

**OFFICE OF THE SECRETARY
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

**AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
JOINT INTERROGATORIES TO USPS WITNESS PATELUNAS
(ABA&NAPM/USPS-ST44-22-27)
(July 28, 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. 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.

IF YOU CAN NOT CONFIRM WHERE REQUESTED TO DO SO, PLEASE EXPLAIN WHY NOT.

ABA&NAPM/USPS-ST-44-22.

Attached is a page from your case, L. R. 420, labeled "First-Class Letters Summary", page I-1.

- a. Please confirm that you have not updated any cost avoidance studies in your revised case as submitted on or around 7/21/00
- b. Please confirm that column (5) of that page is labeled "Worksharing Related Savings".
- c. Please confirm that the numbers under that column heading are -2.093, 3.802, 0.597, 0.806 and 0.626 for, respectively, nonautomation presort letters, automation basic presort letters, automation 3-digit presort letters and automation 5-digit presort letters.
- d. Please confirm that the numbers in Column (3) of that page are identical to the unit delivery cost numbers provided in your original case as revised by witness Daniel.
- e. Please confirm that the numbers in columns (1) and (2) of that page differ from the numbers in Appendix I, page I-1, of USPS-T-24.
- f. Please confirm that a major source of the differences noted in d. above is that the page from L.R. 420 does not include mail processing piggyback costs, only direct unit labor costs, while the corresponding page from Appendix I, USPS-T-24 does include such piggybacks.
- g. Please confirm that the numbers referenced in b. do not measure cost avoidance for First Class workshared letters as determined in USPS-T-24, but only the "direct cost" (i. e. direct labor cost) element of cost avoidance.

ABA&NAPM/USPS-ST-44-23.

- a. Please confirm that an "apples to apples" comparison (L.R.-I- 415 vs. L.R.-I-81) by cost pools for direct labor costs only, shows an increase in cost avoidance for all mail processing costs and proportional costs compared to your original case as follows:
 - i. total unit mail processing costs (all cost pools): +0.04
 - ii. worksharing related proportional costs (Miller method): +0.01
- b. Please confirm that as aggregated and inputted into your final adjustments spreadsheet for TY2001, the changes in i. or ii. are the only information bearing on cost avoidance beyond your original case that are factored into your revised case.

ABA&NAPM/USPS-ST-44-24.

- a. Please confirm that in your revised case as submitted between early July and now pursuant to Commission Order #1294, it is your belief that you were not required to submit, nor was it your intent to submit, nor did you submit revisions to cost avoidances for First Class workshared mail, as the term cost avoidance is defined or measured in USPS-T-24.
- b. In your opinion, have you submitted any data with your revised case for any piggyback factors for mail processing using the USPS methodology that would enable either the Commission or intervenors to re-calculate unit cost avoidance numbers in a way identical to USPS-T-24, Appendix I, Page I-1?
In a way identical to LR-I-81, by individual cost pool? Please explain, including references to all source material.
- c. In your opinion, have you submitted any data with your revised case for any piggyback factors for mail processing using the PRC methodology that would enable either the Commission or intervenors to re-calculate unit cost avoidance numbers in a way identical to USPS-T-24, Appendix I, Page I-1?
In a way identical to LR-I-81, by individual cost pool. Please explain, including references to all source material.

ABA&NAPM/USPS-ST-44-25.

Please refer to the Attachment, from L. R. 420 labeled "Final Reconciliation Inputs For Current Year."

- a. Please confirm that in row 1, labeled "ltrs sgl pc", the number 7.56 in cents is the direct cost unit mail processing cost for single piece letters/cards in your revised case.
- b. Please confirm that in the column labeled "FY Unit Cost w/piggyback", the number from row one 9.64 (cents) is not the direct cost number 7.56 cents plus mail processing piggybacks, i.e. is not the total unit mail processing cost in your revised case.

ABA&NAPM/USPS-ST-44-26.

- a. Beyond the incorporation of actual 1999 CRA data (BY99) in your revised roll-forward model to TY2001 before final adjustments, what other cost adjustment factors are explicitly factored into the roll-forward model by year before final adjustments in (1) BY1999; (2) 2000; (3) TY2001?
- b. What cost adjustment factors are explicitly factored into the final adjustments for TY2001?
- c. If there are cost adjustment factors that are incorporated into both the roll-forward before final adjustments and the final adjustments, please explain why, or what

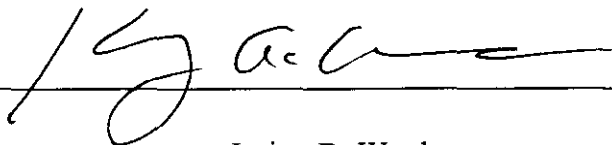
- elements of each such factor are applied to the two procedures.
- d. Please explain why direct costs only, without piggybacks, are all that is needed for your final adjustments in response to Commission Order #1294.

ABA&NAPM/USPS-ST-44-27.

Please confirm that the sole source of your cost adjustments in Exhibit USPS-ST-44Z is the Postal Service's current budget process or operating budget or planning budget for FY2001, and for each cost adjustment factor please cite to the appropriate budget document and page of that document.

Respectfully submitted,

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MECS

P.03/05

**FIRST-CLASS LETTERS SUMMARY
DIRECT COSTS ONLY - ORDER 1294**

	(1)	(2)	(3)	(4)	(5)
	MAIL PROC	MAIL PROC	DELIVERY	TOTAL	WORK-
		WORK-	WORK-	WORK-	SHARING
		SHARING	SHARING	SHARING	RELATED
		RELATED	RELATED	RELATED	RELATED
<u>BENCHMARK</u>	<u>TOTAL</u>	<u>UNIT COST</u>	<u>UNIT COST</u>	<u>UNIT COST</u>	<u>SAVINGS</u>
<u>RATE CATEGORY</u>	<u>UNIT COST</u>	<u>UNIT COST</u>	<u>UNIT COST</u>	<u>UNIT COST</u>	<u>SAVINGS</u>
Bulk Metered Mail Letters	6.445	5.028	5.479	10.507	—
Nonsautomation Presort Letters	9.194	7.120	5.479	12.599	-2.093
Bulk Metered Mail Letters	6.445	5.028	5.479	10.507	—
Automation Basic Presort Letters	2.882	2.386	4.319	6.705	3.802
Automation Basic Presort Letters	2.882	2.386	4.319	6.705	—
Automation 3-Digit Presort Letters	2.408	1.912	4.196	6.108	0.597
Automation 3-Digit Presort Letters	2.408	1.912	4.196	6.108	—
Automation 5-Digit Presort Letters	1.801	1.305	3.997	5.302	0.806
Other Sites	1.682	1.186	2.966	4.152	
CSBCS/Manual Sites	2.050	1.554	6.180	7.714	
Automation 5-Digit Presort Letters	2.050	1.554	6.180	7.714	—
(CSBCS/Manual Sites)					
Automation Carrier Route Presort Letters	1.368	1.029	6.059	7.088	0.628

(1) CRA Mail Processing Unit Costs:

Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools + Non-Worksharing Fixed Cost Pools

Model-Based Mail Processing Unit Costs:

(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment + Non-Worksharing Fixed Adjustment

(2) CRA Mail Processing Unit Costs:

Worksharing Proportional Cost Pools + Worksharing Fixed Cost Pools

Model-Based Mail Processing Unit Costs:

(Model Cost * Worksharing Proportional Adjustment) + Worksharing Fixed Adjustment

(3) USPS-T-28, Table 5

(4) (2) + (3)

(5) Benchmark (4) - Rate Category (4)

**FINAL RECONCILIATION
INPUTS FOR THE CURRENT YEAR**

Test Year Based on 'FY '99 USPS Version--Summary of All Volume-Variable Mail Processing Unit Costs - Lette

Subclass	Letters/Cds. Flats	Parcels/PPs	All Shapes	FY Unit Cost w/Piggyback	Average of All Shapes & Presort
1-LTRS SGL PC	7.56	26.01	49.87	9.64	
2-1 LTR_P C_RT	1.37	-	-	1.37	3.23
2-2 LTR_P NC_RT	2.94	25.88	92.16	3.29	3.23
3-CARDS SGL PC	6.37	-	-	6.37	
4-1 CRD_P C_RT	0.41	-	-	0.41	1.68
4-2 CRD_P NC_RT	1.74	-	-	1.74	1.68
8-1 IN COUNTY	4.40	1.80	-	1.92	1.92
8-2 PER.REGULR	3.18	7.85	-	7.98	7.98
8-3 PER.NONPRF	6.51	4.53	-	4.79	4.79
8-4 PER.CLASSR	4.38	8.18	-	8.40	8.40
10-(A) REG/ENH	1.02	1.03	90.48	1.09	1.09
11-(A) REG/OTHR	3.31	7.77	31.92	5.43	5.43
12-(A) NPRF/ENH	1.74	1.28	279.18	1.64	1.64
13-(A) NPRF/OTH	3.11	8.15	53.10	4.09	4.09
14-(B) PARCELS	-	#DIV/0!	#DIV/0!	92.13	92.13
15-(B) BD PRINT	-	#DIV/0!	#DIV/0!	28.61	28.61
16-(B) SPECIAL	-	#DIV/0!	#DIV/0!	62.60	62.60
17-(B) LIBRARY	-	#DIV/0!	#DIV/0!	62.12	62.12

SOURCE:

BY TOTAL (3) SEE BELOW SEE BELOW
COL "BC"

COL "F" SOURCE:

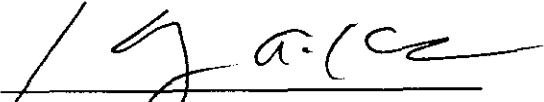
CLASS "C" * CLASS "L" / CLASS "J".

COL "G" SOURCE:

VOLUME WEIGHTED AVERAGE OF CARRIER-ROUTE AND NON-CARRIER ROUTE PRESORT. THIS IS THE SAME AS COL "E" FOR AVERAGE OF ROWS 9 AND 11 AND ROWS 15 AND 17.

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 28, 2000