

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, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
THE AMERICAN BANKERS ASSOCIATION AND NATIONAL ASSOCIATION OF
PRESORT MAILERS REDIRECTED FROM WITNESS PATELUNAS
(ABA/USPS-ST44-22-26)

The United States Postal Service hereby provides its response to the following interrogatory of the American Bankers Association: ABA/USPS-ST44-22-26, filed on July 28, 2000, and redirected from witness Patelunas.

It should be noted that ABA/NAPM, in their interrogatories, characterize the Postal Service's response to Order No. 1294 as a "revised case." The Postal Service's interrogatory responses should not be considered agreement with that characterization; the Postal Service considers its response to Order No. 1294 to consist of a requested update rather than a "revised case."

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:
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August 2, 2000

**Response of United States Postal Service
to Interrogatories of American Bankers Association and
National Association of Presort Mailers
(Redirected from witness Patelunas, USPS-ST-44)**

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

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

- 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.

Response:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.

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- e. Confirmed.
- f. Confirmed.
- g. Not Confirmed. The costs in column 5 Total Worksharing Related Savings include the original delivery costs which included indirect costs.

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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 alt 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. workshating 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.

Response:

a.-b. Not confirmed. As indicated in response to ABA&NAPM/USPS-St-44-1, 5, 6, 12, 24 and 26 no estimates of cost avoidance have been prepared as part of the response to Order 1294.

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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-I ?

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 1-1? In a way identical to LR-I-81, by individual cost pool. Please explain, including references to all source material.

Response:

- a. Confirmed. The Postal Service does not believe that revised cost avoidances for workshared First Class Mail were required by Order No. 1294.
- b. No.
- c. No.

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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.

Response:

- a. Not confirmed. The number 7.56 cents per piece is best described as the labor processing unit cost for First-Class Mail letters as per the update filed in response to Order No. 1294. This cost is provided for the calculation of final adjustments.
- b. Confirmed. This column is incorrectly labeled. No piggyback costs are included in these estimates. The 9.64 cents per piece is the average for processing labor unit cost for letters, flats and parcels, for First-Class single-piece.

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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.

Response:

- a.
- b-c. None. As was the case in the original final adjustments, they are implicitly incorporated by the use of the C Report. They are not explicitly accounted for in any final adjustment models.
- d. Order 1294 Final Adjustment piggyback factors were computed in USPS LR-I-414 and were used in USPS LR-I-419 and LR-I-420 as was consistent with the computation of final adjustments originally filed in USPS LR-I-97 and LR-I-98.

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.



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