

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

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POSTAL RATE AND FEE CHANGES, 2000

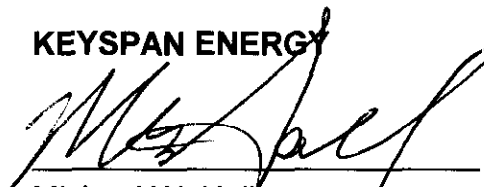
Docket No. R2000-1

**RESPONSES OF KEYSpan ENERGY  
WITNESS BENTLEY TO INTERROGATORY OF  
THE UNITED STATES POSTAL SERVICE**

KeySpan Energy hereby provides the responses of witness Bentley to the following interrogatory of the United States Postal Service: **USPS/KE-T1-27**, filed on June 30, 2000. The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

**KEYSPAN ENERGY**



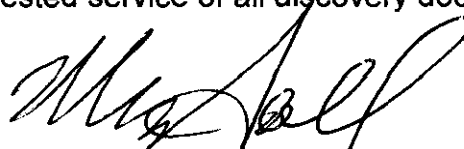
Michael W. Hall  
34696 Bloomfield Road  
Round Hill, VA 20141  
(540) 554-8880

Dated: Round Hill, Virginia  
July 6, 2000

**CERTIFICATE OF SERVICE**

I hereby certify that I have served the following interrogatory responses upon the United States Postal Service, Ted P. Gerarden, the Designated Officer of the Commission, and participants who requested service of all discovery documents

Dated this 6th day of July 2000.



Michael W. Hall

**USPS/KE-T1-27.**

Please refer to your response to USPS/KE-T1-1. This response appears to confuse two separate things: (1) the volumes of PRM and QBRM used for estimating test year revenues in Docket No. R97-1, and (2) the BRM coverage factors which formed the basis for calculating the QBRM unit cost in that same docket.

- (a) Please confirm that PRC LR-10, Chapter IV, page 4 of 4 provides the cost calculation on which the 5-cent QBRM fee recommended by the Commission in Docket No. R97-1 was based. If you cannot confirm, please indicate where this cost calculation was performed.
- (b) Please confirm that the PRC cost calculation shown on page 4 assumes that 14.2 percent of QBRM pieces were processed using BRMAS software, per witness Schenk's 1996 BRM Practices Survey, USPS-LR-H-179 (also see the Commission's Docket No. R97-1 Decision at paragraph 5135). If you cannot confirm, please explain.
- (c) Please confirm that this 14.2 percent (from part b above) does not assume any volume migrates to PRM, but instead simply represents the percentage of QBRM pieces processed using BRMAS software.
- (d) Please confirm that the volume of QBRM, either with or without migration to PRM, is not used in the calculation of the QBRM unit cost estimate that formed the basis for the 5-cent QBRM fee recommended by the Commission. If you cannot confirm, please provide the specific line/column location in PRC LR-10, Chapter IV, page 4 of 4 that shows the use of QBRM volumes in the calculation of QBRM unit attributable cost of 4.5 cents.
- (e) Given your responses to (a)-(d), please explain how "the underlying 4.5-cent cost upon which the 5-cent fee was based excluded the low-cost 287 million pieces that the Commission assumed would shift to the PRM category" (KE-T-1 at page 5, footnote 3).

**RESPONSE:**

There is no confusion. The volumes of PRM and QBRM used for estimating Test Year revenues in Docket No. R97-1 are an integral part of the unit cost derivation that underlies the 5-cent QBRM fee. For example, the operational coverage factors used in that derivation apply specifically to the

194.0 million pieces that the Commission projected would pay the 5-cent QBRM fee. The Commission made no such assumptions regarding the 333.7 million QBRM pieces that it projected would pay no fee under the PRM fee category.

- (a) Confirmed.
- (b) Confirmed. The Commission's computation of the 4.5-cent unit cost for the 194.0 million pieces that it projected would pay the 5-cent per piece fee assumes 14.2% of the pieces would be processed by BRMAS equipment, 19.3% would be counted by EOR, and 66.5% would be counted by manual means. Since the 66.5% percentage includes 19.3% that were counted by weighing techniques and special counting machines, which exhibit higher productivities and lower cost than hand counting, there is an additional reason to believe that the 4.5-cent unit cost is overstated. See Exhibit-KE-1E at 7.
- (c) Assuming the question refers to the Commission's computation of the QBRM unit cost, I cannot confirm your statement. The Commission inherently assumed that, of the remaining 194.0 million pieces left to pay the 5-cent QBRM fee (after migration of 333.7 million BRMAS BRM pieces to PRM) 14.2% would be processed by BRMAS equipment. The 14.2% figure came from the 1997 BRM Practices Study that you refer to in part (b). That figure inherently assumes that the study is representative of the BRM universe. Although current data shows that figure (as it applies to the BRM universe) to be grossly understated, the Commission, in my opinion, did not make any conclusions regarding the

amount of total BRM (including potential PRM) that would be processed by BRMAS equipment. The Commission stated at paragraph 5147 that “[I]n the absence of a more comprehensive migration estimate, the Commission finds that the coverage factor [for the remaining 194.0 million QBRM pieces] resulting from the Service’s BRM operations study should not be altered.” The Commission said nothing about how any of the potential PRM pieces would have been counted or processed, prior to migration.

- (d) I am not sure if the following actually confirms or fails to confirm your statement. The computation of the 4.5-cent unit cost is designed to reflect the unit cost for the remaining 194.0 million pieces that the Commission assumed would pay the 5.0-cent QBRM fee, after migration of 333.7 million BRMAS BRM pieces to PRM. The breakdown of QBRM processing by BRMAS, EOR and manual counts is designed to reflect just those 194.0 million pieces. This is discussed in paragraph 5174 of the Commission’s Opinion. Therefore, the volume of QBRM, either with or without migration to PRM, is indirectly a material component in deriving the 4.5-cent unit cost.

Importantly, the Commission said nothing about how any of the potential PRM pieces would have been counted or processed, prior to migration. Please see my answer to part (e).

- (e) Please note that, as stated in my response to USPS/KE-T1-1, the correct number of pieces that shifted to the PRM category under the

Commission's methodology is 333.7 million, not 287 million. The 287 million referred to letters only whereas the 333.7 million includes letters and cards.

Given the Commission's position, that it had accepted the Postal Service's PRM proposal without modification, it had no reason to believe that the Board of Governors would reject its recommendation. Therefore, the Commission did not have to make, nor did it make, any assumptions regarding the processing of PRM pieces prior to migration. The reason for this is that the counting of PRM pieces, prior to migration, was not an issue in the last case.

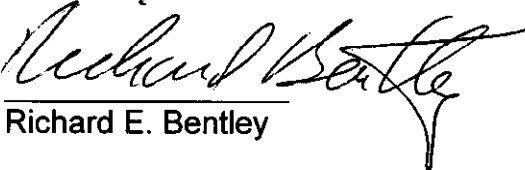
If the Commission had to make such assumptions, I contend that it would **never** have accepted the BRM Practices Study's suggestion that 66.5% of these pieces were manually counted. I say this for two reasons. First, such an assumption implies gross operational inefficiencies that, as evidenced in this case, have proven to be not only unreasonable, but inaccurate as well. Second, I doubt the Commission would recommend a unit fee to the Board of Governors that assumed and permitted the Postal Service manually count large volumes of QBRM letters day in and day out.

Therefore, the Commission took no position with regard to the counting of PRM pieces, prior to migration. As far as the Commission was concerned, the underlying 4.5-cent cost, upon which the 5-cent fee was based, excluded the low-cost 333.7 million pieces that it assumed

would shift to the PRM category. Therefore, the 4.5-cent unit cost is overstated.

**DECLARATION**

I, Richard E. Bentley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

  
Richard E. Bentley

Dated: July 6, 2000  
Vienna, Virginia