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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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-T29-9(g&h), 21(a-d), 34(h), and 52(e) (ERRATUM)

The United States Postal Service hereby provides the revised responses of witness Campbell to the following interrogatories of KeySpan Energy: KE/USPS-T29-9(g&h), 21(a-d), 34(h), and 52(e).

Witness Campbell's responses to T29-9(h), T29-21(d), T29-34(h) and T29-52(e) are newly filed answers.

Institutional responses to T29-9(g) and T29-21(a-c) were originally filed on February 28th and March 20th. Witness Campbell is adopting those institutional responses as his own today. Accordingly, witness Campbell's responses to T29-9(g) and T29-21(a-c) filed today supersede the earlier institutional responses to those interrogatories filed on those dates.
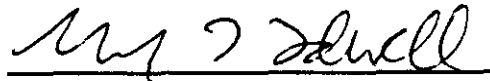
Interrogatories T29-9, T29-21, T29-34 and T29-52 are stated verbatim and are followed by the complete responses of witness Campbell to all subparts of these questions.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 20, 2000

KE/USPS-T29-9.

Please refer to Section B, p. 2 of USPS LR-I-160, where you determine the Per-Piece Costs for QBRM (high-volume).

(a) Please confirm that the method of final piece count, indicating that 66.5% of the pieces are counted by manual/other means, was determined prior to your decision to propose a reduced per piece fee for QBRM recipients who receive large volumes.

(b) Please fully describe the manual/other processing technique for counting QBRM pieces received by large volume recipients.

(c) Please fully describe the manual processing technique that produced the 951 PPH productivity upon which you rely in your cost analysis provided in LR-I-160, Section B, pages 2 and 3. See 1990 BRM survey data, Docket No. R90-1, USPS-T-23, Exhibit USPS-23F.

(d) Does the Postal Service find it cost effective to hand count QBRM letters received by one recipient in large volumes? Please explain your answer.

(e) Does the Postal Service find it cost effective to hand count nonletter-size BRM pieces received by one recipient in large volumes? Please explain your answer.

(f) Did you attempt to obtain the percentage of pieces processed by the three methods of final piece count separately for QBRM recipients who receive low volumes and QBRM recipients who receive high volumes? If you did attempt to obtain that information, please quantify "high volumes" and explain the results of that effort and provide all documents that discuss that effort. If you did not attempt to do so, please explain why not?

(g) Do field offices choose the method of counting QBRM pieces based on the anticipated volume received by particular QBRM recipients? If they do not, please explain why not.

(h) If your answer to part (g) is yes, then why didn't your analysis focus just on high QBRM volume recipients for the purpose of determining the method of final piece counts? If your answer to part (g) is no, please explain why the anticipated volume of QBRM received per recipient is not an important factor in determining the method of final piece counts for high volume QBRM recipients.

<u>KE/USPS-T29-9 (continued)</u>

(i) Focusing on "Method of final piece count" and "Method and finest depth of sortation of BRM", please confirm that the percentages shown for manual operations imply that 41.6% of the pieces were sorted manually to the end recipient, but 66.5% were actually counted manually? If you cannot confirm, please explain what the percentages imply.

(j) Did you make attempt to independently study how many pieces of QBRM letters returned to a single recipient would be required in order to generate cost savings (compared to QBRM received in "low" volumes)? If not, why not?

(k) Does the 2.0 cents unit cost reflected on the line entitled "Net direct and indirect weighted per piece cost of BRM processing" represent your estimate for the average unit cost to count QBRM letters? If not, please explain exactly what the 2.0 cents unit cost represents.

RESPONSE:

(a) Confirmed.

(b) The "manual/other" category in Section B, page 2, refers to the source

of the final piece count. The category includes the following sources:

1. Manual counts (47.2%)

2. Special counting machine (10.4%)

3. Weighing of identical pieces (4.8%)

4. Bulk weighing (4.1%)

(c) The 1990 survey that produced the 951 PPH productivity did not

capture a description of each site's manual processing technique. The

survey instructions state that "[t]he information on Manual BRM should

relate to BRM pieces that are exclusively handled manually within the

Response to KE/USPS-T29-9 (continued)

postage due unit" (see Docket No. R90-1, USPS-T-23, Exhibit USPS-

23A, page 4). To my knowledge, manual processing techniques have

not changed in any measurable way since the 1990 survey was

conducted.

(d) The Postal Service finds it cost effective to hand count QBRM letters

received by one recipient in large volumes, provided the fees charged

to the customer cover the processing costs.

(e) The Postal Service finds it cost effective to hand count nonletter-size

BRM pieces received by one recipient in large volumes, provided the

fees charged to the customer cover the processing costs.

(f) No. These data are not readily available.

(g) Many do. If one or more accounts receive sufficiently high volumes to

provide an incentive to use BRMAS, or end-of-run (EOR) bin counts,

or weight averaging, or counting machines, then these methods also

might be employed on low-volume accounts. Some facilities with high-

volume accounts may have available end-of-run bin counts, but find

the EOR unreliable and end up relying on counting machines or

manual counts, instead. Competition with other operations for bar

code sorter utilization during early morning critical mail processing

windows (such as delivery point sequencing) may drive an office to

rely on manual counts or weight averaging, instead of BRMAS or EOR

bin counts, irrespective of volumes. A lot also depends on whether the

<u>**Response to KE/USPS-T29-9 (continued)**</u>

volumes for a particular high-volume account are steady. Some have

constantly high daily volumes; other high-volume accounts fluctuating

on a daily, intermittent or seasonal basis. Also, see response to

KE/USPS-T29-2(e).

(h) As explained in part (g), many factors go into a site's decision to utilize

one method over another for the purpose of determining a final piece

count. In many instances, it is not the volume of a particular BRM

account that determines the method of counting used, but rather the

number and volumes of all BRM accounts across the entire facility.

Again, in many instances, the same method is used to count all

accounts at a particular site for both low and high-volume accounts.

For this reason, it does not make sense to focus just on high-volume

QBRM accounts when the same counting method is being used for

low-volume accounts.

(i) Not confirmed. The percentages shown for manual operations imply

that 41.6% of the pieces were sorted manually to the end recipient,

while 66.5% received a final piece count using a manual method

(47.2%) or other method (19.3%). In some cases, BRM is sorted using

one method, but receives a final count from another method. An

example is when BRM is sorted on a BCS to the end recipient and is

sent to the postage due unit for manual counting.

Response to KE/USPS-T29-9 (continued)

(j) No. I did not conduct such a study. These data are not readily

available.

(k) The 2.0 cents unit cost on the line entitled "Net direct and indirect

weighted per piece cost of BRM processing" represents my estimate

for the average unit cost to sort and count QBRM letters.

**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY (April 20, 2000)**

KE/USPS-T29-21.

In Docket No. R97-1, USPS witness Schenk noted that a new version of
the BRMAS program was being contemplated by the Postal Service. *See*
USPS-T-27, pages 7-8.

(a) Has the new version of the BRMAS program been developed? If not,
why was that project stopped?

(b) If your answer to part (a) is yes, please describe how the new BRMAS
program will improve upon the old program and provide all documents
discussing the benefits of this new BRMAS program.

(c) If your answer to part (a) is yes, please provide the date on which the
new BRMAS program was implemented or, if it has not yet been
implemented, the Postal Service's plans for implementing the new
version of the BRMAS program.

(d) If your answer to part (a) is yes, how did you take this information into
account in your derivation of QBRM unit costs?

RESPONSE:

(a) No. It was being contemplated. Development never began and,

therefore, did not stop.

(b) N/A

(c) N/A

(d) N/A

**REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS CAMPBELL TO
INTERROGATORY OF KEYSPAN ENERGY (April 20, 2000)**

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

<u>**KE/USPS-T29-34 (continued)**</u>

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.

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) When determining model inputs found in LR-I-160, Section L, I attempted to isolate BRM densities using sort plans obtained through witness Miller's density study (see USPS-T-24). It soon became apparent that BRM densities could not be calculated using density study data because BRM was typically mixed with other single-piece mail such as CRM and there were very few holdouts for BRM in the sort plan. Consequently, I made the decision to stick with the densities incorporated by witness Miller in his letter models. However, I tweaked the density of MMP mail flowing to the SCF sort based on my field observations. In the end, this tweak affected the cost difference between a QBRM piece and a handwritten mail piece by 0.05 cent in favor of QBRM.

KE/USPS-T29-52.

Please refer to LR-I-160L where you compute the unit QBRM savings.

(a) Do mailers of QBRM reply envelopes have reason to go to a post office window to buy postage to send out their QBRM? If yes, please explain.

(b) Do mailers of reply envelopes with handwritten addresses have reason to go to a post office window to buy postage to send out their reply envelopes? If not, please explain.

(c) Did you include window service cost savings in your analysis of QBRM cost savings? If yes, please explain how such savings are factored into your analysis.

(d) Please confirm that USPS witness Daniel estimates that in the test year, an average First-Class single piece letter incurs window service costs of 1.6 cents. See LR-I-191B (revised), spreadsheet SP letters combined, where the total cost of $755,467,000 is incurred by 47,984,446,747 letters. If you cannot confirm, what is the average window service cost incurred by a First-Class single piece letter in the test year?

(e) What is the total cost to print and distribute First-Class stamps for the test year?

RESPONSE:

(a) No.

(b) Yes. My response to this question assumes that when you refer to "reply envelopes with handwritten addresses," you are referring to Courtesy Reply Mail envelopes.

(c) No. Only mail processing costs were factored in my analysis.

(d) Confirmed. Please note that the correct cite is LR-I-91A.

(e) I am informed that the test year cost of printing First-Class stamps is $209,827,000. I am also informed that stamp distribution costs are

Response to KE/USPS-T29-52 (continued)

treated as institutional and not assigned to class of mail. Therefore, I

can not provide the cost to distribute First-Class stamps.
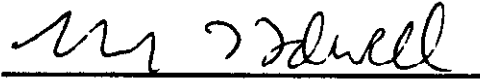
DECLARATION

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: 4-20-00

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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April 20, 2000