

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 THE UNITED STATES POSTAL SERVICE TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 1, QUESTIONS 1 THROUGH 3
(May 15, 2000)

The United States Postal Service hereby provides its response to Presiding
Officer's Information Request No. 11, Questions 1 through 3, filed on May 5, 2000.
Each question is stated verbatim and is followed by the response.

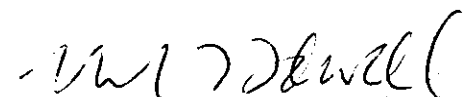
The response to Question 4 is forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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May 15, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 11**

1. Please refer to the response to question 3 of Presiding Officer's Information Request No. 7. This response says, in part: "It can be deduced that any amount of volume regarded by the DMM as flats that are in excess of what CCS [Carrier Cost System] regards as flats . . . must be what CCS regards as letters. Therefore, the appropriate cost per piece for this volume is the CCS letter cost per piece." Please explain whether it can also be deduced that any DMM-defined parcel volume in excess of the CCS-regarded parcel volume is handled by carriers as flats. If so, does it follow that the appropriate cost per piece for this volume is the CCS flat cost per piece? If not, please explain.

RESPONSE:

With the exception of Nonprofit subclass, the Carrier Cost System (CCS) understates the number of DMM-defined flats as determined by the methodology in USPS LR-I-95 described in POIR#6 question 4. Thus, the methodology in USPS LR-I-95 does not assume any DMM-defined parcel volume in excess of the CCS-regarded parcel volume is handled by carriers as flats. Instead it assumes DMM-defined parcel volume in excess of the CCS-regarded parcel volume is also counted as letters in CCS and allocates the cost per piece of CCS letters to this volume. It is my understanding that some small parcels are sometimes cased in a letter case, which may account for why CCS letter volumes are overstated.

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2. Please refer to the response to question 4 of Presiding Officer's Information Request No. 7. The question refers to two categories found in Table 5 of USPS-T-28. The first is "Regular Nonletter Subtotal" and the second is "ECR Basic Nonletters." Part A of the response refers to USPS LR-I-92, and provides flat/parcel proportions for "Regular 3/5 Nonauto" and "Regular CR." The reference to USPS LR-I-92 would appear to be to the Total columns of the 'volume&lbs' worksheets of LR92aREG.xls and LR92bECR.xls. However, the proportions provided for "Regular CR" appear to come from LR92aREG.xls, which would make them apply to the "Regular Nonletter Subtotal" category and not to any ECR category. Also, the proportions provided for "Regular 3/5 Nonauto" do not appear to come from the Total column in LR92zREG.xls. In addition, the volumes in the Total column of LR92bECR.xls suggest that the flat/parcel proportions for *all* ECR, not just basic ECR, may be 60.82% flats and 0.14% parcels. Accordingly, please clarify the relationship of the figures provided in part a of the response to the categories in the original question, and provide detailed identity and source information for all flat/parcel proportions provided. For example, distinguish if possible between the three categories of ECR (basic, high density, and saturation) and explain the content of any category designated as "Nonauto."

RESPONSE:

In the response to POIR No. 7 Question 4, the proportions provided for "Regular CR" were incorrectly derived from LR92aREG.xls and therefore apply to the Regular subclass in total, but not specifically to Regular 3/5 Nonauto. It is correct that the volumes in the Total column of LR92bECR.xls suggest that the flat/parcel proportions for *all* ECR, not just basic ECR, are 60.82% flats and 0.14% parcels.

A better source for volumes by rate category was filed in response to ANM/USPS-T28-8 in USPS LR-I-225. Using data in the file ANM8REG.xls, the proportions of flats and parcels in Regular 3/5 Nonauto are correctly calculated in subpart (a) of my response to POIR#7 question 4. These figures were derived by summing the pieces in the 3/5 Nonauto rate category by shape and then calculating the proportions as shown below.

2,347,309,115	letter	
1,654,522,216	flat	36.25%
562,972,259	parcel	12.33%
4,564,803,590	total	

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These same data found in USPS LR-I-225 can be used to determine that the proportions of flats and parcels for ECR Basic as opposed to ECR in total are 60.20% flats and 0.15% parcels, or 389 to 1, as shown below.

7,304,228,941	letter	
11,093,198,289	flat	60.20%
28,549,523	parcel	0.15%
18,425,976,753	total	

The data in USPS LR-I-225 can also be used to determine that the proportions of flats and parcels are 78.11% flats to 0.14% parcels for ECR High Density and 72.94% flats to 0.15% parcels for ECR Saturation.

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: 5-15-00

RESPONSE OF U.S. POSTAL SERVICE WITNESS FRONK TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 11

POIR NO. 11/QUESTION 3. In the attachment to OCA/USPS-T33-13(f), the Postal Service provided FY 1998 and FY 1999 First-Class single-piece letter volumes by weight step.

- (a) Please provide the same data for the first and second quarters of FY 2000.
- (b) Please also provide the coefficients of variation for the volumes in each weight step for the FY 1998, FY 1999 and FY 2000 estimates.

RESPONSE:

- (a) Please see Attachment 1a to POIR NO. 11/QUESTION 3, which presents the requested data for the two quarters individually and on a combined basis. It is important to note that this distribution is an approximation based on preliminary RPW data for 2000.

As the Commission is aware, Docket No. R97-1 resulted in two changes that can affect the weight distribution of First-Class pieces: (1) the change in the maximum weight from 11 ounces to 13 ounces, and (2) the elimination of Standard (A) single piece (Standard (A) single-piece is typically heavier than existing First-Class). To gain insight into what may have happened to the number of additional ounces per piece since the Docket No. R97-1 rates were implemented, it is also useful to combine the PQ1 and PQ2 2000 data with the last two quarters of 1999 to get a combined 1999/2000 PFY which consists of the first four postal quarters that are entirely post R97-1 rates. The results are presented in Attachment 1b to this response. Since the equivalent of an entire PFY is involved in this combination, seasonality is not an issue. (Single pieces typically demonstrate seasonality in weight, for example, holiday greeting cards decrease average weight and tax season returns increase average weight).

For the combined 1999/2000 PFY, there were 0.3656 additional ounces per piece (19,412,381 thousand additional ounces / 53,098,013 thousand pieces). For the historical 0-11 ounce weight range, there were 0.3396 additional ounces per piece (19,412,381 – 778,480 – 641,883 additional ounces / 53,098,013 – 70,771 – 53,490 pieces, where the subtractions are associated with the 11-12 and 12-13 ounce weight increments). The 0.3396

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RESPONSE to POIR NO. 11/QUESTION 3 (continued)

additional ounces per piece in the historical 0-11 ounce weight range is quite similar to the 0.3378 ounces per piece per the 1998 billing determinants and the 0.3387 ounces per piece in 1999 calculated in the Postal Service response to OCA/USPS-106(d). Note that these 1999 and combined 1999/2000 PFY additional ounce per piece figures for the 0-11 ounce range are likely to be somewhat overstated when compared to 1998 because they do not attempt to adjust for heavier Standard (A) mail pieces migrating into First-Class single piece.

The stability in the additional ounce per piece figure for combined PFY 1999/2000 lends additional support to the April 17 revision that I made in calculating Test Year single-piece additional ounces. That revision involved returning to the approach used by the Postal Service and the Commission in past dockets (please see my workpaper, USPS-LR-I-169, as revised April 17, 2000, and the response to OCA/USPS-106(d)).

It should also be noted that the number of single-piece additional ounces calculated in my workpaper for the Test Year After Rates is 19,779,450 thousand, or 0.3741 additional ounces per piece. This compares generally with 0.3656 additional ounce per piece in combined PFY 1999/2000, indicating that the number of additional ounces I estimate for the Test Year should not be increased.

- (b) Please see Attachment 2 to POIR NO. 11/QUESTION 3. I consulted with Postal personnel familiar with the statistics of the RPW data to obtain these figures.

FIRST-CLASS SINGLE-PIECE MAIL IN LETTERS SUBCLASS: VOLUME BY WEIGHT STEP
PQ1 and PQ2 2000

	Weight Not Over (ounces)													
	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
<u>PQ1 2000:</u>														
Volume (000s)	10,338,805	819,423	313,409	176,307	115,776	77,608	59,264	43,518	36,701	27,255	21,727	16,774	12,685	12,059,251
%	85.7334%	6.7950%	2.5989%	1.4620%	0.9601%	0.6436%	0.4914%	0.3609%	0.3043%	0.2260%	0.1802%	0.1391%	0.1052%	100.0000%
<u>PQ2 2000:</u>														
Volume (000s)	11,534,002	784,650	310,365	173,988	112,177	74,676	55,222	42,007	33,334	24,240	19,441	15,177	11,287	13,190,565
%	87.4413%	5.9486%	2.3529%	1.3190%	0.8504%	0.5661%	0.4187%	0.3185%	0.2527%	0.1838%	0.1474%	0.1151%	0.0856%	100.0000%
<u>PQ1 + PQ2 2000:</u>														
Volume (000s)	21,872,807	1,604,074	623,774	350,295	227,953	152,284	114,486	85,525	70,035	51,495	41,168	31,951	23,971	25,249,816
%	86.6256%	6.3528%	2.4704%	1.3873%	0.9028%	0.6031%	0.4534%	0.3387%	0.2774%	0.2039%	0.1630%	0.1265%	0.0949%	100.0000%

FIRST-CLASS SINGLE-PIECE MAIL IN LETTERS SUBCLASS: CVs BY WEIGHT STEP
GFY 1998, GFY 1999, and Combined PQ1 + PQ2 2000

	Weight Not Over (ounces)												
	1	2	3	4	5	6	7	8	9	10	11	12	13
<u>Time Period:</u>													
GFY 1998	0.64%	0.97%	1.08%	1.20%	1.31%	1.35%	1.47%	1.42%	1.57%	1.80%	1.90%		
GFY 1999	0.72%	1.02%	1.18%	1.28%	1.53%	1.51%	1.65%	1.63%	1.71%	1.79%	2.30%	2.61%	2.80%
PQ1 + PQ 2 2000	1.05%	1.54%	1.66%	1.86%	1.99%	2.03%	2.42%	2.57%	2.54%	2.61%	2.90%	2.86%	3.35%

DECLARATION

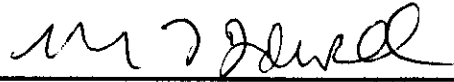
I, David R. Fronk, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

David R. Fronk
David R. Fronk

Dated: 5-15-00

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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May 15, 2000