

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, 2001

Docket No. R2001-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MILLER TO INTERROGATORIES OF VAL-PAK DIRECT
MARKETING SYSTEMS, INC. AND VAL-PAK DEALERS' ASSOCIATION, INC.
(VP/USPS-T24—2-4)**

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association: VP/USPS-T24—2-4, filed on October 2, 2001. Interrogatory VP/USPS-T24—1 has been redirected to witness Schenk.

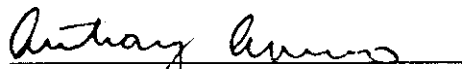
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 16, 2001

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VP/USPS-T24-2 Please refer to your testimony at page 6, lines 24-27, where you discuss "worksharing related fixed" cost pools and state that "[t]hese costs represent tasks that have not actually been modeled."

- a. Please identify all tasks or cost pools for Standard flats that have not actually been modeled.
- b. What plans does the Postal Service have to model any of these "worksharing related fixed" tasks/cost pools that as yet have not actually been modeled?
- c. Is it possible that if or when these tasks/cost pools were to be modeled, they could turn out to be reclassified as "worksharing related proportional?" That is, to what extent do you know that they are worksharing related fixed, and to what extent are you simply assuming that they are worksharing related fixed?
- d. Have you modeled any cost pools/tasks that either were or have turned out to be "worksharing related fixed?" If so, please describe them.

RESPONSE:

- a. See USPS LR-J-61, page 71, column E. The "worksharing related fixed" cost pools that have not been modeled are cost pool numbers 22 ("1BULKPR") and 44 ("LD79").
- b. There are currently no plans to model the tasks represented by cost pools 22 and 44.
- c. No. The costs found in cost pool 44 ("LD79") represent the acceptance and verification tasks that occur in the Business Mail Entry Unit (BMEU) when mailers submit their mailings to the Postal Service. The costs found in cost pool 22 ("1BULKPR") represent the tasks performed by mailhandlers once they receive the accepted and verified mail from the BMEU clerks. These mailhandlers sort the containers of mail based on the next operation to which that mail needs to be routed. The tasks represented by these cost pools occur because the mail is entered at the BMEU. These cost pools are accordingly classified as

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RESPONSE TO VP/USPS-T24-2 (Continued)

worksharing related. Each mail piece would incur these costs only once, however, regardless of whether that mail piece were prebarcoded and/or presorted. Therefore, it is reasonable to conclude that these costs are fixed.

d. No.

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VP/USPS-T-24-3 At page 7, lines 6-9, you discuss briefly the "non-worksharing fixed" category of costs.

- a. Have you modeled any of these costs? If so which ones?
- b. What plans does the Postal Service have to model any of these non-worksharing fixed tasks/cost pools that as yet have not actually been modeled?
- c. For Standard ECR Mail, what percentage of mail processing costs did this classification represent in Base Year?
- d. For Standard ECR mail, please provide representative examples of the types of cost pools or tasks that constitute non-worksharing related fixed costs.

RESPONSE:

- a. No.
- b. There are no plans to model these cost pools.
- c. & d. My testimony develops cost estimates for non-ECR Standard Mail flats only. Standard Mail ECR cost estimates can be found in the testimony of witness Schenk (USPS-T-43). The Standard Mail ECR cost estimates rely on a cost methodology different from that used in my testimony. Consequently, the Postal Service has no information responsive to this request.

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VP/USPS-T24-4 Please refer to Table 1 at page 14 of your testimony.

- a. For each unit cost shown in that table, please provide (i) the modeled cost and (ii) the adjustment(s) used to reconcile the modeled cost with the Cost and Revenue Analysis ("CRA") cost.
- b. Please provide also the percentage adjustments that were necessary to reconcile the modeled cost with the CRA cost, if those percentages are not readily calculable from the data which you provide.

RESPONSE:

a.b. Please see Attachment 1.

RESPONSE TO VP/USPS-T24-4 (Continued)

<u>Category</u>	(1) <u>Actual Model Cost (Cents)</u>	(2) <u>Presort-Adj Model Cost (Cents)</u>	(3) <u>Worksharing Related Proportional Adj Factor</u>	(4) <u>Worksharing Related Fixed Adjust (Cents)</u>	(5) <u>Non- Worksharing Related Fixed Adjust (Cents)</u>	(6) <u>Total Actual Mail Proc Cost (Cents)</u>	(7) <u>Total Presort-Adj Mail Proc Cost (Cents)</u>
FIRST-CLASS MAIL FLATS							
Nonautomation Flats	11.769	11.769	1.970	0.082	9.350	32.614	---
Nonautomation Mixed ADC Flats	---	20.545	1.970	0.082	9.350	---	49.901
Nonautomation ADC Flats	---	14.367	1.970	0.082	9.350	---	37.732
Nonautomation 3-Digit Flats	---	13.914	1.970	0.082	9.350	---	36.839
Nonautomation 5-Digit Flats	---	6.954	1.970	0.082	9.350	---	23.129
Automation Mixed ADC Flats	15.903	15.903	1.970	0.082	9.350	40.757	40.757
Automation ADC Flats	11.378	11.378	1.970	0.082	9.350	31.844	31.844
Automation 3-Digit Flats	11.379	11.379	1.970	0.082	9.350	31.845	31.845
Automation 5-Digit Flats	6.211	6.211	1.970	0.082	9.350	21.666	21.666
PERIODICALS FLATS							
Nonautomation Basic Flats	16.702	16.702	1.208	0.046	4.826	25.051	25.051
Nonautomation 3-Digit Flats	12.625	12.625	1.208	0.046	4.826	20.126	20.126
Nonautomation 5-Digit Flats	6.982	6.982	1.208	0.046	4.826	13.308	13.308
Nonautomation Carrier Route Flats	1.701	1.701	1.208	0.046	4.826	6.927	6.927
Automation Basic Flats	12.958	13.753	1.208	0.046	4.826	20.529	21.489
Automation 3-Digit Flats	10.367	10.812	1.208	0.046	4.826	17.422	17.936
Automation 5-Digit Flats	6.275	6.485	1.208	0.046	4.826	12.454	12.707
STANDARD MAIL FLATS							
Nonautomation Basic Flats	15.329	15.329	1.023	0.047	4.003	19.729	19.729
Nonautomation 3/5-Digit Flats	8.619	8.619	1.023	0.047	4.003	12.866	12.866
Automation Basic Flats	13.392	12.670	1.023	0.047	4.003	17.748	17.009
Automation 3/5-Digit Flats	7.488	7.442	1.023	0.047	4.003	11.709	11.662

(1) USPS LR-J-61 pages 1 (First-Class Mail), 34 (Periodicals), and 69 (Standard Mail)

(2) USPS LR-J-61 pages 2 (First-Class Mail), 35 (Periodicals), and 70 (Standard Mail)

(3) USPS LR-J-61 pages 1 (First-Class Mail), 34 (Periodicals), and 69 (Standard Mail)

(4) USPS LR-J-61 pages 1 (First-Class Mail), 34 (Periodicals), and 69 (Standard Mail)

(5) USPS LR-J-61 pages 1 (First-Class Mail), 34 (Periodicals), and 69 (Standard Mail)

(6) (1) * (3) + (4) + (5)

(7) (2) * (3) + (4) + (5)

DECLARATION

I, Michael W. Miller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



MICHAEL W. MILLER

Dated: 10-16-01

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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