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POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001**

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OFFICE OF THE SECRETARY

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POSTAL RATE AND FEE CHANGES, 2000

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Docket No. R2000-1

**AMERICAN BANKERS ASSOCIATION AND  
NATIONAL ASSOCIATION OF PRESORT MAILERS  
JOINT INTERROGATORIES TO USPS WITNESS PATELUNAS  
(ABA&NAPM/USPS-ST44-1-21)  
(July 25, 2000)**

Pursuant to Sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the American Bankers Association and the National Association of Presort Mailers hereby submit these joint interrogatories and requests for production of documents. If the witness to whom an interrogatory is directed is unable to answer the interrogatory or produce the requested documents and another person is able to do so, the interrogatory or request should be referred to such person.

If data requested are not available in the exact format or level of detail requested, any data available in (1) substantially similar format or level of detail or (2) susceptible to being converted to the requested format and detail should be provided.

Responses to requests for explanations or the derivation of numbers should be accompanied by workpapers. The terms "workpapers" shall include all backup material whether prepared manually, mechanically or electronically, and without consideration to the type of paper used. Such workpapers should, if necessary, be prepared as part of the witness's responses and should "show what the numbers were, what numbers were added to other numbers to achieve a final result." The witness should "prepare sufficient workpapers so that it is possible for a third

party to understand how he took data from a primary source and developed that data to achieve his final results." Docket No. R83-1, Tr. 10/2795-96.

ABA&NAPM/USPS-ST44-1.

Commission Order 1294 required the Postal Service to produce the impact of the revised base year on its case by July 7<sup>th</sup>, and to present the impact of other cost change factors no later than July 21<sup>st</sup>. What the Service produced on July 7<sup>th</sup>, however, was only the combined impact of the change in base year along with all other cost change factors.

- a. Please present your testimony and the summary test year data accompanying it showing only the impact of your use of the actual FY 1999 CRA cost data.
- b. Please present LR-I-420, Section 2, pages 1-47, revised FCLM worksharing cost avoidance calculations showing only the impact of the change in base year on your test year numbers. Please present this information in a methodologically identical manner to that contained in USPS witness Miller's direct testimony (USPS-T-24), Appendix I, including but not limited to the inclusion of piggyback factors, not simply "direct costs only".
- c. Please confirm that in all mail processing cost pool estimates in LR-415, Folder SPTY99MP.XLS, revised cost pool estimates, you have omitted piggyback costs associated with direct labor costs in mail processing that were provided in your original filing in LR-I-81. If you can not confirm, explain why not.
- d. Please provide the revised test year unit mail processing costs by individual cost pool on a methodologically identical manner to your original filing in LR-I-81, including but not limited to the inclusion of piggyback costs as defined in the original filing. Please provide the information in two files: (1) revised numbers due to the revision of the BY to BY99 alone; (2) revised numbers due to the change in base year and all other cost change factors you have incorporated. Provide this information for each subclass and for each of the 11 other classifications used in LR-I-81, for example, F-C presort automated letters, F-C single piece metered letters, Standard A Regular letters, automated, etc.

ABA&NAPM/USPS-ST44-2.

- a. Relative to your original filing on extra ounce costs for First Class single piece letters, please confirm that your revised filing for the third ounce shows an increase in test year unit costs of over twelve cents. If you cannot confirm, explain why not.
- b. Between January and July of this year, please explain in detail what factors would cause the true cost of a First Class single piece letter weighing between 2 and 3 ounces to increase by over 12 cents.

ABA&NAPM/USPS-ST44-3.

- a. Please confirm that in your revised filing in LR420, Folder PT7.XLS, the “total unit cost” over all weight ranges for First Class single piece letters has fallen by over one cent since your original filing in LR-I-91 revised, Section 1, page 1, from 20.5 cents to 19.1 cents. If you can not confirm, explain why not.
- b. Please confirm that in your revised filing in LR420, Folder PT7.XLS, the “total unit cost” for the first ounce of First Class single piece letters has fallen almost one cent since your original filing in LR-I-91 revised, Section 1, page 1, from 20.4 cents to 19.6 cents. If you can not confirm, explain why not.
- c. In light of your answers to a. and b. above, do you intend to pass these cost reductions through in a revised and lower rate for First Class single piece letter mail by one cent relative to your initial filing? If not, why not?

ABA&NAPM/USPS-ST44-4.

- a. Please confirm that in your revised filings, you have presented updated data for extra ounce costs of First Class single piece mail, but have not presented any updates for extra ounce costs for First Class presort mail. If you can not confirm, explain why not.
- b. Please explain why you have not provided this updated data for presort.

ABA&NAPM/USPS-ST44-5.

- a. Please confirm that the TY mail processing cost by cost pools for FCLM single piece letters in your original filing in LR-I-81 totaled 12.3 cents, and in your revised filing in LR-415 totals 7.56 cents, or 4.74 cents lower. [Note: Including piggybacks, the revision is 2.7 cents lower.] If you can not confirm, explain why not.
- b. Is it your position that there has been a 4.74 cent (or 2.7 cent including piggybacks) cut since your original filing, in what you estimate it will cost to process a single piece letter in TY2001?
- c. Please confirm that in your revised filing of test year unit mail processing costs by cost pool unit mail processing costs for the bar code sorter operation have fallen from 2.1 cents in LR-I-81 for First Class single piece mail to 1.14 cents in LR-415, Folder SPTY99MP.XLS, or a drop of 46% before reconciliation to a consistent methodological basis. If you can not confirm, explain why not.

ABA&NAPM-ST44-6.

- a. Please confirm that your 2.29 cent revised test year unit mail processing cost number (LR-I-415, Folder SPTY99MP.XLS) for First Class presort automated letters (an aggregate consisting of the rate categories for basic automation, 3 digit presorted

prebarcoded and 5 digit presorted prebarcoded) is 1.6 cents lower than your original BY 1998 number of 3.79 cents from LR-I-81. If you can not confirm, explain why not.

- b. Please confirm that your 2.94 cent (3.23 cents including piggybacks) revised test year unit mail processing cost number (LR-I-415, Folder SPTY99MP.XLS and LR-I-420, Folder PL.XLS Part 1) for First Class non-carrier route presort letters (an aggregate consisting of the three above rate categories plus non-automation presort) is 1.54 cents lower (1.25 cents including piggybacks) than your original BY 1998 number of 4.48 cents from LR-I-81. If you can not confirm, explain why not.
- c. Please confirm that your test year unit delivery costs for First Class presort automated letters (each of the three above rate categories) and non-automation presort has not changed between witness Daniel's errata to the original filing and your revised figures in Section 2 of LR-I-420, "First - Class Letters Summary." If you can not confirm, explain why not.
- d. Please state the change, if any in unit transportation costs for First Class presort automated letters between the original and revised filings.

ABA&NAPM/USPS-ST-44-7.

Has there been any change from your original filing in the RCR Decision Analysis Report (LR-I-164) accept rates for RCR technology used in your test year forecasts, namely 69%? If so, please provide the revised number and all the documentation for the revised number on which it is based.

ABA&NAPM/USPS-ST44-8.

Please confirm there have been no changes in DPS percentages for First Class letters as between your original and revised filings. If you can not confirm, explain why not.

ABA&NAPM/USPS-ST-44-9.

- a. Please explain with all documentation the additional \$102.5 million you assume in test year savings under the caption "improve manual letter productivity" in exhibit USPS-ST-44Z.
- b. Please explain the basis of your two cost reduction plug assumptions in the above exhibit, \$102.5 million for single piece letters versus \$51.4 million for automated letters, which has the net effect of giving the appearance of reduced cost avoidance for workshared letters.
- c. For each category in Exhibit USPS-ST-44Z, please break down the updated cost reduction by the following categories: (a) First Class single piece letters; (b) First Class metered letters; (c) First Class automation presort letters.

ABA&NAPM/USPS-ST-44-10.

- a. In your revised filing in Exhibit USPS-ST-44Z, how much of your (i) “breakthrough productivity” initiatives, and (ii) other cost reduction factors by source, are allocated to: (a) First Class single piece letters; (b) metered letters and (c) presort letters in cost segment 3.1?
- b. In your final adjustments in Exhibit USPS-ST-44W (“D Report”), please crosswalk the cost reductions by subclass to Exhibit USPS-ST-44Z. If there is not a full reconciliation, please explain the sources of the other cost reductions in the former exhibit.

ABA&NAPM/USPS-ST44-11.

- a. Please confirm that test year volumes for First Class single piece letters and presort letters have not changed as between the original filing and revised filing. If you can not confirm, explain why not.
- b. Please confirm that the test year volumes for First Class basic automation letters, 3 digit prebarcoded and 5 digit prebarcoded letters have not changed between the original filing and the revised filing. If you can not confirm, explain why not.

ABA&NAPM/USPS-ST-12.

Please confirm that LR-I-420, Section 2, page 1, indicates that the cost avoidance for a non-automation presort letter is a negative 2.1 cents (-2.093). Isn't this counterintuitive?

ABA&NAPM/USPS-ST44-13.

Please refer to the attachment, which compares witness Patelunas’ rollforward with mix adjustment figures to the test year in ST-44, before final adjustment plugs, to USPS witness Kashani’s corresponding file as revised.

- a. Please confirm that the net effect over all cost segments of the USPS revised filing as shown in the attachment is to add \$311,863,000 to costs to First Class letters and to cut from Standard A Commercial mail (-\$309,275,000). If you can not confirm, explain why not.
- b. Please confirm that in the Postal Service’s revised filing, there has been little if any shift in the volume of Standard A Regular commercial mail. If you can not confirm, explain why not.
- c. Please explain each and every source for the \$238,753,000 reduction in mail processing costs contained in the revised filing for Standard A Regular commercial mail as shown in the attachment.

- d. Please explain each and every source for the \$462,176,000 reduction in total unit costs contained in the revised filing for Standard A Regular commercial mail as shown in the attachment.
- e. Please confirm that one reason for the shifting of costs from Standard A Regular commercial mail in your revised filing is to obtain a higher cost coverage for that subclass under your original rate recommendations. If you can not confirm, explain why not.

ABA&NAPM/USPS-ST-44-14.

Please refer to worksheet "Total (3)" in the Excel file LR420p1.xls. The title of the worksheet is "Test year based on 'Fiscal Year 1999- USPS Version, no piggyback costs.'" Whereas, the print out of this worksheet has the title "MAIL PROCESSING UNIT COST WITH PIGGYBACK COSTS FOR ALL SHAPES." Please state which title is the correct one.

ABA&NAPM-ST-44-15.

Please refer to worksheet "Letters (3)" in the Excel file LR420p1.xls. The title of the worksheet is "Test year based on 'Fiscal Year 1999- USPS Version, no piggyback Volume-Variable Mail Processing Costs, Letters.'" Whereas, the print out of this worksheet has the title "MAIL PROCESSING UNIT COST WITH PIGGYBACK COSTS FOR LETTERS." Please state which title is the correct one.

ABA&NAPM-ST-44-16.

Please refer to worksheet "Letters (3)" in the Excel file, LR420p1.xls. The title of the worksheet is "Test year based on 'Fiscal Year 1999- USPS Version, no piggyback Volume-Variable Mail Processing Costs, Letters.'" Whereas, the print out (the right header) states "BY Letters (3)." Please state whether the unit costs are for the test year or for the base year.

ABA&NAPM-ST-44-17.

Please refer to worksheets "Summary (2)," "ATTACHMENT 17," "ATT17P2," "PAGE1-1," and "PAGE1-2" in Excel file LR420p1.xls. Please state what "#REF!" stands for in these worksheets.

ABA&NAPM-ST-44-18.

Please refer to worksheets "Summary (2)," "ATTACHMENT 17," "ATT17P2," "PAGE1-1," and "PAGE1-2" in Excel file SPTY99np.xls in LR-I-415. Please state what "#REF!" stands for in these worksheets.

ABA&NAPM-ST-44-19.

Please refer to worksheet "Letters (3)" in Excel file SPTY99np.xls in LR-I-415 and worksheet "Letters (3)" in Excel file LR420p1.xls in LR-I-420.

- a. Please confirm that these two worksheets have exactly the same unit costs. If you can not confirm, explain why not.
- b. If confirmed, please state how could the right hand side title for one be "BY Letters (3)" and the other be "TY Letters (3)."
- c. If confirmed, please state why the center title for one is "Mail Processing Unit Costs With Piggyback Costs for Letters" while the other center title is "Mail Processing Unit **Labor** Costs With Piggyback Costs for Letters" (emphasis in bold added).

ABA&NAPM/USPS-ST-44-20.

In answering the questions below for a one ounce letter, please refer to your revised extra ounce cost data for First Class single piece letters by one ounce increment (LR-I-420, Folder pt7.xls) and the corresponding worksheet from witness Daniel's original (revised 3/1/00) worksheet in LR-I-91, Section 1, page 1.

- a. Please confirm that the unit costs for one ounce letters by cost category have changed between your original filing and your 7/21/00 filing by the percentages and amounts noted below.

All mp (3.1) tally	-27.81%	-3.27 cents
Window service (3.2) tally	-30.11	-0.48
Delivery in-office (6.1) tally	-15.33	-0.35
Delivery in-office (6.2) 6.1	-24.12	-0.14
Del. Route (7.1) piece	-11.62	-0.00
Del. Access (7.2) piece	-13.75	-0.03
Ele. Load (7.3) shape&wt	-15.40	-0.11
Del. Support (7.4) sum6&7	-18.68	-0.13
Vehicle service (8) cube	-22.38	-0.01
Delivery rural (10) shape&pc	-19.09	-0.13
Air/water trans. (14 weight	+16.98	+0.05
Hwy/rail trans. (14) cube	+ 5.49	+0.01

Total cost segment changes                      -24.10%              -4.59 cents

- b. Please explain the source(s) of each and every cost segment change by the following categories, with weights if more than one source applies in a cost segment:

Change to 99BY  
Breakthrough productivity  
Other cost reduction factor (be specific)  
Cost methodology change (be specific)  
Cost shift to "other weight"  
Other (be specific)

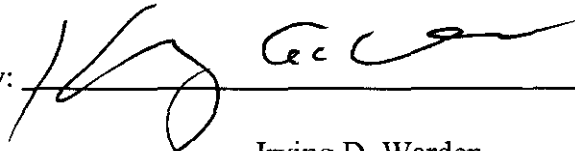
ABA&NAPM/USP-ST-44-21.

- a. Comparing LR-I-420, Folder pt7.xls, SP letters (com) and LR-I-91 (revised), Section 1, page 1, please confirm that the row labeled "other weight" for a one ounce letter has changed from \$228,973,000 in the 3/1/00 filing to \$1,498,233,000 in the revised 7/21/00 filing, an increase of \$1,269,260,000.
- b. There is an asterisk after the label "other weight" in the 7/21/00 filing, implying a footnote, but nowhere in folder pt7.xls, does there appear to be such a footnote of explanation. Please clarify the asterisk and provide the missing footnote if that is the purpose of the asterisk.
- c. If that is not the purpose of the asterisk, please explain in detail all the sources of the change in costs labeled "other weight" for a one ounce letter as noted in a. If this includes any change in the Postal Service's costing methodology, please explain what these changes are and why they were made at this late date in R2000-1.

Respectfully submitted,

AMERICAN BANKERS ASSOCIATION  
NATIONAL ASSOCIATION OF PRESORT MAILERS

By: \_\_\_\_\_



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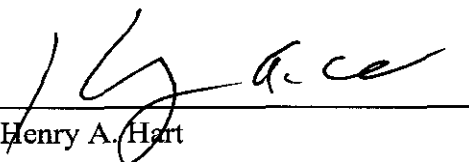
Counsel for  
National Association  
of Presort Mailers

Counsel for  
American Banker Association

Date: July 25, 2000  
Washington, D.C.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.

  
Henry A. Hart

July 25, 2000

Original vs Updated Cost Segments  
After Rates FY01 (W/Mix) (\$1,000)

Attachment To  
AAAD KADW/USPS-ST44-13

Cost Segments	First-Class Single Piece Letters			First-Class Presort Letters			Standard A Regular			Standard A ECR			Total Difference FC Letters	Total Difference Std A Com.
	Original 1/	Updated 2/	Difference 3/	Original 4/	Updated 5/	Difference 6/	Original 7/	Updated 8/	Difference 9/	Original 10/	Updated 11/	Difference 12/		
C/S-1, Postmasters	119,002	114,962	(4,040)	70,371	67,447	(2,924)	46,988	44,023	(2,965)	28,659	25,529	(3,130)	(3,665)	(4,005)
C/S-2, Superv & Techn	698,655	696,992	(1,663)	283,770	259,847	(23,923)	346,309	320,498	(25,811)	111,106	115,010	3,904	(4,583)	(2,507)
C/S-3, Clerks & Mailhandl	6,051,703	6,022,193	(29,510)	1,678,322	1,705,381	26,059	2,685,633	2,439,439	(246,194)	380,190	431,586	51,396	(5,437)	(174,766)
C/S-4, Clerks CAG-K Offices	3,478	1,842	(1,636)	1,017	541	(476)	600	884	284	70	138	68	(2,142)	383
C/S-6&7, Del Del Carriers	1,801,877	1,976,746	174,869	1,287,464	1,249,184	(38,280)	1,432,639	1,345,309	(87,330)	963,201	937,392	(25,809)	(26,809)	(115,189)
C/S-8, Veh Serv Drivers	31,484	32,656	1,172	21,857	22,262	405	54,434	52,155	(2,279)	47,740	49,961	2,221	1,587	(66)
C/S-10, Rural Carriers	315,869	305,498	(10,371)	289,116	287,319	(1,797)	480,229	437,210	(43,019)	353,228	409,219	55,991	(2,168)	(52,672)
C/S-11, Cust & Maint Services	645,647	654,396	8,749	224,619	220,589	(4,030)	289,815	274,785	(15,030)	58,501	62,579	4,078	4,559	(20,842)
C/S-12, Motor Veh. Services	29,370	33,134	3,764	18,648	19,898	1,250	26,189	28,285	2,096	28,488	28,967	479	5,015	4,540
C/S-13, Misc Oper Costs	2,351	2,587	236	1,538	1,627	89	1,650	1,677	27	1,072	1,127	55	325	82
C/S-14, Purchased Transp.	536,519	612,616	76,097	397,441	415,023	17,582	377,490	356,358	(21,132)	80,288	87,089	(6,799)	6,819	(24,533)
C/S-15, Building Occupancy	320,807	325,481	4,674	106,905	110,153	3,248	169,358	154,939	(14,419)	48,443	49,922	1,479	8,022	(18,340)
C/S-18, Supplies & Services	572,135	605,672	33,537	128,494	165,563	37,069	185,304	220,726	35,422	62,636	77,760	15,124	70,308	50,246
C/S-18, Admin & Area Oper	786,230	832,252	46,022	309,672	322,910	13,238	434,434	417,185	(17,249)	156,435	172,213	15,778	48,282	(3,273)
C/S-20, Other Acct'd Expenses	900,364	936,666	36,302	328,093	334,453	6,360	480,190	415,563	(64,627)	124,609	133,052	8,443	42,372	(29,244)
TOTAL	12,925,891	13,153,623	227,732	5,098,247	5,182,178	83,931	6,971,212	6,509,036	(462,176)	2,398,626	2,551,527	152,901	311,893	(498,275)
C/S-3, Mail Processing	5,127,691	5,133,889	6,198	1,517,240	1,527,974	10,734	2,477,152	2,228,398	(248,754)	292,894	359,425	66,531	(6,542)	(17,222)
C/S-6&7&10, Delivery	2,217,746	2,282,244	64,498	1,546,800	1,536,503	(10,297)	1,892,888	1,782,519	(110,369)	1,316,429	1,346,611	30,182	30,182	(59,673)

1/ 4/ 7/ & 10/ are from USPS-T-14, Exhibit USPS-14K  
2/ 5/ 6/ & 11/ are from USPS-ST-44, Exhibit USPS-ST-44V  
3/ 6/ 9/ & 12/ are the differences between updated and original costs  
13/ is the sum of 3/ & 6/  
14/ is the sum of 9/ & 12/