

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

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO KEYSpan ENERGY WITNESS BENTLEY
(USPS/KE-T1-16-26)

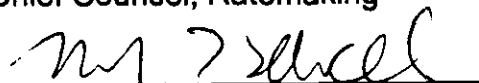
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to KeySpan witness Bentley: USPS/KE-T1-16-26.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

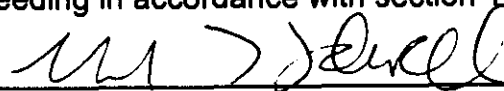
By its attorneys:

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

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June 16, 2000

USPS/KE-T1-16.

On page 4, lines 10-11 of your testimony, you propose a \$1,000 monthly equivalent of the QBRM quarterly fee as opposed to the quarterly fee of \$850 proposed by witness Mayo.

- (a) Please confirm that an implicit cost coverage of 420 percent ($\$1,000/\237.93) results from the establishment of the QBRM Quarterly fee at \$1,000 per month. If you do not confirm, please explain and provide the implicit cost coverage you believe is accurate.
- (b) Under your proposed QBRM per piece and monthly fees, at what monthly volume level will a mailer achieve breakeven?

USPS/KE-T1-17.

Please refer to your testimony at page 20, lines 12-15. If an otherwise low volume QBRM mailer expected to receive 50,000 replies during a one month period, would it be economical for that mailer to sign up for the high volume QBRM service during that quarter? If not, please explain why not.

USPS/KE-T1-18.

Please confirm that your testimony does not identify new cost saving opportunities, but rather, it identifies areas where you believe costs are not properly assigned. If you do not confirm, please identify the proposals in your testimony that will result in increased, future cost savings.

USPS/KE-T1-19.

Please refer to your testimony at page 20, lines 23-25. If your proposed Quarterly QBRM fee of \$1,000 per month were rejected by the Commission and the USPS proposed fee were approved, would you continue to view the difference in the contribution to institutional costs as inconsequential? If yes, please explain your position.

USPS/KE-T1-20.

Please confirm that your testimony does not identify new cost saving opportunities, but rather, it identifies areas where you believe costs are not properly attributed. If you do not confirm, please identify the proposals in your testimony that will result in increased, future cost savings.

USPS/KE-T1-21.

Please confirm that the table below accurately summarizes the changes in revenue from the USPS proposal to your proposal presented in Exhibit KE-1F. If not, please make any changes required to accurately reflect your proposal as compared to the USPS's revenue projection. If there are any other revenue differences between the two proposals, please identify them.

	<u>USPS</u> (\$000)	<u>Keyspan</u> (\$000)	<u>Difference</u> <u>(USPS-Keyspan)</u> (\$000)
High Volume Accounts			
• Quarterly/Monthly Fee	\$4,617	\$3,600	\$1,017
• QBRM Per Piece Fee	\$4,616	\$1,725	\$2,891
Low Volume Accounts			
• Per Piece Fee	<u>\$18,464</u>	<u>\$5,247</u>	<u>\$13,217</u>
Total	\$27,697	\$10,572	\$17,125

USPS/KE-T1-22.

Please refer to Exhibit KE-1F, Page 1 of 1.

- (a) Please confirm that the total contribution to institutional costs resulting from your proposal is \$5,146,000. If you cannot confirm, please provide the total amount of contribution that results from your proposal.
- (b) Please confirm that of the total contribution to institutional costs, \$2,764,000 is generated from the quarterly QBRM fee. If you cannot confirm, please provide the correct amount of contribution resulting from the Quarterly QBRM fee.
- (c) Please confirm that 54.7% of the contribution to institutional costs is generated from the Quarterly QBRM fee. If you cannot confirm, please provide the correct percentage.
- (d) Does the Keyspan volume variable cost of \$2,785 for the annual fee include a contingency? If yes, what is the contingency percentage? If not, why was a contingency not incorporated?
- (e) Does your "USPS proposal" volume variable cost of \$2,784 for the annual fee include a contingency? If yes, what is the contingency percentage? If not, why was a contingency not incorporated?

- (f) Why is there a difference in the Keyspan volume variable cost for the annual fee and your "USPS proposal" volume variable cost for the annual fee?

USPS/KE-T1-23.

Your testimony at page 10 recommends a monthly fee of \$1000 to cover the fixed costs associated with rating and billing QBRM. You indicate at line 16 that a \$1000 monthly fee establishes an annual breakeven volume of 300,000 pieces.

- (a) Please confirm that you believe 300,000 pieces is a "reasonably high breakeven volume" (see page 10, lines 16-17).
- (b) How does one determine what is a "reasonably high breakeven volume"?
- (c) Please explain how you determined that 300,000 pieces is a "reasonably high breakeven volume."
- (d) Please explain the basis for your statement in lines 16-18 that a "reasonably high breakeven volume serves to maximize the opportunity for the Postal Service to realize cost savings from counting QBRM returned in high volumes." On what information do you rely for this determination? In your response, identify and provide all information that forms the foundation for this assertion.

USPS/KE-T1-24.

Please refer to page 10, lines 18-20 of your testimony where you state that your "breakeven volume compares well with the proposed 200,000 minimum for PRM in Docket No. R97-1."

- (a) Please confirm that your breakeven volume is 300,000 pieces. If not confirmed, please explain.
- (b) Please confirm that the Postal Service's proposed breakeven in this docket is volume is 113,000 pieces. If not confirmed, please explain.
- (c) Please confirm that the USPS breakeven volume of 113,000 is closer to the proposed PRM breakeven volume than your breakeven volume of 300,000. If not confirmed, please explain.
- (d) Please explain what you mean when you say that your breakeven volume "compares well with the proposed 200,000 minimum for PRM."

USPS/KE-T1-25.

On page 19, lines 3-5, you state that you "believe the most reliable CRA proportional adjustment factor...is the one computed for all presort letters."

- (a) Please explain how a CRA adjustment factor for *presort* letters is appropriate for adjusting modeled worksharing costs of *handwritten single-piece* mail.
- (b) Please confirm that witness Campbell incorporates a CRA adjustment factor of 0.995 in his model that uses the Commission's cost methodology for attributing costs (see USPS LR I-146, page 1).
- (c) Please confirm that when you modify the CRA adjustment factor from 0.995 to 1.19, the modeled worksharing cost difference between a QBRM piece and a handwritten mail piece increases, thus inflating the cost avoidance estimate.

USPS/KE-T1-26.

In Docket No. MC99-2, USPS witness Ellard performed a special study to "determine the level of interest in new accounting methods and fees for nonletter-size Business Reply Mail (BRM)". See Docket No. MC99-2, USPS-T-2, p.1. In that study, he attempted to find out what mail recipients would be interested in such a classification and how much mail could be expected to be returned under the newly proposed BRM nonletter fee. Did you perform any similar study with respect to QBRM received in high volumes? If so, please provide the results of your study.