

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

RECEIVED

JUN 5 4 09 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000
Docket No. R2000-1

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
MAJOR MAILERS ASSOCIATION WITNESS BENTLEY
(USPS/MMA-T1-7-19)

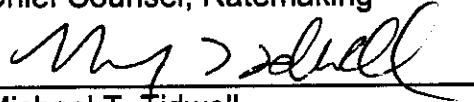
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to MMA witness Bentley: USPS/MMA-T1-7-19.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

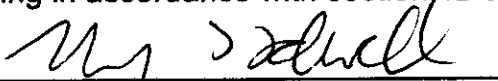
Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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.



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998 Fax -5402
June 5, 2000

USPS/MMA-T1-7

On page 2 of MMA-LR-1, you show that the measured mail processing worksharing related savings between a Metered Mail Letter (MML) and an automation basic presort letter is 5.748 cents (11.815 cents - 6.607 cents). This figure includes the savings associated with both the prebarcoding and presortation of the mail piece. If all 10,000 mail pieces in the automation basic mail flow model (MMA-LR-1, page 23) are entered in the outgoing primary operation (i.e., no presortation is performed), the mail processing worksharing related savings decreases to 4.922 cents (11.815 cents - 6.893 cents). This figure would more closely approximate the savings associated with prebarcoding only, using your cost methodology. In contrast, Exhibit KE-1A of your Keyspan testimony measures a mail processing cost avoidance between a handwritten mail piece and a prebarcoded non-presorted mail piece of 3.580 cents.

- a. Please explain how the Keyspan cost avoidance could be so much smaller (4.922 cents - 3.580 cents = 1.342 cents) than the MMA adjusted savings given that the Keyspan benchmark includes mail that is more costly to process (handwritten mail) when compared to the MMA benchmark (MML) and both benchmarks are being compared to a prebarcoded mail piece.
- b. Is it possible that the cost pool classification methodology used in both Docket No. R97-1 and your testimony could be overstating the savings given the difference between the Keyspan and MMA adjusted results? If your reply is no, please explain.

USPS/MMA-T1-8

On page 16 of your testimony, you list sampling error as a reason why witness Miller's cost pool classification methodology should not be used.

- a. Please confirm that sampling error could also be used as a means to justify not including the "non-worksharing related" cost pools in the worksharing related savings calculations. If you do not confirm, please explain why sampling error would only result in errors that understate cost savings using witness Miller's cost pool classification methodology and would never result in errors that overstate cost savings.
- b. On page 17, you state that witness Miller cannot explain why, at the cost pool level, the costs for the worksharing CRA category are less than the BMM letters category. If, in your opinion, sampling error is truly a factor and you do not "trust" the costs at the cost pool level, why would the comparison of cost pool costs between these CRA categories have any relevance?

USPS/MMA-T1-9

Please complete a task-based justification for your cost pool classifications (for each cost pool) using an analysis similar to that performed by witness Miller in response to ABA&NAPM/USPS-T24-12.

USPS/MMA-T1-10

Please confirm that the use of a "when in doubt, it is better to leave costs in the analysis" (page 19 lines 5-6) policy could overstate the worksharing related savings. If not confirmed, please explain your answer.

USPS/MMA-T1-11

On page 21 lines 8-9 you state, "Indeed, the Postal Service cannot even confirm the existence of BMM in today's mailstream."

- a. Have you observed any metered letters and/or Bulk Metered Mail (BMM) letters operations at postal facilities? If so, please state the facility observed, the date of observation, approximate time of day, and the operations (including MODS operations numbers) observed. In addition, please provide copies of any notes you may have taken during or in connection with these observations.
- b. Have you made any attempt to collect data in order to determine whether BMM letters do, or do not, exist? If so, please provide all data and state what conclusion you reached, based on any such data.

USPS/MMA-T1-12

On page 11 of MMA-LR-1 you classify the cost pools as either "worksharing related proportional" or "other worksharing related fixed." In witness Hatfield's testimony (USPS-T-25, page 10, lines 17-20) in Docket No. R97-1, he stated, "[t]he proportional component represents the mail processing costs that are related to worksharing activities and the fixed component represents the costs that are not related to worksharing activities." Therefore, by his own definition, witness Hatfield stated that the "fixed" cost pools were not worksharing related. The Commission subsequently adopted witness Hatfield's cost pool classifications. As witness Miller pointed out in his response to Docket No. R2000-1, POIR 9, Question 4:

In Docket No. R97-1, pricing witness Fronk (USPS-T-32) used the total mail processing unit costs from the testimony of witness Hatfield (USPS-T-25) to

calculate the cost differences that he used as a basis for his discount proposals. The total mail processing unit costs included the "fixed" costs that witness Hatfield had stated were not related to worksharing.

As a result, I have performed the worksharing related savings calculations in my testimony and excluded the "non-worksharing related fixed" cost pools from the savings calculations. It only stands to reason that if a cost pool is classified as not being related to worksharing activities it should not have an impact on the measured savings.

Given these facts, please explain why you include the "fixed" cost pools (nonworksharing related as per the Docket No. R97-1 PRC definition) in the worksharing related savings calculations.

USPS/MMA-T1-13

In this docket, the Postal Service has proposed a first-ounce rate of 34 cents for First-Class single piece letters. This represents a 3.03% increase from the current 33 cent rate. On page 24 line 22 you state that you propose "modest" increases in worksharing discounts. The rate proposals you present in Table 1 on page 4 are as follows:

<u>Rate Category</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>% Increase</u>
Auto Basic	27.0 cents	27.8 cents	2.96%
Auto 3-Digit	26.1 cents	26.6 cents	2.26%
Auto 5-Digit	24.3 cents	24.8 cents	2.06%

Please explain why the percent increases for these worksharing rate categories should be less than the percent increase proposed for first-ounce single-piece letters.

USPS/MMA-T1-14

On page 22 lines 5-6 you state that you use single-piece Metered Mail Letters (rather than BMM letters) as the worksharing benchmark. Assume 1,000 Metered Mail Letters (MML) migrate to the automation basic rate category. As a subset of the single-piece mail stream, an average of 10.74 metered letters would have been returned or forwarded (see response to MMA/USPS-T24-14) before that migration. After migration, an average of 12.10 letters would have been returned or forwarded.

- a. Please explain how there could have been any worksharing related savings associated with reduced return and forwarding costs, given that the average number of returned and forwarded letters would have increased after the migration.

b. Please confirm that all parties, including single-piece mailers, that maintain accurate address records would help to minimize the costs associated with returning and forwarding UAA mail. If not confirmed, please explain.

USPS/MMA-T1-15

On page 24 lines 10-11 you state, "Window service costs that presort mailers do not incur represent another, significant cost sparing opportunity for the Postal Service." Please confirm that all parties, including single-piece mailers, that pay for postage or buy stamps (e.g., using vending machines, consignment outlets, etc.) without the assistance of a window clerk would avoid these costs. If not confirmed, please explain.

USPS/MMA-T1-16

Throughout your testimony you make specific references to the "Commission approved" cost methodologies (e.g., page 12 line 26, page 13 lines 3-4, page 14 lines 20-21).

- a. Do you feel that the cost methodology used to calculate the worksharing related savings in a given omnibus rate case should always conform to the "Commission approved" methodology used in the previous omnibus rate case? If your reply is not affirmative, please state in what instances the Commission's methodology should, and should not, be followed.
- b. If a cost analyst finds errors or discovers methods to improve the accuracy of the worksharing related savings calculations, do you think that he/she has an obligation to implement these changes, even if they do not conform to the "Commission approved" methodology used in the previous omnibus rate case and may lead to results that some parties might not want to see? Please explain any negative answer.
- c. In Section III.C (page 12) of your testimony, you discuss three changes that you made to witness Miller's cost methodology. For each change, please state whether it conforms to the "Commission approved" cost methodology from Docket No. R97-1. In addition, please state whether the change increases or decreases the worksharing related savings results when compared to the cost methodology used by witness Miller.
 1. Use of the PRC volume variability factors (page 12 lines 24-26)
 2. Use of proportional/fixed cost pool classifications (page 12 lines 1-4)
 3. Use of MML benchmark (page 13 lines 6-7)

USPS/MMA-T1-17

On page 20 lines 5-6 of your testimony you state, "But BMM letters cannot possibly account for the tremendous growth in workshare letter volume that ensued."

- a. Please confirm that mail does not necessarily have to migrate from the single-piece mail stream in order for the First-Class worksharing letter mail volumes to increase. In other words, a large mailer that previously did not use the mail as a communications medium with its many customers can choose to do so and directly enter mail into one or more worksharing rate categories. If you do not confirm, please explain.
- b. If First-Class worksharing rate categories were currently not available and the large mailer described in a. chose to use the mail as a communications medium with its many customers, isn't it likely that this mailer would use meter technology to pay the postage and would organize this mail in trays, if for no other reason than to maintain order when it is preparing a mailing? If you do not confirm, please explain how you would expect such a mailer to prepare and enter this mail.

USPS/MMA-T1-18

On page 23 lines 3-5 of your testimony you state, "The current rate structure gives workshare mailers no credit for the prebarcode savings these reply envelopes confer on the postal system." In this docket, witness Willette (OCA-T-7) has again proposed a 3-cent "CEM" discount that consumers could use when mailing prebarcoded reply envelopes that they receive from large mailers.

- a. Is it possible for both the large mailers that generate the prebarcoded reply mail piece and the consumers that enter the prebarcoded reply mail piece as single-piece mail to both receive discounts based on some measured cost avoidance associated with the barcode? If your reply is yes, please explain.
- b. Who do you think should be awarded such a discount, household consumers, the mailer that generated the mail piece, or both?

USPS/MMA-T1-19

On page 23 line 31 to page 24 line 1 you state, "Presort mailers are not responsible when their customers move or change address." Do you feel that presort mailers should be responsible for updating their mailing lists that contain these new addresses? If your reply is not affirmative, please explain.