

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

Docket No. R2000-1

**Major Mailers Association's First Set Of Interrogatories
And Requests For Production Of Documents
To USPS Witness Richard Patelunas**

Pursuant to Rules 25, 26, and 27 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following interrogatories and document production requests to United States Postal Service witness Richard Patelunas: **MMA/USPS-ST44-1-9**. If the designated witness is unable to answer any of these questions, please direct them to the appropriate witness who can provide a complete response.

Respectfully submitted,

Major Mailers Association

By:



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Counsel for
Major Mailers Association

Dated: Round Hill, VA
July 24, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing discovery request upon the United States Postal Service, Ted P. Gerarden, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in compliance with Rules 12, 26, and 27 of the Commission's Rules of Practice.

Dated this 24th day of July 2000.



Michael W. Hall

**Major Mailers Association's First Set Of Interrogatories
And Document Requests To USPS Witness Richard Patelonas**

MMA/USPS-ST44-1 Please refer to EXHIBIT USPS-ST-44Y which splits up Standard Mail (A) Single Piece costs between First Class and Priority.

- (a) For what time period are the costs shown on pages 1-6?
- (b) Please confirm that the cost figures shown are exact dollar figures (as opposed to thousands of dollars). If you cannot confirm, please explain.
- (c) Please confirm that the cost analysis shown in this exhibit applies only to the first quarter of FY 99. If you cannot confirm, please explain.
- (d) Please confirm that the costs for the second, third and fourth quarters of FY 99 were attributed to First-Class and Priority Mail using the In-Office Cost System. If you cannot confirm please explain.
- (e) Please confirm that the costs are split up between First-Class and Priority on a 95%/5% basis, respectively
- (f) Are the Standard Mail (A) Single Piece volumes also split up between First-Class and Priority on a 95%/5% basis? If not, please explain.
- (g) Does this analysis assume that the unit cost of pieces being split up between First-Class and Priority is the same even though lighter weight pieces shift to First-Class and higher weight pieces shift to Priority? If not, please explain.
- (h) If your answer to part (g) is yes, please explain why the unit costs are assumed to be the same, i.e. independent of weight and/or shape.
- (i) Please confirm that when you prepared your testimony and the Postal Service's FY 1999 Update, you had actual data (i.e. data from Q3 and Q4 of FY 1999 and Q1 and Q2 of FY 2000) that accounted for all migrations of Standard Mail (A) Single Piece and Priority Mail to First-Class Single Piece mail. If you cannot confirm, please explain why not
- (j) Please explain why you did not simply use actual data regarding migrations of Standard Mail (A) Single Piece and Priority Mail to First-Class Single Piece mail in order to determine TYBR and TYAR volumes of First-Class Single Piece mail.

MMA/USPS-ST44-2 Please refer to EXHIBIT USPS-ST-44W where you list updated volume variable costs by subclass for the test year after rates.

Please provide the volumes and revenues associated with those costs by filling in the attached table marked "Attachment to MMA/USPS-ST44-2." Please provide the sources for each figure as well.

MMA/USPS-ST44-3 Please refer to EXHIBIT USPS-ST-44W where you list updated volume variable costs by subclass for the test year after rates. Please provide the volumes and revenues associated with those costs by filling in attached table marked "Attachment to MMA/USPS-ST44-3." Please provide the sources for each figure as well.

MMA/USPS-ST44-4 Please refer to the attachment to this interrogatory marked "Attachment to MMA/USPS-ST44-4" that compares the updated test year after rates volume variable costs by subclass from EXHIBIT USPS-ST-44W with the original (revised) test year after rates volume variable costs by subclass from USPS-T-32B.

(a) Please confirm that all of the cost figures, differences and percent differences are correct. If you cannot confirm, please make any necessary corrections and explain each of those corrections separately.

(b) Please provide a full, detailed explanation for each of the changes that affect:

- 1) First-Class Single Piece
- 2) First-Class Presorted
- 3) Standard Mai (A) Regular
- 4) Standard Mail (A) ECR

MMA/USPS-ST44-5 Please refer to the attachment to this interrogatory marked "Attachment to MMA/USPS-ST44-5" that compares the updated test year before rates volume variable costs by subclass from EXHIBIT USPS-ST-44W with the original (revised) test year after rates volume variable costs by subclass from USPS-T-32B.

(a) Please confirm that all of the cost figures, differences and percent differences are correct. If you cannot confirm, please make any necessary corrections and explain those corrections.

(b) Please provide a full, detailed explanation for each of the changes that affect:

- 1) First-Class Single Piece
- 2) First-Class Presorted
- 3) Standard Mai (A) Regular
- 4) Standard Mail (A) ECR

MMA/USPS-ST44-6 Please refer to section III of your testimony where you discuss "UPDATES IN ADDITION TO THE FY 99 CRA". Can you disaggregate the changes in the volume variable costs depending upon whether they originate from updates in the FY 99 billing determinants or other corrections and updates? If so, please provide the separate impacts of each of the changes as shown in the attachment to this interrogatory marked "Attachment to MMA/USPS-ST44-6." If you cannot do so, please explain why not.

MMA/USPS-ST44-7 Please refer to USPS-ST-44A.

- (a) Please confirm that the Postal Service projects a \$275.3 million loss in the test year after rates? If you cannot confirm, please provide the correct net revenue impact of the updated costs to FY 1999.
- (b) Is the \$275.3 million loss acceptable in order for the Postal Service to meet its breakeven mandate? Please explain.
- (c) If your answer to part (b) is no, please explain what changes the Postal Service has made to its originally proposed rates in order for it to break even.

MMA/USPS-ST44-8 Please provide the volume variable costs using the Commission's cost attribution methodology, in addition to the volumes and revenues for the test year after rates, by filling in the attached table marked "Attachment to MMA/USPS-ST44-8." Please provide the sources for each figure as well.

MMA/USPS-ST44-9 Please provide the volume variable costs using the Commission's cost attribution methodology, in addition to the volumes and revenues for the test year before rates, by filling in the attached table marked "Attachment to MMA/USPS-ST44-9." Please provide the sources for each figure as well.

Test Year Before Rates Finances Using FY 99 Billing Determinants
(\$000's)

<u>Description</u>	<u>Vol Variable Costs (1)</u>	<u>Revenues (2)</u>	<u>Volumes (3)</u>
First-Class Mail			
Single-Piece Letters	13,586,081		
Presort and Automation Letters	5,115,088		
Total Letters	18,701,169		
Single-Piece Cards	558,627		
Presort and Automation Cards	177,569		
Total Cards	734,196		
Total First-Class Mail	19,435,365		
Priority Mail	3,390,168		
Express Mail	482,139		
Mailgrams	850		
Periodicals			
Within County	87,048		
Outside County	2,371,322		
Total Periodicals	2,458,368		
Standard Mail (A)			
Regular	6,784,313		
Enhanced Carrier Route	2,885,551		
Total Commercial	9,469,864		
Nonprofit	1,363,812		
Enhanced Carrier Route	202,982		
Total Nonprofit	1,566,795		
Total Standard Mail (A)	11,036,659		
Standard Mail (B)			
Parcel Post	1,097,383		
Bound Printed Matter	512,221		
Special Rate	361,266		
Library Rate	54,852		
Total Standard Mail (B)	2,025,702		
Penalty			
Free-for-the-Blind	31,724		
Total Domestic Mail	38,840,974		
International Mail	1,619,092		
Total All Mail	40,460,066		
Special Services			
Registry	104,550		
Certified Mail	492,029		
Insurance	80,900		
COD	16,708		
Money Orders	170,767		
Stamped Cards	3,046		
Stamped Envelopes	11,061		
Box/Caller Service	593,497		
Other	122,876		
Total Special Services	1,595,433		
Total Mail & Services	42,055,499		
Other Costs	28,010,934		
Other Income			
Prior Years Loss Recovery	317,709		
Continuing Appropriations			
Investment Income			
Grand Total	70,384,142		

Test Year After Rates Finances Using FY 99 Billing Determinants
(\$000's)

Description	Updated Vol Variable Costs (1)	Original Vol Variable Cost (1)	Difference (3)	% Difference
First-Class Mail				
Single-Piece Letters	13,565,269	13,326,042	239,227	1.80%
Presort and Automation Letters	5,081,635	5,019,464	62,171	1.24%
Total Letters	18,646,903	18,345,506	301,397	1.64%
Single-Piece Cards	543,567	539,919	3,648	0.68%
Presort and Automation Cards	173,866	168,958	4,908	2.90%
Total Cards	717,433	708,877	8,556	1.21%
Total First-Class Mail	19,364,336	19,054,383	309,953	1.63%
Priority Mail	3,194,537	3,064,062	130,475	4.26%
Express Mail	467,914	480,984	(13,070)	-2.72%
Mailgrams	854	1,000	(146)	-14.62%
Periodicals				
Within County	86,222	81,397	4,825	5.93%
Outside County	2,345,698	2,384,191	(38,493)	-1.61%
Total Periodicals	2,431,920	2,465,588	(33,668)	-1.37%
Standard Mail (A)				
Regular	6,512,735	6,823,933	(311,198)	-4.56%
Enhanced Carrier Route	2,629,439	2,471,864	157,575	6.37%
Total Commercial	9,142,174	9,295,797	(153,623)	-1.65%
Nonprofit	1,363,390	1,320,611	42,779	3.24%
Enhanced Carrier Route	199,829	208,577	(8,748)	-4.19%
Total Nonprofit	1,563,219	1,529,188	34,031	2.23%
Total Standard Mail (A)	10,705,393	10,824,985	(119,592)	-1.10%
Standard Mail (B)				
Parcel Post	1,077,003	1,052,158	24,845	2.36%
Bound Printed Matter	498,658	479,204	19,454	4.06%
Special Rate	357,987	301,195	56,792	18.86%
Library Rate	54,015	47,444	6,571	13.85%
Total Standard Mail (B)	1,987,665	1,880,001	107,664	5.73%
Penalty				
Free-for-the-Blind	31,833	40,348	(8,515)	-21.10%
Total Domestic Mail	38,184,452	37,811,351	373,101	0.99%
International Mail	1,570,744	1,429,916	140,828	9.85%
Total All Mail	39,755,195	39,241,267	513,928	1.31%
Special Services				
Registry	100,215	85,204	15,011	17.62%
Certified Mail	460,071	461,746	(1,675)	-0.36%
Insurance	79,550	76,638	2,912	3.80%
COD	16,628	14,992	1,636	10.91%
Money Orders	165,714	153,995	11,719	7.61%
Stamped Cards	3,048	3,444	(396)	-11.49%
Stamped Envelopes	11,077	12,544	(1,467)	-11.69%
Box/Caller Service	586,317	589,226	(2,909)	-0.49%
Other	123,488	141,324	(17,836)	-12.62%
Total Special Services	1,546,109	1,539,113	6,996	0.45%
Total Mail & Services	41,301,304	40,780,380	520,924	1.28%
Other Costs	28,031,846	27,978,701	53,145	0.19%
Other Income				
Prior Years Loss Recovery	317,709	268,257	49,452	18.43%
Continuing Appropriations				
Investment Income				
Grand Total	69,650,859	69,027,338	623,521	0.90%

Test Year Before Rates Finances Using FY 99 Billing Determinants
 PRC Cost Attribution Methodology
 (\$000's)

<u>Description</u>	<u>Vol Variable Costs</u>	<u>Revenues</u>	<u>Volumes</u>
	(1)	(2)	(3)
First-Class Mail			
Single-Piece Letters			
Presort and Automation Letters			
Total Letters			
Single-Piece Cards			
Presort and Automation Cards			
Total Cards			
Total First-Class Mail			
Priority Mail			
Express Mail			
Mailgrams			
Periodicals			
Within County			
Outside County			
Total Periodicals			
Standard Mail (A)			
Regular			
Enhanced Carrier Route			
Total Commercial			
Nonprofit			
Enhanced Carrier Route			
Total Nonprofit			
Total Standard Mail (A)			
Standard Mail (B)			
Parcel Post			
Bound Printed Matter			
Special Rate			
Library Rate			
Total Standard Mail (B)			
Penalty			
Free-for-the-Blind			
Total Domestic Mail			
International Mail			
Total All Mail			
Special Services			
Registry			
Certified Mail			
Insurance			
COD			
Money Orders			
Stamped Cards			
Stamped Envelopes			
Box/Caller Service			
Other			
Total Special Services			
Total Mail & Services			
Other Costs			
Other Income			
Prior Years Loss Recovery			
Continuing Appropriations			
Investment Income			
Grand Total			