pieces are sent to the postage due unit for sortation to the recipient.

With respect to the mail flow diagram (see LR-I-160, Schedule L, p.5), please see the large volume of QBRM pieces exiting the Incoming SCF/Primary to the Postage Due Unit (PDU) (8302 pieces). The assumption is that these QBRM pieces are further distributed in the postage due unit.

(h) Please see my attached notes regarding my observations at the Carol Stream P&DC and Palatine P&DC. At both plants, please note that I observed manual counting and sorting. The notes from my Carol Stream visit state that "[e]ach tray of BRM is sorted and counted manually." In my Palatine visit, I noted that "[t]he clerks break down the BMCs and sort by PO box number...BRM for low-volume customers is sorted into cases by PO box while large-volume customer BRM trays are stacked in APCs." With respect to counting, I noted that "[t]he clerks use the EOR report count only for Palatine's largest BRM customer...The EOR counts are compared against BRM trays to check for blatant errors. All other BRM is counted manually. Cased-BRM is counted, rubber banded, and placed into trays. BRM in trays

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSpan ENERGY**

Response to KE/USPS-T29-31 (continued)

is also counted manually.” Thus, the use of the 951 PPH marginal counting productivity is appropriate for at least a portion of QBRM pieces.

Carol Stream P&DC
April 6, 1999

Incoming primary

BRM and CRM mail for customers using Caller Service (60197) are held out in the incoming primary operation. These pieces are then sent to a DBCS for a one-pass sort to PO box number. After being containerized into trays, these BRM/CRM pieces are loaded onto BMCs and sent to the loading dock, just outside the Postage Due Unit.

Those BRM mail pieces for customers not using Caller Service are addressed to the 60188 ZIP code, which corresponds to the town of Carol Stream. All 60188 mail pieces (BRM or not) are isolated in the incoming secondary and sent to a DBCS for two passes (incoming secondary).

Incoming secondary

BRM mail pieces in the 60188 ZIP code are processed on an incoming secondary sort along with the town's mail. BRM pieces are sorted into ZIP + 4 order on the second pass and sent to the Postage Due Unit in APCs. BRM is brought over to Postage Due anytime between 6AM and 12noon.

Postage Due Unit

Separation of BRM/CRM -- Tour 2 clerks separate both 60197 and 60188 mail into BRM and CRM trays. On average, a light day has 6-8 BRM trays, while a heavy day has 20-30 BRM trays. Once separated, all BRM trays are brought into the Postage Due Unit, while CRM caller mail remains on the dock for customer pick-up.

Sorting and counting -- Each tray of BRM is sorted and counted manually. Larger customers usually have full trays and don't require sorting. Residue trays with smaller customers require sorting by PO box number. The clerk brings each tray of BRM over to a table and sits down. For those trays containing multiple-mailer BRM, the clerk sorts BRM by PO box, counts each stack, records the count on a piece of scratch paper, and puts a rubber band around each stack. Any pieces that feel heavy (>2 oz) are removed for weighing and rating. When all trays have been sorted and counted, the clerk totals the counts on her scratch paper for each PO box number. She puts rubber bands around each

I assisted the postage due clerk in sorting and counting BRM. One tray of residue BRM required about 45 minutes to sort and count. One tray contains about 500 pieces of BRM.

Rating and billing -- Having completed the sorting and counting, the clerk walks to a desk on the other side of the room with her scratch paper counts. She weighs the "heavies" and records the postage required for each piece. Then, for each BRM account, the clerk calculates postage and fees using a calculator and records these on her scratch paper. Next, she completes a Form 3582-A, Postage Due Bill, for each BRM account. The form contains customer name, address, number of BRM pieces and the clerk's signature. For each Form 3582-A, the clerk enters the mailer's account number, permit

KE/USPS-T29-31
Attachment 1 of 3

number, and total postage due into the meter. The meter generates a postage due strip which is affixed onto Form 3582-A. According to the PDU clerk, the Postage Due Unit will soon begin using the PERMITS system to replace these rating and billing activities, saving a considerable amount of time.

Accounting and Reports – For each BRM customer, the clerk debits the total postage and fees for that customer on Form 25, Trust Fund Account Ledger. Generally, the clerk does not have any problems with low trust account funds. Occasionally she makes a courtesy call to the mailer to let them know of a low account status.

Once per day, the clerk generates Form 1412, a daily finance report which provides the total amount withdrawn that day from each customer account. She also generates Form 3602 each day for each customer from the meter. This form serves as a “receipt” of postage and fees entered into the meter.

Wrap-up – The clerk photocopies each Form 3582-A for her records. She then containerizes BRM pieces for each permit and puts a cover on top. The bill is always sent to the mailer, while the mailer or designated person picks up the BRM trays.

Palatine P&DC
April 7, 1999

Incoming primary

BRM comes in with both SCF and incoming mail (Operations 874 and 873). All BRM and CRM have 60094 ZIP. During the incoming primary sort, all 60094 mail is sorted to bin number 27. These pieces are swept off the machine and taken to incoming secondary on DBCS (Operation 897).

Incoming secondary

Beginning about midnight, BRM and CRM are sorted to PO box in the first pass on DBCS. Each bin's contents is swept, put into trays, and placed in BMCs. At the end the run, two copies of the EOR report are generated. Around 2:45am, the 60094 BMC is moved to the Postage Acceptance Unit by a mail handler, accompanied by an EOR report. More BRM/CRM trickles into the PAU for the next few hours.

Postage Acceptance Unit

Upon receiving BRM and CRM from incoming secondary, the PAU clerks must work quickly to sort, count, and rate mail because Caller Service customers begin arriving at 4am.

BRM/CRM breakdown/sorting – The clerks break down the BMCs and sort by PO box number. Some trays are completely full, while others only have a few mail pieces. BRM for low-volume customers is sorted into cases by PO box while large-volume customer BRM trays are stacked in APCs. Trays containing CRM are placed onto carts just outside the PAU for Caller Service pick-up.

KE/USPS-T29-31
Attachment 2 of 3

Counting and rating/billing – The clerks use the EOR report count only for Palatine's largest BRM customer. The EOR counts are compared against BRM trays to check for blatant errors. All other BRM is counted manually. Cased-BRM is counted, rubber banded, and placed into trays. BRM in trays is also counted manually. All counts are written on a worksheet for rating purposes. The clerk uses a calculator to rate each BRM account and records the total postage and fees on her worksheet. She then fills out a Form 3582-A for each PO box, generates a meter strip reflecting postage due, and affixes it onto the form. She photocopies each form for her records.

Accounting – For each BRM customer, the clerk debits the total postage and fees for that customer on Form 25, Trust Fund Account Ledger.

Chicago Central P&DC
April 8, 1999

Chicago Central's BRM operation consists largely of QBRM. The few non-QBRM pieces received here are processed manually.

Incoming primary – Most BRM is processed on a DBCS for its incoming primary sortation (Operation 895). Two DBCS bins are dedicated to QBRM corresponding to Irving Park Road and Chicago Central. A few BRM pieces are processed on Operation 885, MLOCR-ISS, as its incoming primary sortation.

Incoming secondary/counting and rating – Nearly all BRM is processed on a DBCS using BRMAS software for its incoming secondary sortation (Operation 896). Large-volume BRM accounts have dedicated bins in the first pass and are sorted to the ZIP + 4. Small-volume accounts are sent to a residue bin and must go through a second pass for finalization (12 percent of total BRM volume). A few pieces are rejected and sent to "manual." The BRMAS software counts and rates all BRM mail processed on the DBCS.

Bill generation – Bills are printed out using the BRMAS software and rubber banded together with the corresponding trays. Trays are sorted into APCs according to the 5-digit ZIP. APCs containing 60680 (Chicago Central) is sent to the Postage Due Unit. APCs containing 60690 (Chicago Loop Station) is sent directly to the Loop Station.

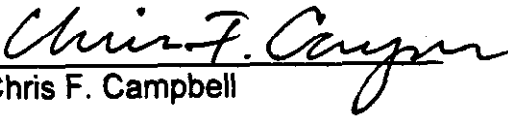
Postage Due Unit – APCs containing BRM come from the BRMAS operation upstairs. Each tray has a bill generated by the BRMAS program. Upon receipt of the BRMAS mail, the postage due clerks scan each tray for "heavies" (> 2oz) and rates these pieces accordingly. A clerk scans each bill to make sure nothing is blatantly out of the ordinary. If an error is found, the clerk recalculates postage and fees using the PERMITS system. The clerks count and rate non-QBRM pieces here.

The Postage Due clerks use the PERMITS program for all accounting activities. Each BRM customer's advance deposit account is debited accordingly.

KE/USPS-T29-31
Attachment 3 of 3

DECLARATION

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


Chris F. Campbell

Dated: 4-19-00