

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, 1997

Docket No. R97-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA, DISTRICT, MYSTIC & SEATTLE
(NDMS/USPS-T32-2e, 8 - 11, 15, 19)**

The United States Postal Service hereby files its responses to the following interrogatories of Nashua, District, Mystic & Seattle, dated August 1, 1997, which have been redirected from witness David Fronk: NDMS/USPS-T32-2e, 8 - 11, and 15.

The Postal Service also includes its response to NDMS/USPS-T32-19, which also has been redirected from witness Fronk.

The interrogatories are stated verbatim and are followed by the responses.

Interrogatories T32-1, 2a-d, 3 - 7, and 12 - 14 have been responded to by witness Fronk.

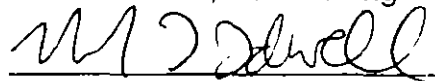
An objection to NDMS/USPS-T32-16 has been filed.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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August 18, 1997

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC. (NDMS)**

NDMS/USPS-T32-2e. LR-H-112 states that "we now have Test Year Unit Cost by shape information available from Library Reference H-106 and have used it." pp.1-2.

- e. LR-H-106 is an extensive document containing a large number of tables. Please provide specific references and cross references to all data in LR-H-106 that were used as input to the study in LR-H-112; i.e., cite the specific places in LR-H-112 where reliance is made on input from LR-H-106, and provide specific citations to the tables and data in LR-H-106.

RESPONSE

The reference for CRA unit costs for letters, flats and parcels in LR-H-112 would be pages II-5, III-5 and IV-5 in LR-H-106, respectively. However it appears that LR-H-106 references an old file. The correct numbers are listed in the table below and are reflected in errata filed today.

Letters	CRA Unit Cost
Single Piece	11.74
Presort	4.60
Flats	
Single Piece	32.43
Presort	20.87
IPPs	
Single Piece	74.08
Presort	21.96

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NDMS/USPS-T32-8. Please refer to LR-H-112, Exhibit A, and the unit cost data shown therein.

- a. What is the average weight of single-piece:
 - i. letters with an average cost of \$0.1172?
 - ii. flats with an average cost of \$0.3266?
 - iii. parcels with an average cost of \$0.7457?
- b. What is the average weight of presort:
 - i. letters with an average cost of \$0.0460?
 - ii. flats with an average cost of \$0.2084?
 - iii. parcels with an average cost of \$0.2192?
- c. For the total volume of single-piece letters that were used to estimate an average cost of \$0.1172, what percent weighed one ounce or less?
- d. For the total volume of single-piece flats that were used to estimate an average cost of \$0.3266, what percent weighed one ounce or less?
- e. For the total volume of single-piece parcels that were used to estimate an average cost of \$0.7457, what percent weighed one ounce or less?
- f. Please provide, for presort letters, flats and parcels and their unit costs as shown in Exhibit A, information similar to that provided in preceding parts c, d, and e.

RESPONSE

- a.
 - i. .5 oz.
 - ii. 3.3 oz.
 - iii. 4.3 oz.
- b.
 - i. .61 oz.
 - ii. 2.50 oz.
 - iii. 1.51 oz.
- c. 83.5%
- d. 1.7%
- e. .8%

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f. letters = 98%, flats = 13%, parcels = 58%

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NDMS/USPS-T32-9. For the study contained in LR-H-112, please explain all efforts that were made to isolate and study the unit cost of pieces of nonstandard First-Class Mail that weighed one ounce or less.

RESPONSE

We were unable to isolate and study the unit cost of pieces of nonstandard First-Class Mail that weighed one ounce or less. Cost data are not easily available by weight increment. Both the benchmark average letter cost and the value that it subtracts from are based on average weight pieces. The PRC has accepted the rates based on this methodology in the past.

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NDMS/USPS-T32-10. Please refer to LR-H-112, Exhibit A. Explain how the formula shown under "B. Results" takes account of (or corrects for) extra mail processing cost caused by the additional weight of flats, parcels and letters that weigh more than one ounce.

RESPONSE

The formula shown under "B. Results" does not explicitly take account of the potential extra mail processing cost caused by the additional weight of flats, parcels and letters that weigh more than one ounce. It is important to note that the average letter cost subtracted from parcels, flats, and manual letters also is not adjusted for any impact related to weight.

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NDMS/USPS-T32-11. Is it your assumption that the unit cost data in LR-H-112, Exhibit A, isolate the extra cost of processing nonstandard First-Class Mail that weighs less than one ounce or less and does not conform to the size restrictions? If so please explain how you controlled for the effect of heavier weight pieces.

RESPONSE

The Library Reference implicitly assumes that the data is representative for pieces that weigh less than one ounce.

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NDMS/USPS-T32-15. Please explain all reasons why the cost of processing pieces that weigh between 2 and 11 ounces should influence the unit cost and surcharge that are applicable only to pieces that weigh on ounce or less.

RESPONSE

The data are not readily available to account for the cost of processing pieces that weigh between 2 and 11 ounces. We have data to show the mail processing cost of the average single piece and the average presort letter.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO
SECOND INTERROGATORIES OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC. (NDMS)**

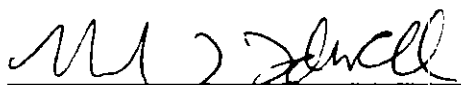
NDMS/USPS-T32-19. Please refer to LR-H-112, Exhibit B, pp. 1 and 6. The headings at the top of each page are identical; i.e., First-Class Nonautomation Presort Non-Machinable Mail. (i) Please explain how you determine which page is for presort and which page pertains to single piece nonpresort mail, and (ii) provide a library copy which correctly distinguishes between the two and identifies the latter.

RESPONSE

- (i) The first cost summary page is for Presort and the second is for single piece. Presort has a lower cost.
- (ii) Corrected pages have been filed as errata today.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "M. Tidwell", written over a horizontal line.

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
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August 18, 1997