

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R2000-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 2
(Issued October 17, 2001)

United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 14 days.

1. At page 22 of USPS-T-33, witness Kiefer describes the use of 'Zoning Factors' to counteract the tendency toward anomalous rates due to the fact that non-local Intra-BMC transportation costs "bear no readily identifiable relationship to the distances between the origin and destination ZIP codes." These zoning factors for zones 1 & 2, 3, 4, and 5 are 0.99, 1.00, 1.02, and 1.05 respectively. a. Please describe how these factors were determined? b. Did the Postal Service explore other means of reducing the tendency for Intra-BMC rates to dictate DBMC rates? c. If so, please describe in detail and explain why each was rejected.
2. In the transportation workpapers for R2000-1 the Postal Service distributed empty equipment cost for highway based on all highway costs. It distributed the empty equipment for rail based on all rail costs. In docket R2000-1 the Commission recommended adoption of MPA's proposal to distribute empty equipment rail costs based on the costs of all surface transportation rather

than just the other rail costs. In this docket the Service appears to have distributed the empty equipment costs for both highway and rail based on the combined costs of both surface and air transportation. Please explain this change in distribution methodology.

3. In R2000-1 witness Bradley presented, and the Commission recommended, a 'compromise' method of allocating empty space in formulating the distribution keys for highway transportation. See R2000-1 USPS-RT-8 for an explanation of this method. Has the Service used this method to develop the distribution key for highway transportation in this docket? If not, why not? If so, please provide a cite to the relevant calculations.
4. The Parcel Select volumes for zones 3, 4, and 5 in witness Eggleston's LR-J-64, file 2ptran.xls, page TYBR Pieces, do not match the volumes for Parcel Select zones 3, 4, and 5 in witness Keifer's LR-J-106. For example, for 10 pounds in zone 3 witness Eggleston has 541,479 pieces; witness Keifer has 559,470. Please reconcile these differences.
5. Please provide the electronic version of the spreadsheets used to forecast international mail volume and revenue for FY 2001, FY 2002, FY 2003 (test year before rates), and FY 2003 (test year after rates). Exhibits USPS-28A, USPS-28B and USPS-28C. Please show the quarterly volume forecasts of international mail for 2001Q4-2004Q4 in the same manner witnesses Tolley (USPS-T-7) and Musgrave (USPS-T-9) have presented before- and after-rates quarterly volume forecasts of domestic mail.
6. Please provide workpapers, in support of Exhibits USPS-28A, USPS-28B and USPS-28C, that show for each mail category and special service the following statistics and their source: (a) mail volume, (b) postage, (c) fees, (d) total revenue, and (e) revenue per piece. The requested workpapers should have a similar structure as the workpapers submitted by Postal Service witness

Mayes in support of her Exhibits USPS-32A, USPS-32B and USPS-32C in Docket No. R2000-1 (See response to POIR No. 1/3 in Docket No. R2000-1).

7. If there are any planned rate changes for international mail between the base year and the test year, please provide the average percentage change for each year in which there are planned changes and the effective date of each change.
8. In discussing the possibility of mailers converting machinable parcels to nonmachinable parcels in order to take advantage of the proposed NMO DSCF rate witness Kiefer states, "The Postal Service intends to develop implementation rules that will forestall any such conversions." Please describe the factors and considerations that will be used in developing these implementation rules and discuss how they will forestall conversions.
9. There are discrepancies between the Rollforward's BEN2FACT and its VBL5 and VBL6 control strings. For example, the distribution key on line 236 of FY2001 BEN2FACT file indicates that cost reduction dollars are distributed to component 43 using component 1449, whereas the VBL5 of the Rollforward Model is actually using component 1469 to distribute costs to component 43. Please compare the FY2001, FY2002, and FY2003 before rate and after rates BEN2FACT files with their corresponding VBL5 and VBL6 control strings, report any discrepancies and for each discrepancy indicate which is correct, the BEN2FACT file or the VBL control strings. Include a detailed explanation of each difference and its impact on the Rollforward, if any, for FY 2001, FY 2002, FY 2003 before rates and after rates.
10. The FY 2000 mail volumes for International, Registry, Certified, Insurance, and Other Special Services in Witness Patelunas' Exhibit 12A at page 15 differ from those listed in Witness Meehan's Workpaper A, pages 125 and 126. Please explain these differences and indicate which volumes should be

used in the rollforward and discuss the impact, if any, on FY 2001, FY 2002, FY 2003 Before Rates, and FY 2003 After Rates costs.

11. Please provide the Excel spreadsheet associated with USPS-T-12, Appendix A, Mail Processing Cost Reduction Explanation and Display.
12. Witness Patelunas' Exhibit 12A at pages 15 through 18 shows the derivation of the mail volume cost effect factors which are input into the file RAT2FACT for use in the cost rollforward process. Column 2, labeled CRA Line, shows the CRA line number for each of the classes and subclasses of mail in the CRA cost matrix. These line numbers should correspond to the line numbers shown in the file AHEAD, in Library Reference J-6 at \Fy01h\control\AHEAD. Exhibit 12A shows the CRA line number for Insurance and Certified to be 164 and 165, respectively. However, the file \Fy01h\Control\AHEAD, shows the line numbers to be just the opposite, line 165 for Insurance and line 164 for Certified. An examination of the mail volume effect in the rollforward for FY 2001, 2002, and the Test Year Before Rates and After Rates shows that Certified costs are increased by the RAT2FACT factor apparently intended for Insurance and Insurance costs are increased by the RAT2FACT factor apparently intended for Certified. If necessary, please provide appropriate corrections. Include corrections to the cost rollforward workpapers and Exhibits of Witness Patelunas, and all corrections to Exhibits and/or Workpapers of any other witness who are affected by the correction to the rollforward. Additionally, please provide all corrections to the cost rollforward workpapers for the PRC version in Library Reference J-75.

13. This question concerns prebarcoded letter-shaped mail pieces that weigh more than 3.3 ounces, but not more than 3.5 ounces and that meet all other automation requirements for letters. Witness Moeller refers to this mail as heavy automation letters. USPS-T-32 at 4.

- a. In USPS-T-32 at 4-5, witness Moeller states that “[t]his proposal is also advantageous to the Postal Service, since automated letter processing (even for pieces of this weight) is more cost-effective than manual letter or automated flat processing.” Are heavy automation letters currently processed in the letter mail processing stream or the flat mail processing stream? If heavy automation letters are currently processed as automated letters, is the Postal Service currently benefiting from the cost effectiveness of processing these mail pieces as automated letters rather than as automated flats or manual letters?
- b. In USPS-T-32 at 4, witness Moeller states that “the proposed change is intended to permit automation letter mailers to avoid the substantial rate increase for letter-shaped pieces exceeding 3.3 ounces.” Will the proposed pound rate applicable to heavy automation letters cover their additional costs compared to the costs of other automation letters?
- c. Does the Postal Service expect some mailers to convert from flat-shaped automation pieces to heavy weight automation letters to take advantage of the lower rate?

A handwritten signature in black ink, appearing to read "George Omas", with a stylized, cursive script.

George A. Omas
Presiding Officer