

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

RECEIVED
AUG 1 4 41 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS TO INTERROGATORIES OF
THE MAJOR MAILERS ASSOCIATION
(MMA/USPS-ST44-1-7)

The United States Postal Service hereby provides the responses of witness Patelunas to the following interrogatories of the Major Mailers Association: MMA/USPS-ST44-1-7, filed on July 24, 2000. Interrogatories MMA/USPS-ST44-8-9 were redirected to the Postal Service.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
August 1, 2000

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

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.

**Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association**

Response:

- (a) The time period is Fiscal Year 1999.
- (b) Not confirmed. The dollar amounts shown are in thousands of dollars.
- (c) Confirmed that Standard (A) Single Piece existed only in Quarter I of Fiscal Year 1999.
- (d) Not confirmed. Costs for Quarters II, III and IV of Fiscal Year 1999 were attributed to classes, subclasses and special services with the use of all sampling systems: *In-Office Cost System, City Carrier Cost System, Rural Carrier Cost System, TRACS, etc.*
- (e) Confirmed that the split in the exhibit is between First-Class and Priority on a 95%/5% basis.
- (f) It is my understanding that volumes are also split on the 95%/5% basis.
- (g) As the exhibit shows, I split the Standard (A) Single Piece cost by component; I did not use unit cost.
- (h) Not applicable.
- (i) Confirmed that the Q3 and Q4 of FY1999 and the Q1 and Q2 of FY2000 data were available.
- (j) I maintained the same methodology in the update that was used when the Request was filed because I didn't have time to consider new methodologies.

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

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.

Response:

The volumes associated with the costs as presented in USPS-LR-I-410 can be found in Exhibit USPS-T14A, page 10. The revenues associated with the costs as presented in USPS-LR-I-410 can be found in two places: 1) aggregate amounts are shown in Exhibit USPS-ST44C, and 2) class, subclass and special service detail can be found in Exhibits USPS-32 B, as revised on 4/21/00.

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

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.

Response:

Assuming the question refers to the test year before rates, please refer to Exhibit USPS-ST44T for the appropriate volume variable costs. The volumes associated with the costs as presented in USPS-LR-I-410 can be found in Exhibit USPS-T14A, page 9. The revenues associated with the costs as presented in USPS-LR-I-410 can be found in two places: 1) aggregate amounts are shown in Exhibit USPS-ST44C, and 2) class, subclass and special service detail can be found in Exhibit USPS-32 A, as revised on 4/21/00.

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

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 Mail (A) Regular
 - 4) Standard Mail (A) ECR

Response:

(a) Not confirmed. I am not able to explain where some of the amounts in column (1), Updated Vol Variable Costs, of the Attachment to MMA/USPS-ST44-4 were found. I am providing the correct amounts from Exhibit USPS-ST44W and for each amount in column (1) that changes, the Difference in column (3) and the % Difference in the last column will also change. The following amounts from Exhibit USPS-ST44W should replace the amounts displayed in column (1), Updated Vol Variable Costs, in the Attachment to MMA/USPS-ST44-4:

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

Response continued:

First-Class Mail	
Single-Piece Letters	13,565,268
Presort and Automation Letters	5,081,635
Total Letters	18,646,902
Total First-Class Mail	19,364,335
Priority Mail	3,194,537
Total Standard Mail (B)	1,987,663
Total All Mail	39,755,198
Special Services	
Insurance	75,549
COD	16,289
Total Special Services	1,546,109
Total Mail & Services	41,301,305
Prior Years Loss Recovery	311,700
Grand Total	69,644,851

It should be noted that the Prior Years Loss Recovery amount is found in Exhibit USPS-ST44A. Also, the line stubs in Attachment to MMA/USPS-ST44-4 do not exactly match the lines stubs shown in Exhibit USPS-ST44W. The amount shown for Periodicals Outside County in the attachment is the summation of the following lines in Exhibit USPS-ST44W: Nonprofit, Classroom and Regular Rate. The amount shown for Special Services Other in the attachment is the summation of the lines for Special Handling and Special Services Other in Exhibit USPS-ST44W.

(b) Please see my response to AAP/USPS-ST44-9.

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

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 Mail (A) Regular
 - 4) Standard Mail (A) ECR

Response:

(a) Not confirmed. I am not able to explain where some of the amounts in column (1), Updated Vol Variable Costs, of the Attachment to MMA/USPS-ST44-4 were found. I am providing the correct amounts from Exhibit USPS-ST44T and for each amount in column (1) that changes, the Difference in column (3) and the % Difference in the last column will also change. The following amounts from Exhibit USPS-ST44T should replace the amounts displayed in column (1), Updated Vol Variable Costs, in the Attachment to MMA/USPS-ST44-4:

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

Response continued:

Total All Mail	40,460,067
Total Special Services	1,595,434
Total Mail & Services	42,055,501
Prior Years Loss Recovery	311,700
Grand Total	70,378,135

It should be noted that the Prior Years Loss Recovery amount is found in Exhibit USPS-ST44A. Also, the line stubs in Attachment to MMA/USPS-ST44-4 do not exactly match the lines stubs shown in Exhibit USPS-ST44T. The amount shown for Periodicals Outside County in the attachment is the summation of the following lines in Exhibit USPS-ST44T: Nonprofit, Classroom and Regular Rate. The amount shown for Special Services Other in the attachment is the summation of the lines for Special Handling and Special Services Other in Exhibit USPS-ST44T.

(b) Please see my response to AAP/USPS-ST44-9.

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

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.

Response:

No, I cannot disaggregate the changes in the volume variable costs. The Postal Service incorporated the FY 1999 Cost and Revenue Analysis report and revisions to the original cost change factors into the rollforward model through test year 2001; the separate impacts of the various changes could not, and cannot, be disaggregated within the time frame established by Order No. 1294 and Ruling No. 71.

Response of United States Postal Service witness Patelunas
to Interrogatories of
Major Mailers Association

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.

Response:

- (a) Confirmed.
- (b - c) Redirected to the Postal Service.

DECLARATION

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

Richard Patelunas

Dated: 8/1/00

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.



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
August 1, 2000