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

RESPONSES OF UNITED STATES POSTAL SERVICE WITNES MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
(MMA/USPS–T22-1, 2, 4(A, E, F), 5(A,B) 6(A), 7(A,B), 8(B-D), 9 –15, 16(A-C), 17(A,B)
18, 19, 20(A,F), 21(A-C), 22, 22A, 23-25)

The United States Postal Service hereby provides its responses to the above-listed interrogatories of Major Mailers Association, filed on October 17, 2001.

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

The remaining interrogatories in this set were redirected for response and the responses were filed, as indicated below:

MMA/USPS-T22-3, 4(B-D), 16(D), 17(C), 20(B-E) – to the Postal Service (11/5/01);

MMA/USPS-T22-5(CD), 7(C) – to witness Marc Smith (10/31/01);

MMA/USPS-T22-6(B,C), 7(D,E), 8(A) – to the Postal Service (10/31/01);

MMA/USPS-T22-21(D-F) – to witness Leslie Schenk (11/5/01). Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 5, 2001

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T22-1 On page iv of your Direct Testimony you indicate that in Docket R2000-1 you testified as the Postal Service's expert witness on First-Class Mail cost savings resulting from worksharing operations performed by mailers.

A. Please confirm that in Docket No. R2000-1, you testified that you did not visit any First-Class workshare mailer facilities to view first hand how mailers perform worksharing operations. If you cannot confirm, please explain.

B. Since you testified in Docket No. R2000-1, please indicate what workshare mailer facilities you have visited in order to get a better understanding of worksharing operations that First-Class mailers perform. Please provide the dates and places of such visits, what you saw, and copies of any notes that you took or handouts that were provided to you.

C. If you have observed workshare mailers' operations first hand, please confirm that, depending upon the volumes of workshared letters mailed, worksharing operations can include the following:

1. Traying the letters
    a. Unloading and distributing empty trays provided by USPS to appropriate workstations;
    b. Removing old labels and printing and inserting new labels;
    c. Sleeving the trays;
    d. Banding the trays;
    e. Preparing and applying Destination and Routing ("DAR") labels;
    f. Preparing and applying ACT tags;
    g Postage Verification; and
    h. Presorting the trays

2. Palletizing the trays
    a. Unloading and distributing empty pallets provided by USPS to appropriate workstations;
    b. Stacking Trays onto pallets;
    c. Shrinkwrapping pallets to secure trays during transport by USPS;
    d. Labeling pallets; and
    e. Presorting the pallets.

3. Loading mail onto trucks
    a. Moving pallets;
    b. Meeting USPS scheduling requirements; and
    c. Presorting the trucks with presorted pallets.

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MMA/USPS-T22-1 (CONTINUED)

D. If you have not observed workshare mailers' operations first hand, please confirm your understanding that, depending upon the volumes of workshared letters mailed, workshare mailers perform some or all of the following operations:

1. Traying the letters
    a. Unloading and distributing empty trays provided by USPS to appropriate workstations;
    b. Removing old labels and printing and inserting new labels;
    c. Sleeving the trays;
    d. Banding the trays;
    e. Preparing and applying Destination and Routing ("DAR") labels;
    f. Preparing and applying ACT tags;
    g Postage Verification; and
    h. Presorting the trays

2. Palletizing the trays
    a. Unloading and distributing empty pallets provided by USPS to appropriate workstations;
    b. Stacking Trays onto pallets;
    c. Shrinkwrapping pallets to secure trays during transport by USPS;
    d. Labeling pallets; and
    e. Presorting the pallets.

3. Loading mail onto trucks
    a. Moving pallets;
    b. Meeting USPS scheduling requirements; and
    c. Presorting the trucks with presorted pallets.

E. Do you agree that in Docket No. R2000-1, your derivation of workshare cost savings did not include the cost savings to the USPS of the additional worksharing activities, listed in Part C of this interrogatory, that mailers perform? If you do not agree, please fully explain your answer.

F. Are you aware that First-Class workshare mailers are required to sort and load pallets of letters onto trucks, as specified by the Postal Service, so that the trucks can by pass local and intermediate postal facilities and go directly to an airport or Hub and Spoke ("HASP") facility? Please explain your answer.

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G. If you agree that mailers who comply with Postal Service requirements to presort trucks that routinely bypass local and intermediate postal facilities, would not such transportation cost savings be considered worksharing?

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MMA/USPS-T22-1 (CONTINUED)

H. Can BMM be prepared in such a manner that the trucks carrying the mail can bypass the routes normally taken by those trucks? Please explain your answer.

RESPONSE:

Page iv of my direct testimony does not use the term "expert." However, I was the Postal Service cost witness that estimated the worksharing related savings for the First-Class Mail presort letters and cards rate categories in Docket No. R2000-1.

(A) Not confirmed. I can't recall, absent a citation, whether I was asked that specific question. I did not testify as such in my direct testimony as the purpose of that testimony was to development estimates of worksharing related savings captured by the Postal Service when mailers choose to presort and/or prebarcode their letter and card mailings. In order to calculate those savings, it was not necessary to be familiar with mailer operations.

(B) In this docket, the purpose of my testimony is to again develop estimates of worksharing related savings captured by the Postal Service when mailers choose to presort and/or prebarcode their letter and card mailings. Consequently, I attempt to observe field operations at as many postal facilities as I can, schedule permitting. During recent field observations at postal facilities, I also had the opportunity to tour two mailer facilities. In both instances, management at each facility conducted a general tour. I did not receive any handouts and took no notes in either instance. As an industrial engineer, I found the tours to be both interesting and informative. However, I did not have the expressed intention of developing a "better understanding" of mailer operations in the context of how it would affect my testimony and cost studies for the reason provided in my response to MMA/USPS-T22-1(A).

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RESPONSE TO MMA/USPS-T22-1 (CONTINUED)

On Monday August 27, 2001, I toured a large mailing concern in Denver, Colorado. This organization submits their mailings to the nearby Denver Processing and Distribution Center (P&DC). My recollection from the tour is that roughly 70% of the mail volume in that facility is collected from local firms and is presorted and/or prebarcoded. The residual mail that cannot be presorted and/or prebarcoded is entered as First-Class Mail single-piece mail at the Denver facility. The remaining 30% of the mail volume processed at this facility is mail "manufactured" at that facility. At one point, the manager and I discussed possible reasons why some mailers do not engage in worksharing. One reason that he specified was the lack of awareness of employees responsible for the mail generated at those facilities. When I mentioned that I had seen trays of Bulk Metered Mail (BMM) letters submitted directly to the Denver P&DC, he stated that presort bureaus cannot solicit the Postal Service for names of businesses that are not currently worksharing. Another reason that he specified was the structure of an organization. He used a particular telecommunications firm as an example. Apparently, this firm has very decentralized operations throughout the region. The lack of a centralized mailing operation seems to act as a barrier, in this instance, to the adoption of worksharing.

On Tuesday August 28, 2001, I toured a large mailing concern in Louisville, Colorado. Specifically, I was given a general tour of the Business Reply Mail (BRM) operations. The BRM received by this facility is currently processed at Valmont Station in Boulder, Colorado. The employees who escorted me through the facility were familiar with the ratemaking process. In discussing that process, they mentioned that they had assisted the MMA cost analyst and counsel in developing their Docket No. R2000-1 testimony.

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RESPONSE TO MMA/USPS-T22-1 (CONTINUED)

(C) The tours of mailer facilities that I have participated in have been general in nature. I did not attempt to identify and analyze every possible task performed at every possible facility. Consequently, I cannot confirm this statement.

(D) No response is required.

(E) I do not agree. The Commission approved benchmark for First-Class Mail letters has been Bulk Metered Mail (BMM) letters in each of the past three dockets (PRC Op. R2000-1 at [5089], PRC Op. R97-1 at [5089], and PRC Op. MC95-1 at [4302]). BMM letters are generally regarded to be "clean," machinable mail pieces that are entered directly into originating postal facilities in trays with the mail pieces faced in the same direction. They are not palletized and are not loaded onto trucks. Consequently, if BMM letters are used as the benchmark for the First-Class Mail presort letters rate categories, the fact that employees at mailer facilities may, or may not, tray mail, palletize mail, and/or load mail into trucks at those facilities has no impact on the savings estimates. As stated previously, the purpose of my testimony is to develop estimates of worksharing related savings captured by the Postal Service when mailers choose to presort and/or prebarcode their letter and card mailings. The purpose of my testimony does not include analyzing mailer operations and the costs of those operations.

(F) The concept of "pallet sortation" is not one with which I am familiar. I am not aware of any postal operations or MODS operation numbers related to pallet sorting. Consequently, any cost savings related to such activities

RESPONSE TO MMA/USPS-T22-1 (CONTINUED)

would not have been included in my worksharing related savings estimates. However, it is my understanding that there are no formal requirements to which all mailers must adhere as described. Agreements between mailers and nearby postal facilities are typically made at the local level, often at the request of mailers to improve service. For example, the Postal Service and a mailer may enter into an agreement where the customer can enter a mailing after the normal critical entry time if that mailer were to palletize and shrink wrap that mail to facilitate the cross-docking process.

(G) The concept of "truck presortation" is not one with which I am familiar. I am not aware of any postal operations or MODS operation numbers related to truck sorting. Consequently, any cost savings related to such activities would not have been included in my worksharing related savings estimates. However, transportation costs have historically been included in the cost analyses supporting dropship discounts (please see USPS-T-23). Given that there are no First-Class Mail dropship discounts, such an analysis has not been conducted.

(H) As stated in the response to (E), BMM letters are generally "clean," machinable mail pieces that are entered directly into originating postal facilities in trays with the mail pieces faced in the same direction. Consequently, I do not understand the question as it has been presented.

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MMA/USPS-T22-2

A. Please describe your understanding of what mailers must do in order to meet the USPS physical requirements so that their First-Class automation letters qualify for First-Class automation discounts. Please reference all USPS requirements in your answer and provide copies of all applicable requirements.

B. Have you ever seen a First-Class mailer's course manual explaining these USPS requirements? If not, why not?

C. Are you aware that First-Class mailers often teach Postal Service personnel about these requirements? Please explain your answer.

D. Please explain how you take into account, if at all, the worksharing procedures that First-Class mailers follow in order to make sure the design of their letters meets the requirements set out by the Postal Service in order to qualify for First-Class automation discounts.

RESPONSE:

(A) It is my understanding that all mailers must meet the mail preparation requirements specified in the Domestic Mail Manual (DMM).

(B) No. In order to conduct my analysis, it was not necessary to be familiar with internal mailer documents. My analysis estimates the worksharing related savings captured by the Postal Service when First-Class mailers choose to presort and/or prebarcode their letter and card mailings.

(C) No. I am not aware of any formal training sessions conducted by First-Class mailer employees to educate Postal Service employees about Postal Service First-Class Mail preparation requirements.

(D) I have not included mail piece design costs (whether incurred by the Postal Service and/or mailers) in my analysis.

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MMA/USPS-T22-4 On page 5 of your Direct Testimony you discuss management plans to boost the percentage of letters that can be barcoded in the Remote Computer Read System (RCR) to 93.2% and reference the Decision Analysis Request ("DAR") entitled "Letter Recognition Enhancement Program" a redacted version of which has been filed as Library Reference USPS LR-J-62.

A. Please provide the RCR final percentage rates for the latest fiscal year available, similar to that which you provided in Docket No. R2000-1. See Docket No. R2000-1, Library Reference USPS LR-I-62, page I-41.

B. Please explain the reasons why, in FY 1999, 50% of the letters could not be read and barcoded by the RCR.

C. Please explain how the Postal Service intends to increase the percentage rate from the 69% it expects to achieve in FY 2001 to the 93.2% it expects to achieve in FY 2003.

D. Please explain the reasons why, in FY 2003, 6.8% of the letters will not be read and barcoded by the RCR.

E. Please provide copies of the following documents
1. The 1988 Corporate Automation Plan
2. The DARs and any other documents that discuss the six RCR enhancement programs undertaken since 1996.

F. For each fiscal year since implementation of the RCR program, please provide a table comparing the RCR percentage that the USPS expected to achieve for that period with the actual RCR percentage achieved during such period. Please provide references to appropriate source documents and copies of such documents.

RESPONSE:

The initial statement in this interrogatory is incorrect. My testimony does not state that the RCR finalization percentage will increase to 92.3% in the test year. As I stated on page 5 at 21-24:

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In May 2001, the Board of Governors again approved a Decision Analysis Request (DAR) for the Letter Recognition Enhancement Program that will boost the aggregate MLOCR-ISS/RCR finalization rate to 92.3%.

(B) Redirected to the Postal Service.

(C) (C) Redirected to the Postal Service.

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RESPONSE TO MMA/USPS-T22-4 (CONTINUED)

(D) Redirected to the Postal Service.

(E1) Please see USPS LR-J-156.

(E2) In October, 1991. The Postal Service Board of Governors approved a Decision Analysis Request (DAR) for the developmental efforts required to integrate "Remote Computer Reading" into the Remote Bar Coding System (RBCS) technology (USPS LR-J-157, pages 1-31). It was estimated at that time that the image recognition algorithms contained in RCR could "read" 25% - 50% of those mail pieces in the RBCS image mailstream.

In November 1992, a "bridge" DAR was approved by the Governors for 22 additional RBCS sites, including funds for the RCR system (USPS LR-J-157, pages 14-31). This DAR was a "bridge" in that it kept the program moving forward while the Postal Service awaited the results from the arbitration decision regarding the use of contract labor for Remote Encoding Sites (RES). These facilities were later to be called Remote Encoding Centers (REC).

In August 1994, the Governors approved the DAR for Phase II of the RBCS program (USPS LR-J-157, pages 53-113). This phase included the funds to deploy RBCS and the RCR system to 120 sites. This figure included the 22 sites from the "bridge" DAR described above. The Phase I RBCS program included

25 sites, but did not include funds for RCR. The Phase II DAR estimated that RCR would reduce the REC workload by 25%.

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RESPONSE TO MMA/USPS-T22-4 (CONTINUED)

In October 1994, the Governors approved a DAR for 29 RCR systems (USPS LR-J-157, pages 32-52). The 29 systems were to be used as follows: 25 would be deployed to the Phase I RBCS sites, three would be used for training purposes, and one would be used by engineering for further research and development. This DAR estimated that RCR would reduce the REC workload by 25%.

In July 1995, the Governors approved the DAR for Phase III of the RBCS program (USPS LR-J-157, pages 114-157). This phase included the funds to deploy RBCS and the RCR system to 104 sites. This DAR also estimated that RCR would reduce the REC workload by 25%.

In February 1998, the Governors approved a DAR for the "Handwriting Recognition Upgrade" program (USPS LR-J-157, pages 158-170). This DAR estimated that the program would improve the RCR finalization rate for handwritten mail pieces to 50%.

In January 1999, the Governors approved a DAR for the "RCR 2000" project that was designed to improve the finalization rate for handwritten and machine printed mail pieces 22 percentage points and eight percentage points, respectively (Docket No. R2000-1, USPS LR-I-164). The aggregate finalization rate was 69.03%.

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In March 2000, the Governors approved a DAR for the "Recognition Improvement Program " (USPS LR-J-157, pages 171-184). This DAR was based on the system MLOCR-ISS/RCR finalization rate, rather than focusing solely on the RCR finalization rate. This DAR estimated that the system finalization rate would improve to 85.2%.

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RESPONSE TO MMA/USPS-T22-4 (CONTINUED)

In May 2001, the Governors approved a DAR for the "Letter Recognition Enhancement Program" (USPS LR-J-62). This DAR estimated that the system finalization rate would improve an additional eight percentage points to 93.2%.

(F) To the best of my knowledge, such an analysis has not been conducted. However, in Docket No. R2000-1, my cost models (USPS-T-24) relied on an RCR finalization rate of 69.03% in test year 2001. As the response to (A) clearly indicates, the actual RCR finalization rate by AP 13 FY 2001 was 68.9%, a figure nearly identical to that forecast in the RCR 2000 DAR (Docket No. R2000-1, USPS LR-I-164). In addition, through my conversations with employees in both finance and engineering who have been involved with the RCR enhancements, this system is generally regarded to be one of the Postal Service's best investments when it comes to approaching or meeting performance expectations.

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MMA/USPS-T22-5 Please refer to footnote 16 on page 7 of your Direct Testimony where you indicate that cost savings due to additional automation technology may or may not be offset by increases in wage rates for processing metered letters.

A. Please describe in detail the "cases" in which you claim that increased wage rates do not appear to have offset the impact that letter recognition enhancement programs have had on worksharing related savings.

B. Have you tested your conclusion that cost differences between prebarcoded, machine printed, and handwritten letters are likely to decrease over time? If yes, please provide the results of this analysis. If no, please explain why not.

C. Please provide separate unit mail CRA processing costs for First-Class single-piece and metered letters for each year from FY 1998 until TY 2003.

D. Please provide separate unit mail CRA processing costs for First-Class single-piece and metered letters, adjusted for wage rate increases, for each year from FY 1998 until TY 2003.

RESPONSE:

(A) The most obvious example is the QBRM cost study discussed in Section IV of my testimony. The wage rates over time have increased while the savings have decreased. This is not surprising given the fact that some of the Decision Analysis Requests (DAR) contained in USPS LR-J-157 covered investments in image recognition technology that specifically targeted handwritten mail pieces.

It is difficult, however, to look at specific figures in each rate case and compare them as the methodologies and cost models themselves have changed over time. However, an analyst can use the current model and change the MLOCR-ISS/RCR finalization rates and wage rates to evaluate how letter recognition enhancements have reduced the estimated savings over time.

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RESPONSE TO MMA/USPS-T22-5 (CONTINUED)

A similar analysis can be conducted using the BMM letters and nonautomation presort machinable cost models and automation presort cost models. Finalization rates and wage rates can be changed to evaluate how these costs have also changed over time.

(B) Please see Docket No. R97-1, Tr. 33/17479.

(C) Redirected to witness Smith.

(D) Redirected to witness Smith.

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MMA/USPS-T22-6 On page 7 of your Direct Testimony you state that postal automation technology "could also result in worksharing related savings estimates that shrink over time, if the impact of these changes are not offset by increased wage rates."

A. Have you tested your conclusion that worksharing cost savings are likely to shrink over time? If yes, please provide the results of this analysis. If no, please explain why not.

B. In Docket No. R2000-1, in its response to Order 1289, the Postal Service provided Attachment A, page 2, which included time series unit costs in constant dollars for First-Class single-piece and presort. Please confirm the following data from the table. If you cannot confirm, please provide the correct costs and explain.

Comparison of First-Class Single Piece and Presort Unit Processing And In-Office City Carrier Costs For Letter-Shaped Mail (Constant 1989 Cents)

YEAR	NONPRESORT	PRESORT	DIFFERENCE
1989	10.36	5.46	4.90
1990	9.71	5.36	4.35
1991	9.51	5.28	4.23
1992	8.99	5.07	3.92
1993	8.86	5.02	3.84
1994	9.09	5.01	4.08
1995	9.46	4.37	5.08
1996	9.55	3.98	5.57
1997	9.08	3.48	5.60
1998	8.66	3.45	5.21
1999	8.30	3.39	4.91

C. Please update the table shown in Part B to include FY 2000 and cost projections through TY 2003. Please provide support for your answer.

RESPONSE:

(A) Please see the response to MMA/USPS-T22-5(A). In addition, I did not come to the "conclusion" that the savings would decrease over time. As the citation above clearly indicates, I merely mentioned that it "could" happen.

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RESPONSE OF MMA/USPS-T22-6 (CONTINUED)

(B) Redirected to the United States Postal Service.

(C) Redirected to the United States Postal Service.

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MMA/USPS-T22-7 On page 9 of your Direct Testimony you indicate why you have modified the classification of two cost pools, namely 1suppf1 and 1suppf4.

A. Please confirm that these two cost pools, when combined, cost metered letters and automation letters .4428 and .1011 cents, respectively. If you cannot confirm, please explain.

B. Please confirm that your data shows that, for these two cost pools, meter letters cost .3417 cents more than automation letters. If you cannot confirm, please explain.

C. Please explain fully why metered letters cost on average more than 1/3 of a cent more than automation letters for these two cost pools.

D. Please confirm that, in its Docket No. R2000-1 Opinion (PRC LR-18) the Commission found that the 1suppf1 and 1suppf4 cost pools combined were found to be .2926 cents for metered letters and .1217 cents for automation letters, indicating a "fixed" difference of .1709 cents. If you cannot confirm, please explain.

E. In Library Reference USPS LR-J-84, p. 8, your analysis is duplicated using the PRC cost methodology. Please explain why the cost pools for 1suppf1 and 1suppf4 are each zero.

RESPONSE:

(A) It can be confirmed that when the "1SUPP_F1" and "1SUPP_F4" cost pools are combined, the unit costs for metered letters and automation presort letters are 0.4428 and 0.1024 cents, respectively. (Please see the revisions filed on 11/05/01.)

(B) It can be confirmed that the cost difference between these two figures is 0.3404 cents. (Please see the revisions filed on 11/05/01.)

(C) Redirected to witness Smith.

(D) Redirected to the United States Postal Service.

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(E) Redirected to the United States Postal Service.

MMA/USPS-T22-8 On page 10 of your Direct Testimony you describe how model-based mail processing unit costs are required when isolated CRA mail processing unit costs are unavailable.

A. Why has the Postal Service not modified its CRA system to separately obtain actual costs for the various rate categories within presorted First Class?

B. Please describe how the CRA cost pools that you have selected to constitute mail processing costs reflect the cost operations that you attempt to cost out in your model-based mail flow cost models.

C. In your development of CRA unit costs for bulk metered mail letters (page 8 of USPS LR-J-60), please indicate which cost pools include the following operations.
1. Distributing empty trays to the appropriate workstations;
2. Removing old labels and printing and inserting new labels;
3. Sleeving trays;
4. Banding trays;
5. Labeling trays;
6. Sorting trays;
7. Distributing empty pallets to the appropriate workstations;
8. Placing trays on pallets;
9. Shrinkwrapping the pallets;
10. Labeling the pallets;
11. Sorting the pallets;
12. Transporting the pallets with an office; and
13. Loading the pallets onto trucks.

D. In your development of model-based unit costs for bulk metered mail letters (pages 15 and 16 of USPS LR-J-60), please indicate which operations include the following operations.
1. Distributing empty trays to the appropriate workstations;
2. Removing old labels and printing and inserting new labels;
3. Sleeving trays;
4. Banding trays;
5. Labeling trays;
6. Sorting trays;
7. Distributing empty pallets to the appropriate workstations;
8. Placing trays on pallets;
9. Shrinkwrapping the pallets;

10. Labeling the pallets;
11. Sorting the pallets;
12. Transporting the pallets with an office; and
13. Loading the pallets onto trucks.

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RESPONSE TO MMA/USPS-T22-8

(A) Redirected to the United States Postal Service.

(B) Due to the complexity and variation that exists among field operations, the cost models are simplified representations of the mail processing network. The tasks that have been included in the cost models represent piece and package distribution activities for MODS operation numbers mapped to the cost pools that have been classified as "worksharing related proportional."

(C) The response to these questions uses the cost pools numbers found in USPS LR-J-60, page 8.

(C1) 7, 8, 9, 12, 18, 21, 23-25, 27, 37-40, 43, 48, 51

(C2) Please see response to (C1).

(C3) 24, 25, 27

(C4) Please see response to (C3).

(C5) Please see response to (C1).

(C6) 22, 24-27, 47

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(C7) First-Class Mail letters and cards are transported between operations using trays and rolling stock. Pallets are not an integral part of the letter and card mail processing network, despite the fact that First-Class mailers do, on occasion, enter palletized letter and card mailings. To the extent that employees process empty pallets submitted by mailers, those costs would be found in cost pools 26 and 47.

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RESPONSE TO MMA/USPS-T22-8 (CONTINUED)

(C8) (C9) (C10) (C11)

First-Class Mail letters and cards are transported between operations using trays and rolling stock. Pallets are not an integral part of the letter and card mail processing network, despite the fact that First-Class mailers do, on occasion, enter palletized letter and card mailings. Consequently, postal employees do not engage in activities related to the palletization of First-Class Mail letters and cards.

(C12) 26, 47

(C13) Please see response to (C12).

(D1) Outgoing/Incoming RBCS: ISS/RCR, OSS, and LMLM.
Outgoing Primary: Automation and Manual.
Outgoing Secondary: Automation and Manual.
Incoming MMP: Automation AADC and Manual ADC.
Incoming SCF/Primary: Automation and Manual.
5-Digit Barcode Sort Incoming Secondaries: Auto Carrier Route, Auto 3-Pass DPS, Auto 2-Pass DPS, Manual Finalized at Plant, Manual Finalized at Delivery Unit, Box Section Sort, and Box Section DPS Other.

(D2) Please see response to (D1).

(D3) These tasks have not been modeled.

(D4) These tasks have not been modeled.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

RESPONSE TO MMA/USPS-T22-8 (CONTINUED)

(D5) Please see response to (D1).

(D6) These tasks have not been modeled.

(D7) First-Class Mail letters and cards are transported between operations using trays and rolling stock. Pallets are not an integral part of the letter and card mail processing network, despite the fact that First-Class mailers do, on occasion, enter palletized letter and card mailings. The tasks performed by postal employees who process these empty pallets have not been modeled.

(D8) (D9) (D10) (D11)

These tasks have not been modeled. Please see the response to MMA/USPS-T22-8(C8)(C9)(C10(C11).

(D12) These tasks have not been modeled.

(D13) These tasks have not been modeled.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-9 On page 2 of your Direct Testimony you refer to Miller WP1 from Docket No. R2000-1 as your source of mail densities. On page 12 of your Direct Testimony you note that the exact same densities from Docket No. R2000-1 are used in this case.

A. Please confirm that the data in Docket No. R2000-1 was collected towards the end of FY 1999? If you cannot confirm, please explain.

B. In its endeavor to use the best and latest equipment, won't the Postal Service achieve more separations in the primary and secondary sortations as time passes? Please explain your answer.

C. Please justify your use of the same density percentages for the test year in this case on data collected for the year you indicate in Part A of this interrogatory.

RESPONSE:

(A) Confirmed.

(B)(C) The current workhorse for letter and card mail processing operations is the Delivery Bar Code Sorter (DBCS). Phase I Deployments of this machine initially began in 1992. The DBCS was originally intended for use in Delivery Point Sequencing (DPS) operations. Consequently, the number of bins required for each DBCS were estimated using the number of carriers and delivery points for the ZIP Code(s) that would be processed on that machine. Following initial DBCS deployments, many sites also began using the DBCS for operations "upstream" from the DPS incoming secondary operations. However, facilities do not typically use all the bins on their largest machines. Facilities have DBCS machines of varying sizes in their plants and typically want to have the flexibility to process a given sort plan on any of those machines. In addition, most facilities had already received the DBCS expansions they requested at the time that survey was conducted. Therefore, an update to that field study is not likely to produce significantly different results.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-10 On page 17 of your Direct Testimony, you discuss the derivation of your CRA adjustment factors.

A. Please confirm the following data that are used to compute your CRA adjustment factors. If you cannot confirm, please correct the figures.

B. Please confirm that the data above indicate that actual CRA costs for First-Class metered letters are 53.8% higher than your model-based costs for First-Class metered letters. If you cannot confirm, please explain.

C. Please confirm that the data above indicate that actual CRA costs for First-Class nonautomation letters are 53.6% higher than your model-based costs for First-Class nonautomation letters. If you cannot confirm, please explain.

D. Please confirm that the data above indicate that actual CRA costs for First-Class automation letters are 21.1% lower than your model-based costs for First-Class automation letters. If you cannot confirm, please explain.

E. Please confirm that the data above indicate that actual CRA costs for Standard nonautomation letters are 50.0% higher than your model-based costs for Standard nonautomation letters. If you cannot confirm, please explain.

F. Please confirm that the data above indicate that actual CRA costs for Standard nonautomation letters are 10.1% lower than your model-based costs for Standard automation letters. If you cannot confirm, please explain.

G. Do you believe that your mail flow cost model as designed tend to understate non-automation letter processing, and overstate automation letter processing? Please explain your answer.

RESPONSE:

(A) Please see the responses below.

(B) It can be confirmed that the CRA proportional adjustment factor that was calculated using the BMM letters cost models is 1.538. This is yet another indication that the BMM letters mail processing unit cost estimate may be overstated as discussed in USPS-T-22, page 20 at 8-9.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

RESPONSE TO MMA/USPS-T22-10 (CONTINUED)

(C)(D) It can be confirmed that the CRA proportional adjustment factors for First-Class Mail nonautomation presort letters and automation presort letters are 1.536 and 0.797, respectively. (Please see the revisions filed on 11/05/01). However, the IOCS methodology used to separate the nonautomation presort letters and automation presort letters costs in this docket is the "Base Year 1999" methodology from Docket No. R2000-1. This methodology was subsequently relied upon by the Commission. Had the "Base Year 1998" methodology from Docket No. R2001-1 been used as an alternative, both CRA proportional adjustment factors would have moved closer to 1.000. This may be an indication that the Base Year 1998 methodology resulted in more accurate estimates for nonautomation presort letters and automation presort letters mail processing unit costs. Had the Base Year 1998 methodology been used, the worksharing related savings estimates for the First-Class presort letters rate categories would have decreased.

(E)(F) It can be confirmed that the CRA proportional adjustment factors for Standard nonautomation presort letters and automation presort letters are 1.500 and 0.809, respectively. Please see the response to (C) and (D) for a discussion of the IOCS methodology used to separate mail processing unit costs for nonautomation presort letters and automation presort letters.

(G) No. Please see the response to (C) and (D) for a discussion of the IOCS methodology used to separate mail processing unit costs for nonautomation presort letters and automation presort letters.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-11 On page 17 you indicate that you derived unit worksharing related savings by rate category in the same manner as in Docket No. R2001-1.

A. Please confirm that in the last case, you did not agree that your methodology, of subtracting a rate category's unit workshare related cost from the benchmark costs, inherently assumes that all other exogenous factors affect costs similarly, in order to isolate differences due to worksharing. If you cannot confirm, please explain.

B. Do you agree that your methodology inherently assumes that all other exogenous factors affect costs similarly in order to isolate differences due to worksharing? If you do not agree, then please explain how the exogenous factors affect your results and how you can claim that the derived cost differences, as shown on USPS LR-J-60, page 1, represent cost differences due to worksharing.

RESPONSE:

(A)(B) The worksharing related savings estimates for each rate category are calculated as indicated in USPS-T-22, page 21 at 21-23. This is the same methodology I used in Docket No. R2000-1. If the point of these questions is something beyond the response given in the previous two sentences, I do not understand them as they are currently phrased.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-12 On page 18 of your Direct Testimony you discuss the existence of bulk metered mail ("BMM") and MODS operation 020.

A. In your study of mail densities referred to on page 52 of Library Reference USPS LR-J-60, from where did the letters entering MODS operation 020 originate.

B. Is the MODS operation 020 considered a mail preparation operation? Please explain your answer.

C. In your development of CRA unit costs for BMM letters (page 8 of Library Reference USPS LR-J-60), please indicate which cost pool includes MODS operation 020.

D. In your development of model-based unit costs for BMM letters (pages 15 and 16 of Library Reference USPS LR-J-60), please indicate which operation includes the costs associated with MODS operation 020.

RESPONSE:

The page referenced in my testimony actually discusses MODS operation 020B defined as "mail preparation - metered bypass." Metered bypass mail is referred to as such because it enters facility in trays and can "bypass" the 020 operation. Consequently, the costs related to MODS operation 020B are minimal. MODS operation 020 is defined as "mail preparation - metered" and typically includes tasks related to the sorting, unpackaging and traying of metered mail packages.

(A) The density table in USPS LR-J-60, page 52 is for piece distribution operations and is not associated with either MODS operations 020 or 020B.

(B) Yes, according to the MODS definition described above.

(C) Costs associated with MODS operations 020 and 020B are "mapped" to the "1CANCMMP" cost pool which has been defined as "worksharing related fixed" using the Commission's Docket No. R2000-1 classification.

RESPONSE TO MMA/USPS-T22-12 (CONTINUED)

(D) The tasks performed in MODS operations 020 and 020B were not modeled and were therefore classified as "worksharing related fixed" cost pools. In addition, the BMM letters benchmark relied upon to calculate worksharing related savings estimates for the First-Class presort letters rate categories is CRA-derived. Cost models were not used to estimate BMM letters costs. However, the metered mail cost model found in USPS LR-J-60, pages 15 and 16 was used to develop a proportional CRA adjustment factor. That factor was, in turn, used in the Qualified Business Reply Mail (QBRM) cost study found in USPS LR-J-60 on page 10, and the nonstandard surcharge cost study found in USPS LR-J-60 on page 43.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-13 On page 18 of your Direct Testimony you describe your e-mail survey to find out more about the existence of BMM.

A. Of the 96 responses that you received from offices that had an 020B operation, how many indicated that the mail entering that operation came directly from trays *given to them by customers*?

B. Please provide a summary of the answers provided by those offices that received BMM in trays from postal customers.

C. Of the BMM that was received in trays directly from postal customers please answer the following questions.

1. What was the average size for each mailing, i.e., the number of pieces and the number of trays.
2. How was the BMM accepted by the Postal Service, i.e., at a window, a dock, or a BMEU?
3. How did the mailers obtain the trays that were used to present the mail?

D. Please describe the various procedures employed by the Postal Service in accepting First-Class mail at BMEU, a dock and a window. In your answer, *please indicate any limitations or restrictions upon mailers' ability to tender* BMM at a BMEU, a dock, or a window.

E. Please provide copies of your emails to the 158 In-Plant Support managers and copies of all responses, including followup or clarifying communications, if any.

F. Please identify the 158 plants to which your email survey was sent.

G. Please state how many additional plants there are in the USPS system and explain how you chose the plants to include in your survey.

RESPONSE:

(A) 96.

(B)

(C) Please see USPS LR-J-155.

(D) (1) The goal of the survey found in USPS LR-J-155 was to find out about the 020B operation and determine whether Bulk Metered Mail (BMM) letters existed. The requested data were not collected in that survey.

RESPONSE TO MMA/USPS-T22-13 (CONTINUED)

(2) Based on the responses, it appears that BMM letters were accepted at either the BMEU or the dock.

(3) A steady stream of letter trays typically flows from Postal Service facilities to mailers, and back.

(D) Please see the response to Docket No. R2000-1 MMA/USPS-T24-2(a)(d); Tr. 21/8902.

(E) Emails and notes regarding followup phone conversations were not kept, but were consolidated into the spreadsheet contained in USPS LR-J-155.

(F) The number of plants surveyed was actually 180. A list of these plants can be found in USPS LR-J-155, page 3.

(G) Due to time contraints, I used a distribution list I had assembled which consisted of the field Managers, In-Plant Support. The In-Plant Support department is typically where surveys, equipment requirements calls, and planning projects are completed. Rather than funneling the survey through the Plant Managers, which could take longer, I sent the survey directly to the Managers, In-Plant Support. There are 270 Processing and Distribution Centers (P&DC) and Processing and Distribution Facilities (P&DF). In addition, there are several Customer Service Facilities (CSF). The P&DFs and CSFs do not typically have Managers, In-Plant Support. As such, the survey was basically distributed to the largest plants.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-14 On pages 18 and 19 of your Direct Testimony, you describe how some postal sites had made agreements with local delivery units where employees at those facilities would tray up metered mail collected at that facility. Whose employees would tray up the metered mail, postal employees or customer employees?

RESPONSE:

Postal employees.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-15 On page 19 of your Direct Testimony, you state that you visited three USPS facilities and observed the operations where BMM letters were entered in full trays by business customers.

A. Please provide all notes or memoranda you produced in connection with such field observations.

B. Please indicate for each of the three facilities you visited:

1. the date of your visit;
2. the location of the facility;
3. the duration of your observations;
4. the number of business customers who entered BMM letters during your visit;
5. the total number of full trays that each business customer entered;
6. the location within the facility (e.g., window, loading dock, BMEU) where such trays were delivered to USPS representatives
7. conversations, if any, you had with business customers who entered BMM in full trays to determine why they were not taking advantage of Workshare discounts

RESPONSE:

(A) The purpose in performing field observations was to determine whether BMM letters exist. In many instances, these observations occurred when I was in facilities for some other purpose. Consequently, I did not always take notes. The following documents have been provided: notes from the 7/18/00 Margaret L. Sellers P&DC field observations (Attachment 1), notes from the 8/21/00 Denver P&DC field observations (Attachment 2), a copy of the placard used to label All Purpose Containers (APC) full of BMM letters at the Denver facility (Attachment 3), copies of some sample BMM letters from the Denver facility (Attachment 4), postage statements for a presort bureau's "residual" mail entered at the Denver facility at First-Class single-piece rates (Attachment 5), and notes from the Raleigh P&DC field observations (Attachment 6).

(B1) Please see the table below.

(B2) Please see the table below

(B3) Please see the table below.

RESPONSE TO MMA/USPS-T22-15 (CONTINUED)

Date	Facility	Time
07/18/00	Margaret L. Sellers P&DC, San Diego, CA	4-7pm
08/21/00	Denver P&DC, Denver, CO	4-7pm
03/01/01	Baltimore P&DC, Baltimore, MD	4-7pm
03/15/01	Chicago P&DC, Chicago, IL	4-7pm
08/27/01	Denver P&DC, Denver, CO	4-7pm
10/09/01	Raleigh P&DC, Raleigh, NC	4-7pm
10/10/01	Greensboro P&DC, Greensboro, NC	4-7pm
10/11/01	Columbia P&DC, Columbia, SC	4-7pm

(B4) These data were not collected during my field observations.

(B5) These data were not collected during my field observations.

(B6) During my field observations, I observed two BMM letters points of entry: (a) the BMEU, and (b) the dock. I did not attempt to observe whether mailers submitted BMM letters to window service clerks.

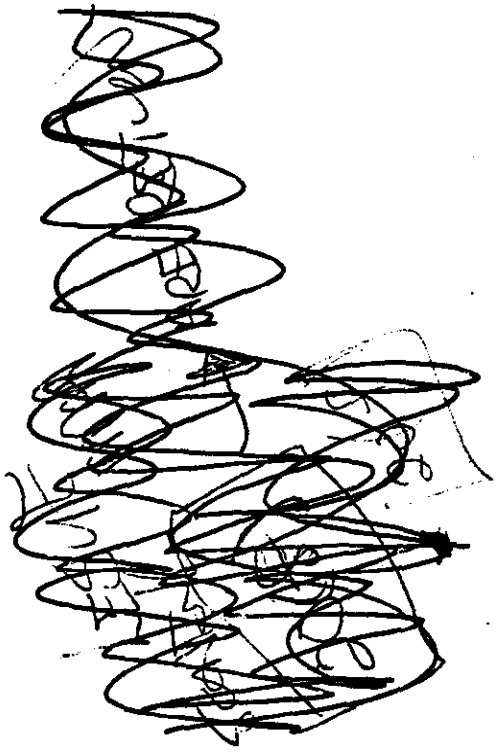
(B7) I had no such conversations with mailer representatives.

RESPONSE TO MMA/USPS-T32-15(A)
ATTACHMENT 1, PAGE 1 OF 1

(1)

SD BMEU (858) 674-0417 7/18/00

FULLY PAID METERED MAIL
BACK DOCK +
COLLECTIONS FROM DU'S
COULD BE ENTERED ANYWHERE



RESPONSE TO MMA/USPS-T22-15(A)
ATTACHMENT 2, PAGE 1 OF 2

(1)

DENVER P&DC 8/21/00

CLERKS BRING MAIL FROM [redacted]

MONA TEBEAU: SOME PEOPLE JUST DON'T LIKE TO PRESORT

- [redacted] PRESORT HOUSE (4-12K SING PC DAILY "RESIDUAL"
  630-6PM AT NIGHT MAIL IS ENTERED
  CLERK VERIFIES AT [redacted]
- [redacted] 815-915 PM
  MLOCK MAILER
  BILLS, FOOD STAMPS, JURY SUMMONS
- [redacted] PERMIT SINGLE PIECE
- [redacted]
- [redacted]
- BAY 1 ON DOCK. LOUNGERS BRING TRAY OF SINGLE PIECE METERED MAIL - <BMY LOTS OF SMALL BANKS. BIT 5-6. 2-3 APC'S. TRAYED + FACED. NOT SLEEVED OR STRAPPED. LOTS OF BANK STATEMENT ON FIRST OF MONTH.

BMEU ACCEPTS: SDA UNTIL 5PM
FCM UNTIL 6PM

RESPONSE TO MMA/USPS-T32-15(A)
ATTACHMENT 2, PAGE 2 OF 2

(2)

METERED

O2QB ——— SOME FLATS

- SINGLE PIECE (VAST MAJORITY)
- SOME METERED PRESORT NON-AUTO
- SOME PRESORT AUTO METERED

O2O BEST. NO O2O. BUNDLES CULLED. MAIL PIECES ARE UNBUNDLED AND CANCELED. AFCS CANCELS DESPITE METER MARKS.

S.O.P. — AGREEMENTS WITH DU'S. MOST WILL BREAK BUNDLES FROM COLLECTION BOXES AND WILL FACE AND TRAY.

AT SCALE [redacted] ALL BMM

ENTERED AT DU [redacted]

TO: P&DC (ONLY)

RESPONSE TO MMA/MSRS-T22-15(A)
ATTACHMENT 3, PAGE 1 OF 1

1ST CLASS (ONLY)

(CIRCLE ONLY ONE - DO NOT MIX)

LOOSE UNCANCELLED LETTERS

TRAYED METERED / CANCELLED LETTERS

TUBBED UNCANCELLED FLATS

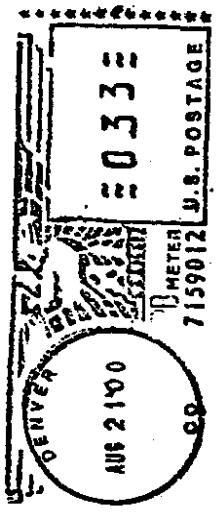
TUBBED METERED / CANCELLED FLATS

OFFICE DEPARTURE:
DATE: _____
DISPATCH TIME: _____
INITIALS: _____

P&DC ARRIVAL:
DATE: _____
TIME: _____
INITIALS: _____

FROM GMF FINANCE STA 80217

RESPONSE TO MMA/USPS-T22-15(A)
ATTACHMENT 4, PAGE 1 OF 3



FIRST CLASS

[redacted]

ADDRESS SERVICE REQUESTED

[redacted]

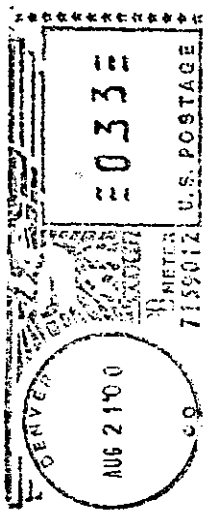
RESPONSE TO MMA/USPS-T32-15(A)
ATTACHMENT 4, PAGE 2 OF 3

[redacted]

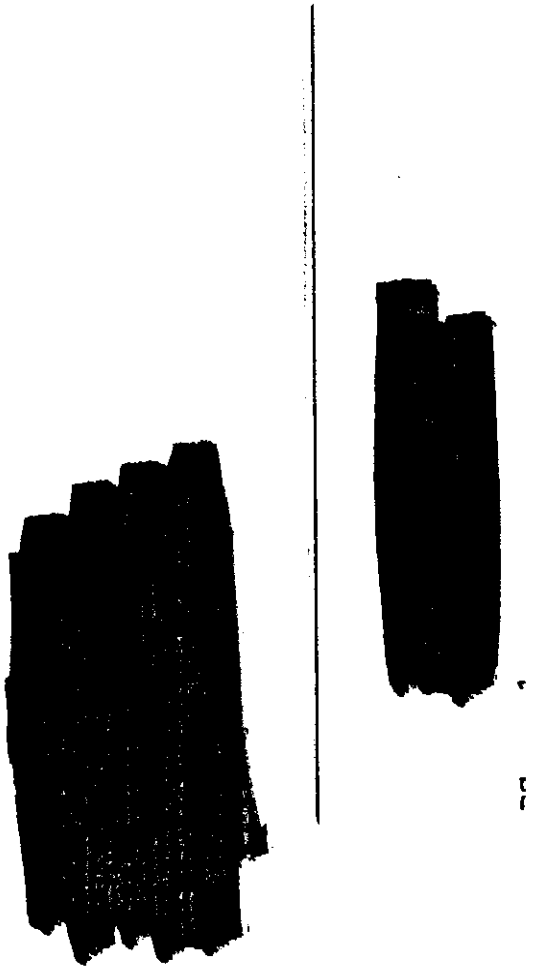
PERSONAL AND CONFIDENTIAL

[redacted]

RESPONSE TO MMA/USPS-T22-15(A)
ATTACHMENT 4, PAGE 3 OF 3



FIRST CLASS



RESPONSE TO MMA/USPS-T32-15(A)
ATTACHMENT 5, PAGE 1 OF 5

		0.000	0	$	0.000
		0.000	0	$	0.000
		0.000	0	$	0.000

		Postage (Part C)	$	5,377.680
Part	Pieces	Postage		
A	0	$0.000	Postage All Parts	$ 5,377.680
B	0	$0.000	Special Service Total Fees	$ 0.00
C	16,296	$5,377.680	Verif. Postage (Screen 1)	$ 0.00
D	0	$0.000		
			Total Postage	$ 5,377.68

Do you want to see Special Fees Screen (Y/N)
600 Workscreen Permit System
Meter Permit [redacted]
Proc Cat 1 Letter Tot Pc 16,296 Class 1 08/01/00
Part C | Status Profit Pc Wt 0.0313 $0.00

	Rates	Pieces		Postage
	0.000	0	$	0.000
Single-Piece	0.330	16,296	$	5,377.680
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000

		Postage (Part C)	$	5,377.680
Part	Pieces	Postage		
A	0	$0.000	Postage All Parts	$ 5,377.680
B	0	$0.000	Special Service Total Fees	$ 0.00
C	16,296	$5,377.680	Verif. Postage (Screen 1)	$ 0.00
D	0	$0.000		
			Total Postage	$ 5,377.68

Do you want to see Special Fees Screen (Y/N)

RESPONSE TO MMA/USPS-T22-15(G)
ATTACHMENT 5, PAGE 2 OF 5

DUPLICATE — POSTAL SERVICE PERMIT SYSTEM — TRANS# 20002142042070OMO
3600-P — 3607 WEIGHING AND DISPATCH CERTIFICATE

STATION OR UNIT: [redacted]
FINANCE NUMBER [redacted]

COMPANY PERMIT USED: [redacted]
PERMIT [redacted]

DATE OF MAILING	CLASS	PROC CAT	TYPE
08/01/00	FIRST	LETTERS	SINGLE PIECE

NO. SACKS	NO. TRAYS	NO. PALLETS	NO. OTHER
0	42	0	0

WEIGHT OF SINGLE PIECE (LBS)	TOTAL PIECES	TOTAL POUNDS
0.0313	16,296	510.0648

MAILED:
PERMIT NO.
NAME:

ENTERED IN SYSTEM
08/01/00 20:42:07

NBRVP:
ERRORS: 0.00%

POSTAGE:

PART A	
PART B	
PART C	$5,377.6800
PART D	
ADDITIONAL POSTAGE:	
SPECIAL SERVICES OTHER FEES	
VERIFICATION	
TOTAL POSTAGE:	$5,377.68

ROUND STAMP REQUIRED
TIME____ AM / PM

ROUND STAMP REQUIRED
TIME____ AM / PM

SIGNATURE OF WEIGHER

RECEIVED FOR PROCESSING BY

REMAINING ON DEPOSIT:

COMMENTS: SINGLE PIECE

CLK INIT: SA9

RESPONSE TO MMA/USPS-T22-15(A)
ATTACHMENT 5, PAGE 3 OF 5

3600 Workscreen

Meter [redacted] 08/14/00

Part C | Status Profit | Pc Wt 0.0313 | $0.00

	Rates	Pieces		Postage
	0.000	0	$	0.000
Single-Piece	0.330	2,364	$	780.120
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000

Postage (Part C) $ 780.120

Part	Pieces	Postage
A	0	$0.000
B	0	$0.000
C	2,364	$780.120
D	0	$0.000

Postage All Parts	$	780.120
Special Service Total Fees	$	0.00
Verif. Postage (Screen 1)	$	0.00
Total Postage	$	780.12

0677 Enter 1 for screen 1, A for ABE, or press RETURN to continue

RESPONSE TO MMA/USPS-T22-15(A)
ATTACHMENT 5, PAGE 4 OF 5

DUPLICATE
3600-P

POSTAL SERVICE PERMIT SYSTEM TRANS# 20002272105580OM0
3607 WEIGHING AND DISPATCH CERTIFICATE

STATION OR UNIT: [redacted]
FINANCE NUMBER : [redacted]

COMPANY PERMIT USED: N
PERMIT N[redacted]

DATE OF MAILING	CLASS	PROC CAT	TYPE
08/14/00	FIRST	LETTERS	SINGLE PIECE

NO. SACKS	NO. TRAYS	NO. PALLETS	NO. OTHER
0	7	0	0

WEIGHT OF SINGLE PIECE (LBS)	TOTAL PIECES	TOTAL POUNDS
0.0313	2.364	73.9932

MAILED:
PERMIT NO.
NAME:

ENTERED IN SYSTEM
08/14/00 21:05:58

NBRVP:
ERRORS: 0.00%

POSTAGE:

PART A	
PART B	
PART C	$780.1200
PART D	
ADDITIONAL POSTAGE:	
SPECIAL SERVICES OTHER FEES	
VERIFICATION	
TOTAL POSTAGE:	$780.12

ROUND STAMP REQUIRED
TIME____ AM / PM

ROUND STAMP REQUIRED
TIME____ AM / PM

SIGNATURE OF WEIGHER

RECEIVED FOR PROCESSING BY

REMAINING ON DEPOSIT:

COMMENTS: SINGLEPIECE

CLK INIT: SAB

RESPONSE TO MMA/USPS-T22-15(A)
ATTACHMENT 5, PAGE 5 OF 5

3600 Workscreen Permit System [redacted]
Meter Permi[redacted]
Proc Cat 1 Letter Tot Pc 4,520 Class 1 08/16/00
Part C Status Profit Pc Wt 0.0313 ~~$0.00~~

	Rates	Pieces		Postage
	0.000	0	$	0.000
Single-Piece	0.330	4,520	$	1,491.600
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000
	0.000	0	$	0.000

Postage (Part C) $ 1,491.600

Part	Pieces	Postage			
A	0	$0.000	Postage All Parts	$	1,491.600
B	0	$0.000	Special Service Total Fees	$	0.00
C	4,520	$1,491.600	Verif. Postage (Screen 1)	$	0.00
D	0	$0.000			
			Total Postage	$	1,491.60

0677 Enter 1 for screen 1, A for ABE, or press RETURN to continue

DUPLICATE POSTAL SERVICE PERMIT SYSTEM TRANS# 2000229194507000M0
3600-P 3607 WEIGHING AND DISPATCH CERTIFICATE

STATION OR UNIT: [redacted] COMPANY PERMIT USED: N
FINANCE NUMBER : [redacted] PERMIT NO [redacted]

[redacted]

DATE OF MAILING	CLASS	PROC CAT	TYPE
08/16/00	FIRST	LETTERS	SINGLE PIECE

NO. SACKS	NO. TRAYS	NO. PALLETS	NO. OTHER
0	13	0	0

WEIGHT OF SINGLE PIECE (LBS)	TOTAL PIECES	TOTAL POUNDS
0.0313	4,520	141.4760

MAILED:
PERMIT NO.
NAME:

ENTERED IN SYSTEM
08/16/00 19:45:07

NBRVP:
ERRORS: 0.00%

POSTAGE:
PART A
PART B
PART C $1,491.6000
PART D
ADDITIONAL POSTAGE:

SPECIAL SERVICES OTHER FEES
VERIFICATION

TOTAL POSTAGE: $1,491.60

RESPONSE TO MMA/USPS-T32-15(A) ATTACHMENT 4 PAGE 1 OF 2

DENNIS: OSS IN IPS W/ MHINT.

BACKGROUND

1.

RALEIGH P&DC [redacted] 10/29/01

AFCS REJECTS: FOUND 4 LOW ASPECT RATIO MAILPIECES THAT "TUMBLED" ON TWO MACHINES.

BACK DOCK: 1 1/2 APC'S BBMM LETTERS FROM IBM

BUNDLE BREAKAGE A PROBLEM ON SPBS, ESPECIALLY FOR PERIODICALS. LOOSE PIECES CAN DAMAGE "BRUSHES" THAT MOVE TRAYS BEFORE MAILPIECE IS DETECTED. MACHINE HAS BEEN DOWN FOR 2-3 HRS ON A FEW OCCASIONS AS A RESULT.

WEIGHT OF BUNDLES AND THE NUMBER OF TIMES DUMPED AFFECTS BREAKAGE FREQUENCY

THIN PLASTIC WITH NO STRAPS BREAKS EASILY BUT CAN DEPEND ON THE GRADE OF PLASTIC USED. THICK PLASTIC WITH DOUBLE STRAPS IS BEST.

BROKEN PACKAGES ARE SET IN FUNNEL BY SPBS KEYER AND ARE LATER LOADED ONTO FMCS. IS THIS OSS? HE'S NOT SURE.

NORFOLK P&DC HAS THE "BIGGEST PRIORITY

RESPONSE TO MMA/USPS-T22-15 CAJ
ATTACHMENT G, PAGE 2 OF 2.

(2)

OPERATION HE'S EVER SEEN." HE THINKS DUE TO [redacted] AND ALSO THINKS ROANOKE P & DC MAY ALSO HAVE A LARGE PRIORITY OPERATION.

AFSM100 REQUIRES A CT. ON MAINT. HE DOESN'T THINK M/H STAFF COMP. CAN ADEQUATELY PREP 3 MACHINES.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-16 On page 19 you discuss two sources of mailer supplied BMM.

A. One source appears to be mailers that, as you say, "for whatever reason are not currently engaged in worksharing activities." You also note that "It was difficult to discern why some mailers engaged in worksharing while others did not."

1. Do you agree you do not quite understand why such mailers do not prepare their mail in such a manner as to qualify for workshare discounts, or why such mailers do not use the services of a presort bureau to reduce postage? If you do not agree, please explain.

2. Does such mail meet the physical requirements for First-Class automation letter discounts? Please explain your answer.

3. Do you agree that the chances of such mailers being able to take advantage of presort discounts are likely to be higher today than it was, say 10 years ago? If not, please explain.

B. A second source of BMM letters is presort houses that fail to reach the Postal Service in time to enter their mail.

1. Do you agree that such mailers are likely to reduce the amount of mail that is delivered late to post office to the extent possible? If not please explain.

2. Does such mail meet the physical requirements for First-Class automation letter discounts? Please explain your answer.

3. Do you agree that the chances of such mailers being able to take advantage of presort discounts are likely to be higher today than it was, say 10 years ago? If not, please explain.

C. Can you think of any other likely sources of BMM? If so, please explain.

D. How much customer-trayed BMM is likely to be provided to the Postal Service for the test year in this case? Please support your answer.

RESPONSE:

(A1) I have not conducted an in-depth study to determine why mailers do, or do not, engage in worksharing as that is outside the scope of my testimony. However, as indicted in my responses to MMA/USPS-T22-1(B) and

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

RESPONSE TO MMA/USPS-T22-16 (CONTINUED)

MMA/USPS-T22-15(A), I have been given some indication as to why mailers do not engage in worksharing activities.

(A2) The portion of my testimony that is referenced in this interrogatory discusses Bulk Metered Mail (BMM) letters. BMM letters are not prebarcoded; therefore, they would not qualify for First-Class mail automation presort letter discounts.

(A3) I have not studied this issue so have no basis for forming such a conclusion.

(B1) No. Had a given presort bureau not collected mail from local firms, that mail likely would have undergone normal collection procedures and would have entered the postal facility at an earlier hour.

(B2) Please see my response to (A2).

(B3) Please see my response to (A3).

(C) No.

(D) Redirected to the United States Postal Service.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-17 Currently there are several postal requirements that workshare mailers must meet in order to qualify for First-Class automation rates. These requirements include move update requirements, mail piece design requirements, and requirements that mailers obtain USPS approval in advance for any reply envelopes included in their outgoing mail.

A. In Docket No. R2000-1 did you include any specific credit for First-Class workshare mailers who incurred costs to comply with such USPS requirements? I f yes, please quantify this credit and provide references to the applicable portion of the record. If no, please explain why not.

B. In measuring worksharing cost savings in this case, what credit, if any, did you include? Did you include any specific credit to reflect mailers' compliance with any of these requirements? If yes, please quantify this credit and provide references to the applicable portion of the record. If no, please explain why not.

C. Please explain why each of these requirements exists and how each of these requirements saves costs for the Postal Service.

RESPONSE:

(A) (B) No such credits were included in Docket No. R2000-1. In addition, it should be pointed out that the Commission stated the following in the previous docket (PRC Op. R2000-1 at [5092]):

> The Commission does not agree with MMA's claim that the savings from inclusion of automation compatible reply envelopes, compliance with Move Update programs, and avoided window service should be considered in setting worksharing discounts.

Therefore, no such credits were included in my cost study in this docket.

(C) Redirected to the Postal Service.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-18 Please confirm that presorted First-Class mail can only be tendered to the Postal Service at a BMEU, a dock, a Detached Mail Unit, or the mailer's own facility in the case of mail that is plant loaded. If you cannot confirm, please explain.

A. Do you agree that workshare mailers have no need for window service?

B. Do you agree that workshare mailers pay the same as single piece mailers for window service?

C. Do you agree that under the Postal Service's cost methodology, the cost for providing window service to First-Class mailers is approximately 1.5 cents per piece? (See Library Reference USPS LR-J-58).

D. Please confirm that you made no adjustment to your derivation of workshare cost savings to reflect the fact the workshare mailers, by definition, do not require window service. If no, please explain.

E. What is the rational for charging First-Class workshare letters, which make up more than 50 percent of the subclass, the full cost of the Postal Service to provide window service that it cannot and does not use?

F. Are costs incurred for the Postal Service to collect single piece First-Class letters considered volume variable by the Postal Service?

G. If your answer to Part F is yes, please provide the average unit cost for collecting First-Class single piece letters.

H. Please confirm that you made no adjustment to your derivation of workshare cost savings to reflect the fact the workshare mailers, by definition, do not incur collection costs that single piece letters do. If no, please explain.

I. Please confirm that you know that BMM is accepted in trays at windows of post offices. If no, please explain.

J. What is the rationale for charging First-Class workshare letters, which make up more than 50% of the subclass, the full cost of the Postal Service to collect raw mail that it cannot and does not use?

RESPONSE:

(A)(B) No. I have not studied this issue so have no basis for forming such conclusions.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

RESPONSE TO MMA/USPS-T22-18 (CONTINUED)

(C) No. This figure seems to have been calculated using data in USPS LR-J-58, Table 1. Table 1 includes costs for First-Class Mail single-piece mail pieces only. These figures do not appear to represent all First-Class Mail pieces.

(D) It can be confirmed that I included no window service costs in the calculations found in USPS LR-J-60. However, as stated in my response to (A) and (B), I have not studied this issue so have no basis for forming a conclusion that, in all instances, presort mailers would not incur window service costs. In addition, it should be pointed out that the Commission stated the following in the previous docket (PRC Op. R2000-1 at [5092]):

> The Commission does not agree with MMA's claim that the savings from inclusion of automation compatible reply envelopes, compliance with Move Update programs, and avoided window service should be considered in setting worksharing discounts.

Therefore, no window service adjustments were made in my cost studies.

(E) As stated in my response to (A) and (B), I have not studied window service costs.

(F) It is my understanding that collection costs are volume variable, as defined by the Postal Service.

(G) It is my understanding that these data are not available.

(H) It can be confirmed that I included no collection costs in the calculations found in USPS LR-J-60.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

RESPONSE TO MMA/USPS-T22-18 (CONTINUED)

(I) Not confirmed. Please see the response to MMA/USPS-T22-15(B6).

(J) It is my understanding that collection costs are not assigned to presort letters or cards. Consequently, the rates that presort letter and card mailers are charged would not cover collection costs.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-19 On page 20 of your Direct Testimony, you state that in this case you have "refined" your assumption in Docket No. R2000-1 that the unit delivery cost for BMM letters would be the same as the unit delivery cost for nonautomation presort letters, even though the Commission subsequently employed that same methodology. In this case, you use machinable mixed AADC nonautomation presort letter delivery costs as a proxy for BMM delivery costs.

A. Please state what impact this change has on your derivation of workshare cost savings and provide support for your calculations.

B. Please explain why it is necessary to make this change from the Commission's methodology in the last case.

C. Why didn't the Postal Service estimate a delivery cost for BMM directly?

RESPONSE:

(A) This change resulted in more accurate worksharing related savings estimates for those rate categories that use BMM letters as a benchmark.

(B) In both Docket No. R97-1 and R2000-1, the Postal Service and the Commission used the aggregate delivery unit costs for all nonautomation presort letters as a proxy for the delivery unit costs for BMM letters, largely due to the fact that no better estimates were available at the time. In developing the proposal to expand the definition of the nonstandard surcharge in this docket, the mail processing and delivery unit costs for nonautomation presort letters have been disaggregated by both presort level and machinability. Consequently, more refined data are available. The delivery unit costs are included in the worksharing related savings calculations to reflect the fact that, to varying degrees, different mail categories capture different levels of Delivery Point Sequencing (DPS) savings. The DPS percentages found in the BMM letters cost model

RESPONSE TO MMA/USPS-T22-19 (CONTINUED)

(USPS LR-J-60, page 15) and the nonautomation machinable mixed AADC presort letters cost model (USPS LR-J-60, page 17) are 76.35% and 76.21%, respectively. The DPS percentages are relied upon by witness Schenk in developing the delivery unit cost estimates found in USPS LR-J-117. Given the fact that the two figures cited above are virtually identical, the BMM letters delivery unit cost estimate that has been used in this docket appears reasonable. The aggregate DPS percentage for all nonautomation presort letters is only 43.45% (USPS LR-J-60, page 3), due to the fact that roughly 25% of those mail pieces are nonmachinable. Had the aggregate nonautomation presort letters delivery unit cost been used as a proxy for BMM letters, the DPS delivery savings would have been overstated.

(C) As stated in my testimony (USPS-T-22, page 19 at 28), the mail processing unit costs for BMM letters are difficult to estimate. The IOCS system does not track costs for BMM letters. This same problem also extends to delivery unit costs; the IOCS system cannot be used to estimate those costs. Consequently, a proxy has been used.

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MMA/USPS-T22-20 Please refer to Library Reference USPS LR-J-117 and page 7 of your Direct Testimony. In the library reference, USPS witness Schenk found that the unit delivery cost for an average First-Class single piece letter is 6.037 cents. You estimate the unit delivery cost for metered mail is 4.016 cents. You also note that postal technology now and in the future tends to reduce cost differences that might exist between prebarcoded, machine printed, and handwritten.

A. Why is the unit delivery cost for all First-Class letter-shaped single piece mail not a better proxy for metered mail?

B. What is the average weight for all single piece letter-shaped mail?

C. What is the average weight for all metered letter-shaped mail?

D. What percent of metered letters is not barcoded?

E. What percent of all First-Class single piece letters is not barcoded?

F. Please explain why the unit delivery cost for all single piece letter mail is approximately 50% higher than for metered mail?

RESPONSE:

(A) Please see the response to MMA/USPS-T22-19(B).

(B) Redirected to the United States Postal Service.

(C) Redirected to the United States Postal Service.

(D) Redirected to the United States Postal Service.

(E) Redirected to the United States Postal Service.

(E) To the best of my knowledge, an in depth study has not been conducted to explore why this cost difference exists between First-Class single-piece letters

(F) and nonautomation machinable mixed AADC presort letters (which is the proxy used for BMM letters). It is possible that the cost differences

RESPONSE TO MMA/USPS-T22-20 (CONTINUED)

are due to the fact that single-piece letters must pass through Delivery Units on both the originating and destinating end, while nonautomation presort letters, in general, only pass though DUs on the destinating end. In addition, the percentage of single-piece letters that are machinable and/or processed in Delivery Point Sequence (DPS) could be lower.

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MMA/USPS-T22-21 *Please refer to the delivery costs that you obtain from* Library Reference USPS LR-J-117 in Library Reference USPS LR-J-60, page 1 for First Class and Standard Mail, respectively.

A. Please confirm that the following table correctly shows the delivery costs that you use in your workshare cost savings analyses for First Class and Standard Mail. If you cannot confirm, please make any corrections.

Comparison of First-Class and Standard Mail Letter
Delivery Unit Costs (Cents)

Rate Category	Delivery Costs First-Class	Delivery Costs Standard	Difference (FC-STD)
Nonautomation Letters:			
Nonautomation Presort Letters	5.933	4.368	1.56
Nonautomation Nonmach Mixed ADC	8.408	5.592	2.82
Nonautomation Nonmach ADC	8.408	5.592	2.82
Nonautomation Mach Mixed AADC	4.066	3.847	0.22
Nonautomation Mach AADC	4.066	3.847	0.22
Nonautomation Nonmach 3-Digit	8.408	5.592	2.82
Nonautomation Nonmach 5-Digit	8.408	5.592	2.82
Nonautomation Mach 3-Digit	3.937	3.795	0.14
Nonautomation Mach 5-Digit	3.937	3.795	0.14
Auto Letters:			
Automation Mixed AADC	4.165	3.887	0.28
Automation AADC	4.016	3.827	0.19
Automation 3-Digit	3.980	3.812	0.17
Automation 5-Digit	3.795	3.738	0.06

B. Please confirm that the average weights for First-Class letters and Standard Mail letters are 0.47 ounces and 0.77 ounces, respectively. See Library Reference USPS LR-J-58.

C. Please confirm that First-Class and Standard Mail letters are often intermixed during the delivery operation. If you cannot confirm, please explain.

D. Does the weight of a letter have an impact on the cost of processing the letter in the delivery operation? Please explain your answer.

E. Does the weight of a letter have any impact on the cost of processing the letter in the mail processing operation? Please explain your answer.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T24-21 (CONTINUED)

F. Please explain how Standard letters sorted to the same degree as First-Class letters can cost so much less for the delivery operation when they weigh 64% more per piece.

RESPONSE:

(A) Confirmed.

(B) Not confirmed.

(C) Confirmed.

(D) Redirected to witness Schenk.

(E) Redirected to witness Schenk.

(F) Redirected to witness Schenk.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER

TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-22 Please refer to Library Reference USPS LR-J-60, page 8, where you show CRA costs, by cost pool, for First-Class metered mail, nonautomation letters, and automation letters.

A. Please explain each of the following cost pools and your reason for concluding that such costs are not related to worksharing.

1. MODS 12 FSM/
2. MODS 12 FSM/1000
3. MODS 13 SPBS OTH
4. MODS 13 1Sacks_M
5. MODS 14 Manf
6. MODS 17 1Sacks_H
7. MODS 17 1Scan
8 MODS 18 Busreply
9. MODS 18 Registry
10. MODS 18 Rewrap
11. MODS 18 1Eeqmt
12. MODS 19 Intl
13. MODS 48 LD49
14. NonMODS Misc

B. Please explain why some automation cost pools, for example MODS 18 EXPRESS that you discuss in your Direct Testimony, have a positive, fine cost associated with them, when logic dictates that such costs are probably reported in error.

C. Please confirm that some workshare mailers are required by the Postal Service to sort trays onto pallets and pallets onto specific trucks. If you cannot confirm, please explain.

D. Do you agree that the density of sort for trays and pallets will affect the amount of platform operations associated with mail? Please explain your answer.

E. Please justify your decision to treat platform costs as workshare-related but fixed, in view of your answers to parts C and D.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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F. Please fully explain each =-of the following cost pools and your reason for concluding that such costs are related to worksharing but not related to the degree of presort.

1. MODS 17 1Cancmmp
2. MODS 17 Opbulk
3. MODS 17 Oppref
4. MODS 17 Pouching

MMA/USPS-T22-22 (CONTINUED)

5. MODS 49 LD49
6. NonMODS Allied

G. Please confirm that the chances of a piece of mail requiring re-wrap service is directly related to the number of times that piece is processed on postal machinery. If you cannot confirm, please explain.

RESPONSE:

(A) The MODS operation numbers and descriptions for the tasks "mapped" to each of these cost pools can be found in USPS LR-J-55. For item number 13, the incorrect terminology was used. This item was originally referred to as "MODS 48 LD 49." It is actually "MODS 49 LDC 49." This cost pool has not been classified as "non-worksharing related fixed." It has been classified as "worksharing related fixed."

After careful review, these cost pools were classified as "non-worksharing related fixed" because the tasks associated with these cost pools are not affected by whether First-Class mailers presort and/or prebarcode their letter and card mailings. In addition, the Commission relied upon these cost pool classifications in Docket No. R2000-1 (please see PRC-LR-12).

(B) I agree with the statements made in response to CSA/USPS-T26-24 in Docket No. R2000-1; Tr. 13/5128-5129.

(C) Please see response to MMA/USPS-T22-1(F) and (G) in regard to pallet sorting. Tray sorting operations are typically performed in opening units and "cutting" operations. Therefore, issues related to the sorting of trays would not typically affect platform costs.

RESPONSE TO MMA/USPS-T22-22 (CONTINUED)

(D) No. Pallet sorting is not an activity performed by postal employees. Tray sorting is an activity performed by postal employees. However, the employees performing those tasks are typically charging their hours to MODS operation numbers that are mapped to other cost pools.

(E) In Docket No. R2000-1, I classified the "1PLATFORM" cost pool as "non-worksharing related fixed." I used this classification for three reasons. First, platform costs are largely driven by whether mailings are entered at the destinating facility. If a mailing is not entered at the destinating facility, it will incur platform costs at both an originating and a destinating facility. If a mailing is entered at the destinating facility, it will only incur costs at one facility. The point of entry is not necessarily correlated to the presort level of a given mailing. For example, a 5-digit mailing that is entered at the originating facility could incur greater platform costs than a 3-digit mailing entered at the destinating facility.

Second, the BMM letters estimate actually represents the costs for all metered letters, including metered packages. Metered packages would incur dock costs related to unloading collection mail from trucks that would not normally be incurred by BMM letters.

Third, had I classified this cost pool as "worksharing related fixed," it would have created a situation for Standard letters where there were platform costs included in both the dropship savings as well as the savings related to the presortation and prebarcoding of letters. In Docket No. R2000-1, the Commission solved this problem by classifying platform costs as "worksharing related fixed" for First-Class letters and "non-worksharing related fixed" for Standard letters.

RESPONSE TO MMA/USPS-T22-22 (CONTINUED)

While I don't agree that all platform costs are worksharing related, it is not possible to disaggregate these costs. Consequently, I have adopted the Commission's classification in this docket. However, it is likely this classification results in overstated worksharing related savings estimates.

(G) The MODS operation numbers and descriptions for the tasks mapped to each of these cost pools can be found in USPS LR-J-55. In Docket No. R2000-1, I classified the "1CANCMMP" cost pool as "non-worksharing related fixed." In addition, the value of this cost pool was set to zero to reflect the fact that BMM letters are entered in full trays. This methodology was consistent with that relied upon by the Commission in Docket No. R97-1. However, as the Commission pointed out in Docket No. R2000-1, there are costs in these cost pools for both nonautomation and automation presort letters. Consequently, the Commission modified the value of the cost pool and classified it as "worksharing related fixed." In this docket, I did not modify this cost pool due to the absence of any data to support such a modification. However, I adopted the Commission's cost pool classification. In looking at the data, the values for the "1CANCMMP" cost pool for BMM letters, nonautomation presort letters, and automation presort letters are 0.688, 0.099, and 0.050 cents, respectively. (Please see the revisions filed on 11/05/01.) The tasks mapped to the "1CANCMMP" cost pool include 020 meter belt costs, 020B meter bypass costs, and cancellation costs. The only costs that should accumulate in this cost pool for both BMM letters and presort letters are those related to the meter bypass operation. In general, this operation consists of tasks performed by mailhandlers who weigh this mail into the MODS system. The magnitude of the BMM letters "1CANCMMP" cost pool is likely high because these costs are really the costs for all metered letters, due to the fact that IOCS cannot truly isolate BMM letters

RESPONSE TO MMA/USPS-T22-22 (CONTINUED)

costs. Metered letters in general would also undergo package sorting, unpackaging, and traying operations. This cost pool alone is responsible for nearly 0.500 cents of the worksharing related savings estimates for all rate categories that use BMM letters as a benchmark. Consequently, this is one reason why I feel that the BMM letters costs, and the worksharing related savings estimates, are likely overstated.

In Docket No. R2000-1, I classified the "OPPREF," "OPBULK," and "POUCHING" cost pools as "worksharing related proportional" for nonautomation presort letters. I used this classification because package sorting tasks are mapped to these cost pools. Nonautomation presort mailings can include packages. Consequently, package sorting activities were included in the cost models.

The automation presort and BMM letter mailings, however, are not entered in packages. Therefore, I used a "worksharing related fixed" classification, in order to maintain the cost relationships with respect to the nonautomation presort letters category. These classifications were subsequently relied upon by the Commission. Consequently, I have used them again in this docket.

RESPONSE TO MMA/USPS-T22-22 (CONTINUED)

The sum of these cost pools for BMM letters, nonautomation presort letters, and automation presort letters are 1.047, 1.499, and 0.413 cents, respectively. (Please see the revisions filed on 11/05/01.) Given the fact that nonautomation presort letters can be packaged, it is reasonable that those costs exceed those for both BMM letters and automation presort letters. The magnitude of the BMM letters cost pool is likely high because these costs are really the costs for all metered letters, due to the fact that IOCS cannot truly isolate BMM letters costs. This cost pool alone is responsible for nearly 0.500 cents of the worksharing related savings

RESPONSE TO MMA/USPS-T22-22 (CONTINUED)

estimates for the automation presort rate categories that use BMM letters as a benchmark. Consequently, this is one reason why I feel that the BMM letters costs, and the automation presort worksharing related savings estimates, are likely overstated.

The "LD49" cost pool includes those tasks performed at Computerized Forwarding System (CFS) units. In Docket No. R2000-1, I classified this cost pool as "worksharing related fixed." The Commission subsequently relied upon that same classification. Consequently, I have again used that classification in this docket.

The "ALLIED" cost pool represents platform tasks at Non-MODS facilities. Consequently, I have used the "worksharing related fixed" classification for the same reasons discussed in my response to MMA/USPS-T22-22(E).

It is interesting to look at the dis-aggregated cost savings estimates contained in Attachment 1. The total savings are identical to those found in USPS LR-J-60. (Please see revisions filed on 11/05/01.) The results vary by rate category, but roughly 30-40 percent of the total worksharing related savings estimates are based on the difference in the "worksharing related fixed" costs between BMM letters and automation presort letters. As stated above, these cost pools contain costs related to cancellations, package sorting, platform operations and other non-piece distribution tasks that likely result in overstated worksharing related savings estimates for the reasons listed above.

RESPONSE TO MMA/USPS-T22-22 (CONTINUED)

(G) Not confirmed. If one or more mail piece characteristics for a given letter are going to cause it to be damaged, it would likely be damaged when it is processed on the first piece of mail processing equipment.

If this question pertains to the "REWRAP" cost pool, the tasks mapped to this cost pool do not concern First-Class presort letters (please see USPS LR-J-55, page 27).

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T22-22A Please refer to Library Reference USPS LR-J-60, particularly pages 8 and 15, and the attachments to this interrogatory.

A. Please provide a crosswalk between your modeled cost operation and the CRA cost pools (using the Postal Service's cost methodology) by placing an "X" in the appropriate boxes of Attachment A (USPS Costs) where the modeled cost operation represents an actual cost pool.

B. Please provide a crosswalk between your modeled cost operation and the CRA cost pools (using the Commission's cost methodology) by placing an "X" in the appropriate boxes of Attachment A (PRC Costs) where the modeled cost operation represents an actual cost pool.

RESPONSE:

Please note that this interrogatory has been retitled "MMA/USPS-T22-22A," as the original set of questions had two interrogatories using the number 22.

(A) Please see Attachment 1.

(B) Please see Attachment 2.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T-22-23

In Docket No. R2000-1, USPS witness Campbell described the Permit system as "an on-line system, which gives authorized USPS employees rapid access to advance deposit accounting information. The system controls advance deposit trust fund deposits, withdrawals, and daily balances for each Post Office permit account. The daily tasks the PERMIT system accomplishes are record keeping, account tracking, postage calculation, withdrawal and deposit posting, data edits, funds verification, customer assistance information searches, daily trial balance calculations and associated mail volume information development." See Docket No. R2000-1, Tr. 14/5918.

A. Please provide for the base year and the most recent 12-month period for which data are available, a list of all First-Class mailers who send more than 1 million pieces per year. Please provide this information in the same format used for USPS LR-I-331 in Docket No. R2000-1, that is, broken down separately for 1-ounce letters, 2-ounce letters, and cards.

B. Is there any other data collection system that provides volume and revenue information for First-Class mailers by individual mailer? If yes, please provide, for the base year and the most recent 12-month period for which data are available, volume and revenue information for all individual mailers that sent more than 1 million pieces per year. Please provide this information in the same format used for Library Reference USPS LR-I-331 in Docket No. R2000-1, that is, broken down separately for 1-ounce letters, 2-ounce letters and cards. If no, please explain what data collection systems are in use and what information they collect, as they relate to individual First-Class mailers.

RESPONSE:

(A)(B) The FY 2000 Corporate Business Customer Information System (CBCIS) data can be found in USPS LR-J-158. CBCIS now only collects data by shape. It does not collect data by ounce increment.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-24 Please refer to Library Reference USPS LR-J-60, particularly pages 15 and 16, and USPS witness Kingsley's testimony on pages 9 and 10. Ms. Kingsley's testimony describes several factors that would make a letter non-machinable, requiring manual processing through the Postal mailstream.

A. Please confirm that for purposes of estimating metered letters costs, you assumed that 100% of the letters would not be culled out or rejected by the mail prep operation and sent directly to the RBCS for processing. If you cannot confirm, please explain.

B. Please indicate what Postal requirements, if any, regulate single piece metered letters to make sure that they are not culled out or rejected by the mail prep operation?

C. Please confirm that according to USPS witness Kingsley, the following factors can make an otherwise machinable letter, non-machinable. If you cannot confirm, please explain.

1. aspect ratio of less than 1.3 or more than 2.5;
2. closure device;
3. non-square corners;
4. rigid or odd-shaped contents;
5. stiffness;
6. flimsiness;
7. misplacement of address;
8. self mailer whose folded edge not parallel to longest dimension;
9. booklet whose spine is not the longest edge; and
10. unreadable or improper address.

D. Why is it that the metered mail letter processing mail flow that you use to derive its unit processing cost fails to include metered mail letters that might not be machinable because of any of these factors?

E. By using BMM as the benchmark from which to measure Automation cost savings, do you implicitly assume that BMM would be designed in the same manner as Automation letters, in the absence of the discount? Please explain your answer.

RESPONSE:

(A) Confirmed. However, this model was intended to estimate the costs for Bulk Metered Mail (BMM) letters as they have been defined in the response to MMA/USPS-T22-1(E). Consequently, it is reasonable to assume that these mail pieces would all be machinable.

RESPONSE TO MMA/USPS-T22-24 (CONTINUED)

In addition, this model was developed for two reasons. First, it was used for cost comparison purposes. Second, it was used as a means to develop a proxy First-Class single-piece CRA adjustment factor which was subsequently relied upon in both the Qualified Business Reply Mail (QBRM) cost study and the nonstandard surcharge (as it is currently defined) cost study.

The BMM letters cost estimate that is relied upon to measure worksharing related savings is actually CRA-derived. As I stated in my testimony (USPS-T-22, page 20 at 7-9), the BMM letters cost estimate actually represents the costs for all metered letters, many of which are entered as metered bundles. Consequently, it is likely overstated. The point you raise regarding the fact that this cost estimate could also include the costs for nonmachinable metered mail pieces is yet another reason why it is likely that the BMM letters cost estimate is overstated.

(B) To the best of my knowledge, there are none. Depending on how metered letters are processed in a given facility, nonmachinable metered mail pieces would be isolated using either culling mechanisms, such as the Dual Pass Rough Cull system, or by manual means.

(C) Confirmed.

(D) Please see the response to MMA/USPS-T22-24(A).

(E) No. BMM letters would not be prebarcoded while automation presort letters would be prebarcoded.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-25 Please refer to Library Reference USPS LR-J-60, particularly pages 11 through 16. There you show the model cost derivations for QBRM and metered mail letters.

A. Please confirm that for handwritten-addressed (HAND) letters, you assume that 130 of 10,000 originating letters (1.3%) cannot be successfully barcoded by the Postal Service in the RBCS (109 pieces) or processed in the outgoing primary automation operation (20 pieces), and will require manual processing in the outgoing primary operation. If you cannot confirm, please explain. (Note that the numbers do not add up because of rounding).

B. Please confirm that for HAND letters you assume that an additional 145 of 10,000 originating letters (1.45%) are successfully barcoded in the RBCS but are rejected from the outgoing primary automation sort. Such pieces therefore will require manual processing in the outgoing secondary operation. If you cannot confirm, please explain.

C. Please confirm that for HAND letters you assume that a total of 274 of 10,000 originating letters (2.74%) will be processed manually by the Postal Service from the originating office until it reaches the destination office. If you cannot confirm, please explain.

D. Please confirm that for metered mail letters, you assume that 41 of 10,000 originating letters (.41%) cannot be successfully barcoded by the Postal Service in the RBCS (26 pieces) or processed in the outgoing primary automation operation (16 pieces), and will require manual processing in the outgoing primary operation. If you cannot confirm, please explain. (Note that the numbers do not add up because of rounding).

E. Please confirm that for metered mail letters you assume that an additional 113 of 10,000 originating letters (1.13%) are successfully barcoded in the RBCS but are rejected from the outgoing primary automation sort. Such pieces therefore will require manual processing in the outgoing secondary operation. If you cannot confirm, please explain.

F. Please confirm that for metered mail letters you assume that a total of 155 of 10,000 originating letters (1.55%) will be processed manually by the Postal Service from the originating office until it reaches the destination office.

G. Please confirm that QBRM letters are prebarcoded and pre-approved by the Postal Service to make sure that they are automation-compatible. If you cannot confirm, please explain.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

RESPONSE TO MMA/USPS-T22-25 (CONTINUED)

H. Please confirm that for QBRM letters, you assume that 490 of 10,000 originating letters (4.9%) cannot be successfully processed by the Postal Service in the outgoing primary automation operation and will require manual processing in the outgoing primary operation. If you cannot confirm, please explain.

I. Please confirm that for QBRM letters, you assume that an additional 30 of 10,000 originating letters (.3%) cannot be successfully processed by the Postal Service in the outgoing secondary auto operation and will require manual processing in the outgoing secondary operation. If you cannot confirm, please explain.

J. Please confirm that for QBRM letters you assume that a total of 520 of 10,000 originating letters (5.2%) will be processed manually by the Postal Service from the originating office until it reaches the destination office.

K. Please explain why you assume that the number of QBRM letters that are processed manually throughout the Postal mailstream is almost twice the number for HAND letters, in view of the much stricter requirements that QBRM must meet.

L. Please explain why you assume that the number of QBRM letters that are processed manually throughout the Postal mailstream is more than three times the number for metered letters, in view of the much stricter requirements that QBRM must meet.

M. Please confirm that on page 11 of her Direct Testimony, USPS witness Kingsley states that 8.9% of all First-Class letters are not barcoded. If you cannot confirm, please explain.

RESPONSE:

(A) It can be confirmed that 130 of the mail pieces in the handwritten letters cost model are processed in the manual outgoing primary operation. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.

(B) Not confirmed. There are no mail pieces in the handwritten letters cost model that are rejected in the automation outgoing primary operation and routed to the manual outgoing secondary operation.

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RESPONSE TO MMA/USPS-T22-25 (CONTINUED)

(C) Confirmed. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.

(D) It can be confirmed that 41 of the mail pieces in the Bulk Metered Mail (BMM) letters cost model are processed in the manual outgoing primary operation. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.

(E) Not confirmed. There are no mail pieces in the Bulk Metered Mail (BMM) letters cost model that are rejected in the automation outgoing primary operation and routed to the manual outgoing secondary operation.

(F) Confirmed. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.

(G) It can be confirmed that mail pieces are QBRM-eligible if they meet the standards specified in Domestic Mail Manual (DMM) section E150.

(H) It can be confirmed that 490 of the mail pieces in the QBRM letters cost model are rejected in the automation outgoing primary operation and are then processed in the manual outgoing primary operation. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

RESPONSE OF MMA/USPS-T22-25 (CONTINUED)

(I) It can be confirmed that 30 mail pieces in the QBRM letters cost model are rejected in the automation outgoing secondary operation and are then processed in the manual outgoing secondary operation. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.

(J) Confirmed. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.

(K)(L) These figures occur as a result of the fact that average data are used in the models; the data in these models are not figures specific to handwritten, metered, or QBRM mail pieces. These models were developed primarily to de-average a given CRA mail processing unit cost category (e.g., First-Class Mail automation presort letters) into costs by rate category. Given this fact, the use of average data is inconsequential as these data are used to develop all rate category models. What is important is the resulting cost relationships between the rate categories. Consequently, an attempt to use these models, as they are currently constructed, may not represent the best methodology for estimating the QBRM cost avoidance. In order to rectify this problem, I have revised the QBRM cost study using a cost methodology similar to that used in Docket No. R97-1 (please see the revisions filed on 11/05/01).

The primary cost distinctions that exist between a QBRM mail piece and a handwritten reply mail piece are the costs required to apply a barcode to the

RESPONSE OF MMA/USPS-T22-25 (CONTINUED)

handwritten reply mail piece. Given this fact, I have revised the handwritten cost model to include only those costs related to the outgoing

RESPONSE TO MMA/USPS-T22-25 (CONTINUED)

RBCS operations. Downstream mail flows, including those related to the processing of rejects, have been excluded. I have revised the QBRM cost model to only include the costs related to the outgoing primary sortation. Downstream mail flows, including those related to the processing of rejects, have been excluded. This methodology ensures that the costs being estimated are those related to the extra steps required for RBCS processing. By excluding the costs for processing rejects, the issues that have surfaced in this interrogatory have been eliminated. The revised QBRM worksharing related savings estimate is 1.248 cents.

DECLARATION

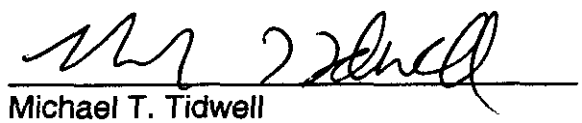
I, Michael W. Miller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

MICHAEL W. MILLER

Dated: 11/05/01

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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