

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0000

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS LION  
(OCA/USPS-T24-31(B-D), 32, 35)

The United States Postal Service hereby provides responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T24-31(b-d), 32, 35, filed on August 1, 1997, and redirected from witness Lion.

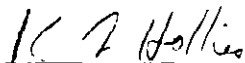
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.  
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August 15, 1997

RESPONSES OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
OF THE OFFICE OF THE CONSUMER ADVOCATE,  
REDIRECTED FROM WITNESS LION

**OCA/USPS-T24-31:** Please refer to your testimony at page 1, lines 17-22.

- a. Please provide a tabulation of the total number of post offices by city delivery offices, non-city delivery offices, and nondelivery offices.
- b. Please describe the process by which a post office is converted from
  - (i) a non-city delivery office to a city delivery office;
  - (ii) a nondelivery office to a non-city office; and
  - (iii) a nondelivery office to a city delivery office.
- c. Please provide a tabulation of the number of post offices by conversion process as described in (i), (ii), and (iii) above by fiscal year for the past five fiscal years.
- d. Please confirm that no post offices have been converted from a city delivery office to a non-city delivery office, from a city delivery office to a nondelivery office, and from a non-city delivery office to a nondelivery office during the past five fiscal years. If you do not confirm, please explain and provide a tabulation of the number of offices by conversion process by fiscal year for the past five fiscal years.

**Response:**

- a. [Not redirected from witness Lion]
- b-d. For purposes of this answer, we presume that the reference to "converted" relates to changes in the types of carrier delivery administered by an office, such as when a specific non-city delivery post office has rural carrier routes and adds a single city carrier route, thus "converting" it from a non-city delivery office to a city delivery office.

The Postal Service has no single "process" governing the types of changes addressed in the interrogatory, and certainly has no system tracking such changes.

The closest thing to a "process" by which offices are routinely "converted" occurs

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in the context of post office closings wherein, for example, a nondelivery office may cease to exist as an independent entity and be replaced by a community post office administered by a neighboring—generally non-city—delivery office. A few offices that have been closed were nondelivery offices at that time, but had been delivery offices sometime in the past. Accordingly, there is likely a basis for not confirming the piece of part (d) of the interrogatory concerning non-city delivery offices being “converted” to nondelivery offices. However, it is unclear whether any of these have occurred in the past five fiscal years. Moreover, since the independent post office ceases to exist, it is not clear whether closings constitute a “conversion” of an office as intended by the interrogatory.

The example in the first paragraph of this answer is addressed, in part, in *Postal Operations Manual (POM)* §§ 641 and 642 (establishment and extension of city delivery routes). Other sections of the *POM* also bear in some respects on other “conversions”, including: 1) 643 (requests for delivery service); 2) 644 (conversions from city to rural carriers); 3) 652 (establishment of rural delivery service); 4) 653 (extensions of rural delivery service); 5) 654 (replacement of rural delivery service); 6) 662 (establishment of highway contract route (HCR) service); and 7) 663 (HCR box delivery and collection). These regulations provide that decisions and approvals are made at local levels so as to accommodate what are essentially local concerns. The mere existence of some of these regulations gives rise to an inference that some of the “conversions” addressed in part (d) of the interrogatory, which seeks confirmation that they do

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REDIRECTED FROM WITNESS LION

not take place, do actually take place.

As a practical matter, "conversions" involving either city or rural carriers also touch on the concerns of respective labor organizations and their contracts with the Postal Service. The contracts thus tend to act as constraints on "conversions".

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**OCA/USPS-T24-32.** The following interrogatory refers to the classification of post offices by CAG.

- a. Please describe the process by which a post office receives a new CAG rating.
- b. Please provide a tabulation of the total number of post offices by CAG rating for the most recent fiscal year.
- c. Please provide the number of post offices receiving a new CAG rating during each of the past five fiscal years, showing the old CAG rating and the new CAG rating.

**RESPONSE:**

The following responses are provided from financial accounting systems data:

- a. Each post office is given a CAG rating each fiscal year based on its number of revenue units. If the number of revenue units is over 356,250 then its CAG is A, between 118,750 and 356,249 its CAG is B, between 23,750 and 188,749 its CAG is C, between 11,875 and 23,749 its CAG is D, between 4,750 and 11,874 its CAG is E, between 2,150 and 4,749 its CAG is F, between 950 and 2,149 its CAG is G, between 430 and 949 its CAG is H, between 190 and 429 its CAG is J, between 36 and 189 its CAG is L, below 36 its CAG is L. The number of revenue units is determined by dividing the office's gross revenue for the fiscal year by the value of a revenue unit. The value of the revenue unit is the estimated average revenue for 1,000 pieces of originating mail and special service transactions. By way of an example, if the value of the revenue unit for the fiscal year was estimated at \$276.78, and an office's revenue for the fiscal year was \$100,000 the revenue unit would be 361 (\$100,000 divided by \$276.78) and its CAG would be J.

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- b. The number of offices by CAG for fiscal year 1996 are provided in Attachment 1.
- c. Attachments 2 through 5 provide the counts of old and new CAG ratings for post offices receiving a new CAG rating during fiscal years 1992, and 1994 through 1996. The financial accounting data file could not be located to provide the requested information for fiscal year 1993, apparently because of the Postal Service restructuring at that time.

NUMBER OF OFFICE  
POSTAL FISCAL YEAR 1996

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FY96 CAG	COUNT
A	185
B	177
C	718
D	616
E	1500
F	1964
G	3020
H	3720
J	4908
K	9295
L	1667
	=====
	27770

ATTACHMENT 1 TO RESPONSE TO  
OCA/USPS-T24-32

ATTACHEMENT 2 TO RESPONSE TO  
OCA/USPS-T24-32

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NUMBER OF OFFICES WITH NEW A-G RATING  
POSTAL FISCAL YEAR 1996

FY96 CAG	FY95 CAG A	FY95 CAG B	FY95 CAG C	FY95 CAG D	FY95 CAG E	FY95 CAG F	FY95 CAG G	FY95 CAG H	FY95 CAG J	FY95 CAG K	FY95 CAG L
A	0	10	1	0	0	0	0	0	0	0	0
B	3	0	13	0	0	0	0	0	0	0	0
C	0	15	0	33	1	2	0	0	0	0	0
D	0	0	31	0	53	3	1	0	0	0	0
E	0	0	1	31	0	57	2	1	0	0	0
F	0	0	0	1	47	0	110	3	0	0	0
G	0	0	0	0	2	50	0	125	0	0	0
H	0	0	0	0	1	1	81	0	181	5	0
J	0	0	0	0	0	1	2	106	0	273	0
K	0	0	0	0	0	1	1	1	137	0	154
L	0	0	0	0	0	0	0	0	1	115	0
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
	3	25	46	65	104	115	197	236	319	393	154



NUMBER OF OFFICES WITH NEW CAG RATING  
POSTAL FISCAL YEAR 1995

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FY95 CAG	FY94 CAG A	FY94 CAG B	FY94 CAG C	FY94 CAG D	FY94 CAG E	FY94 CAG F	FY94 CAG G	FY94 CAG H	FY94 CAG J	FY94 CAG K	FY94 CAG L
A	0	5	0	0	0	0	0	0	0	0	0
B	0	0	19	0	0	0	0	0	0	0	0
C	0	6	0	24	2	1	0	0	0	0	0
D	0	0	29	0	30	1	0	0	0	0	0
E	0	1	0	44	0	59	1	1	0	0	0
F	0	0	0	0	45	0	100	2	0	0	0
G	0	0	1	0	2	53	0	164	3	0	0
H	0	0	0	1	0	0	72	0	229	2	0
J	0	0	0	0	0	0	2	111	0	264	1
K	0	0	0	0	0	0	0	5	142	0	148
L	0	0	0	0	0	0	1	0	0	128	0
	===== 0	===== 12	===== 49	===== 69	===== 79	===== 114	===== 176	===== 283	===== 374	===== 394	===== 149

ATTACHMENT 3 TO RESPONSE TO  
OCA/USPS-124-32

NUMBER OF OFFICES WITH NEW 3 RATING  
POSTAL FISCAL YEAR 1994

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FY94 CAG	FY93 CAG A	FY93 CAG B	FY93 CAG C	FY93 CAG D	FY93 CAG E	FY93 CAG F	FY93 CAG G	FY93 CAG H	FY93 CAG J	FY93 CAG K	FY93 CAG L
A	0	1	0	0	0	0	0	0	0	0	0
B	2	0	21	0	0	0	0	0	0	0	0
C	0	3	0	41	4	2	0	0	0	0	0
D	0	0	19	0	53	1	0	0	0	0	0
E	0	0	0	27	0	80	0	0	0	0	0
F	0	0	0	0	43	0	98	2	0	1	0
G	0	0	0	0	0	50	0	186	2	0	0
H	0	0	0	0	0	0	77	0	208	4	0
J	0	0	0	0	0	0	2	117	0	280	1
K	0	0	0	0	0	0	1	3	182	0	147
L	0	0	1	0	0	0	1	4	1	231	0
	===== 2	===== 4	===== 41	===== 68	===== 100	===== 133	===== 179	===== 312	===== 393	===== 516	===== 148

ATTACHMENT 4 TO RESPONSE TO  
OCA/USPS-124-32

NUMBER OF OFFICES WITH NEW GRADING RATING  
 POSTAL FISCAL YEAR 1992

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FY92 CAG	FY91 CAG A	FY91 CAG B	FY91 CAG C	FY91 CAG D	FY91 CAG E	FY91 CAG F	FY91 CAG G	FY91 CAG H	FY91 CAG J	FY91 CAG K	FY91 CAG L
A	0	1	0	0	0	0	0	0	0	0	0
B	5	0	10	0	0	0	0	0	0	0	0
C	3	13	0	22	3	0	0	0	0	0	0
D	0	0	32	0	24	0	0	0	0	0	0
E	0	0	1	33	0	56	2	0	0	0	0
F	0	0	0	2	66	0	67	0	0	0	0
G	0	0	0	0	2	81	0	111	0	1	0
H	0	0	0	0	0	2	101	0	159	6	0
J	0	0	0	0	0	0	2	169	0	220	0
K	0	0	0	0	0	0	0	1	200	0	144
L	0	0	0	0	0	0	0	1	1	147	0
	===== 8	===== 14	===== 43	===== 57	===== 95	===== 139	===== 172	===== 282	===== 360	===== 374	===== 144

ATTACHMENT 5 TO RESPONSE TO  
 OCA/USPS-T24-32

RESPONSES OF UNITED STATES POSTAL SERVICE TO INTERROGATORIES  
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REDIRECTED FROM WITNESS LION

**OCA/USPS-T24-35.** Please refer to PRC Op. MC96-3 at 63, where "the Commission encourages the Postal Service to explore alternative post office box groupings in the future." Please identify and describe any and all such efforts to explore alternative post office box groupings, and file as a library reference any documents prepared by or for the Postal Service as a result of these efforts.

**RESPONSE:**

A partial objection to this interrogatory was filed on the grounds that the Postal Service's ongoing decision making on this topic is protected from scrutiny by the deliberative process privilege.

Notwithstanding (and without waiving) the objection, the Postal Service has very little documentation regarding its consideration of this issue. The Postal Service began work on re-defining the post office box fee structure when preparing the Special Services case, Docket No. MC96-3. As the filing of that case approached, however, resources were focused exclusively upon the proposals that were included.

Attached to this response is the Statement of Work (SOW), pursuant to which re-definition of the post office box fee structure was studied prior to Docket No. MC96-3. See the section entitled "Subtask 2: Post Office Boxes" on the fourth page of the attachment. While the Postal Service believed when filing the partial objection to this interrogatory that the SOW resulted in a final report, such was

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not the case. Subtask 2 was essentially abandoned in favor of other work specified in the SOW.

The Postal Service remains interested in re-defining the post office box fee structure, but was unable in the brief interim between issuance of the Commission's Opinion and Recommended Decision in Docket No. MC96-3 and finalization of the present case to decide what approach to use. *See also, Rebuttal Testimony of Altaf Taufique at 14, Docket No. MC96-3, Tr. V10/3650* (discussion of issues related to re-definition of post office box fee structure).

Finally, the Postal Service is considering issuance of another SOW to work on this issue; should this occur, the SOW will be provided as a supplemental response to this interrogatory.

U.S. Postal Service <b>Requisition For Supplies, Services, Or Equipment</b>  See Instructions on Reverse	1. Requisition Number		2. Request Date 12/22/95		3. Required Delivery Date 12/27/95		Page Number
	4. Job Order Number (Maintenance Use Only)						
	WC	Acronym	Equipment No.	EC	Work Order No	Number of Pages	

5. To:  Susan W. Medico Purchasing, Room 4541	6. From: (Facility Name, Address and ZIP + 4)  Pricing, Marketing Systems 475 L'Enfant Plaza, Room 6670 Washington, DC 20260-2406
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7. Complete Delivery Address Pricing 475 L'Enfant Plaza, Room 6670 Washington, DC 20260-2406	8. For Information Call	
	a. Name Ashley Lyons	b. PEN/COMM Telephone Number 202 268-3179

9. Budget Finance No. 10-2544	10. Prop. Acct. Fin. No.	11. Acct No	12. FEDSTRIP Address Code	13. CAG	14. PCN	15. Requestor <input type="checkbox"/> VMF <input checked="" type="checkbox"/> Other	16. ID No.
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17. Description					
PSN, NSN, PSIN or Part Number (a)	Supplies, Services or Equipment Requested (b)	Quantity (c)	Unit (d)	Unit Price (e)	Estimated Cost (f)
	Consulting Services and Surveys Price Waterhouse LLP 1616 North Fort Meyer Drive Arlington, VA 22209-3100			110,000.00	

ATTACHMENT 1 TO RESPONSE TO  
OCA/USPS-T24-35, PAGE 1

18. Justification To conduct surveys and assist in the development of new fees for special services.
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19. Suggested Source of Supply Price Waterhouse LLP 1616 North Fort Meyer Drive Arlington, VA 22209-3100
---

20. Requesting and Approval Signatures		
a. Requested By  W. Ashley Lyons Manager, Pricing 12-22-95	b. Approved By  John H. Ward Vice President, Mktg Systems	c. Certifying Funds Available Amount Signature 
d. Sectional Center Approval	e. Division Approval	f. Other Approval

Procurement Use Only	21. Source of Supply	22. Contract/Order Number
	23. Notes	24. Order Date

25. Prepared By (Title and Signature)

# USPS TASK ORDER

<b>CONTRACTOR:</b> Price Waterhouse LLP 1616 North Fort Myer Drive Arlington, VA 22209-3100  Attention: Philip A. Hatfield	<b>TASK ORDER NO.</b>  _____	<b>EFFECTIVE DATE</b> 12/27/95
	<b>CONTRACT NO.</b> 102590-95-H-3094	<b>SEQUENCE NO.</b> 001 (TASK 10)
<b>TYPE OF TASK ORDER</b> Time and Materials	<b>PROJECT NO.</b> _____	<b>ACCOUNT NO.</b> 52321
<b>TASK TITLE</b> Post Office Box Fee Increases	<b>FINANCE NO.</b> _____	

**PART A** (to be completed by USPS – use additional sheets as necessary)

<b>I. DEFINITION OF PROBLEM</b>  See attached statement of work.  <div style="text-align: right;">ATTACHMENT 1 TO RESPONSE TO OCA/USPS-T24-35, PAGE 2</div>
<b>II. WORK TO BE PERFORMED</b>  See attached statement of work.
<b>III. PERSONNEL REQUIREMENTS</b>  See attached statement of work.
<b>IV. PERIOD OF PERFORMANCE</b>  December 27, 1995 through March 31, 1996.
<b>V. FURNISHED MATERIALS</b> (include dates)  See attached statement of work.
<b>VI. DELIVERABLE ITEMS</b>  See attached statement of work.

## Post Office Box Fee Increases

### I. Introduction

Post Office Boxes and Special Services provide significant revenue for the U.S. Postal Service. The Postal Service seeks to improve revenue by increasing fees over 25 percent to reflect the competitive market position and the cost of providing Post Office boxes. In addition, the Postal Service seeks to increase the fees charged for selected Special Services. Extensive analysis and assistance is needed to determine how this is to be done.

### II. Workplan

#### *Subtask I: Special Services*

The contractor will analyze specific Special Service issues. This analysis will support the Postal Service as it develops presentations and testimony. The contractor will perform various other tasks as requested.

Two Special Services merit immediate attention: Insurance and Certified Mail.

#### *Insurance:*

The contractor will determine the maximum amount of insurance that customers would like to purchase. Presently, the maximum amount is \$600. There is some evidence that customers would prefer the maximum amount to be \$5,000. To verify this, the contractor shall conduct a limited telephone survey of mailers who purchase insurance to determine the maximum amount they would wish to purchase. The contractor will work with the Postal Service to determine appropriate mailers to survey and information to collect.

In addition, the contractor will determine market rates for this insurance. This will be done by identifying parcel insurers and determining the rates they charge for this insurance. As appropriate, the contractor may be asked to determine the economic implications of various rates charged and pay-out scenarios.

#### *Certified Mail:*

The contractor will conduct a short telephone survey of companies believed to be users of Certified Mail. The purpose of this survey will be to identify their use and knowledge of the product and possible alternatives. The Postal Service will supply the sample of companies to call. The contractor will develop a method of identifying the appropriate person(s) to talk with at each company and collect this information.



*Subtask 2: Post Office Boxes*

The contractor will assist in the development of new fees for Post Office Boxes. The contractor will perform analysis, develop materials, provide advice and insight, prepare rate case filings, and assist in the development of testimony. The contractor will perform various other tasks as requested.

**III. Deliverables**


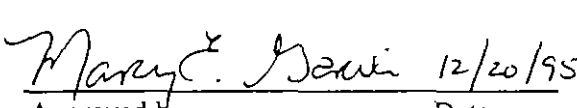
Specific deliverables and schedules will be determined with the Postal Service on an *ad hoc* basis. They will include the case development and testimony to support a March 11 rate case filing.

**IV. Schedule**

The project will begin December 27, 1995 and end on March 31, 1996.

Contract No. 102590-95-H-3094  
USPS Task Order \_\_\_\_\_

**PART B** (to be completed by contractor - use additional sheets as necessary)

<b>I. LABOR ESTIMATES</b>					
<u>Labor Category</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>		
Partner					
Director					
Principal Consultant II					
Principal Consultant I					
Consultant II					
Consultant I					
Clerical					
Total Amount					\$109,679.40
<b>II. MATERIALS AND MISCELLANEOUS ESTIMATE</b>					
<u>Item</u>					<u>Amount</u>
Miscellaneous Expenses					\$0.00
Total Amount					\$0.00
<b>III. TRAVEL ESTIMATE</b>					
<u>No. Trips</u>	<u>Avg. No. Days</u>	<u>From</u>	<u>To</u>	<u>Amount</u>	
					\$0.00
Total Amount					\$0.00
<b>IV. COST AGGREGATE</b>					
				Totals of I, II, & III above	\$109,679.40
				Burden (if any) 5% of II+III	\$0.00
				G&A	\$0.00
				Shared Cost	\$0.00
				Cost of completing project	\$109,679.40
<b>V. SIGNATURES</b>					
					
Prepared by	Date	Approved by	Date		

**PART C** (to be completed by USPS)

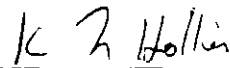
Authorization to Proceed
Cost not to exceed \$ _____
_____ USPS Contracting Officer
_____ Date

**PART D** (to be completed by contractor)

Acknowledgement and Acceptance
_____ Approved By
_____ Date

## 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.



\_\_\_\_\_  
Kenneth N. Hollies

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
August 15, 1997