

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

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

THE BROOKLYN UNION GAS COMPANY
INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO
UNITED STATES POSTAL SERVICE WITNESS:
MICHAEL MILLER (USPS-T-23)

Pursuant to Sections 25 and 26 of the Rules of Practice of the Postal Rate Commission ("Commission"), The Brooklyn Union Gas Company ("Brooklyn Union"), by its attorneys, Cullen and Dykman, hereby submits the following Interrogatories and Requests for Production of Documents.

Respectfully submitted,



Michael W. Hall

Karen E. Georgenson

Cullen and Dykman

1225 Nineteenth Street, N.W.

Suite 320

Washington, D.C. 20036

(202) 223-8890

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.

Dated at Washington, D.C., this 22 day of August, 1997.



Karen E. Georgenson

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MICHAEL MILLER (USPS-T-23)

Instructions and Definitions

1. All provisions of Sections 25 and 26 of the Rules of Practice shall apply unless the Commission orders otherwise.
2. If the witness to whom an Interrogatory is directed is unable to answer the Interrogatory and another person is able to answer, the Interrogatory should be referred to such other person.
3. Requests for Production of Documents should be provided in the exact form requested.
4. The Production of Documents herein should be made by photocopies attached to the responses of these Interrogatories.
5. Answers to each Interrogatory should be on separate pages.
6. Interrogatories and Requests for Production of Documents should be answered fully in writing under oath within 20 days after service.
7. If a document identified in an Interrogatory or Request for Production of Documents is no longer in your possession, custody or control, state

whether such document is either missing or lost, destroyed or transferred to others.

8. All requests are continuing in nature. Please update any response if, subsequent to any response, additional information renders such response incomplete or erroneous.

9. In the event that any document called for is to be withheld on the basis of a claim of privilege, identify and describe in detail the nature and legal basis of the privilege asserted.

10. "Document" and "documents" mean all original and copies of all written, printed or recorded matter of every kind and description including, but not limited to any book, pamphlet, periodical, publication, letter, exhibit, memorandum, report, record, order or notice of the Commission or other governmental action of any kind.

11. "Describe" and "explain" mean describe and explain in detail each and every basis for the position taken or statement made.

**THE BROOKLYN UNION GAS COMPANY
INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO
UNITED STATES POSTAL SERVICE WITNESS:
MICHAEL MILLER (USPS-T-23)**

- BUG/USPS-T-23-1 On page 3 (Lines 8-10) of your testimony you indicate that you measured Prepaid Reply Mail ("PRM") cost savings "up to the point where PRM and a handwritten First-Class reply letter receives its first barcoded sortation on a BCS." Does this mean that your models disregard any additional cost savings that PRM provide after the outgoing primary sort? Please explain any no answer.
- BUG/USPS-T-23-2 On page 3 of your testimony you discuss the Advanced Facer Canceler System (AFCS) operation that culls, faces, cancels and sorts collection letters. What is the productivity and unit cost to perform this function?
- BUG/USPS-T-23-3 On page 8 and 9 of your testimony you discuss how you reconciled your model costs to the CRA. For PRM you applied the First-Class Non-Carrier Route Presort CRA Adjustment Factor of 1.1586.
- (a) Please refer to Exhibit USPS-T-23D. How did you obtain your adjustment factor of 1.1586 for handwritten letters? Please explain your answer.
- (b) Did you apply a "fixed" cost adjustment factor to each of your model costs, in the same way that USPS witness Hatfield did? (See USPS-25A, page 1). If so, please explain. If not, please explain why not?
- BUG/USPS-T-23-4 On page 9 of your testimony, you note that your models assume that handwritten and prebarcoded letters are processed to the same depth of sort. Do you agree that if PRM can be sorted to the addressee in fewer sorts than handwritten letters, such an assumption causes you to understate the derived PRM cost savings? Please explain any no answer.
- BUG/USPS-T-23-5 On pages 9 and 10 of your testimony, you discuss barcode

percentages, REC keying errors, system failures, and REC productivity. Do you agree that for each of these situations, your models tend to understate the cost differences between PRM letters and handwritten reply letters? Please explain any no answer.

BUG/USPS-T-23-6

USPS witness Fronk testified that PRM recipients will need to receive a certain "break-even" volume such that the unit postage savings will offset the monthly accounting fee charges. (See USPS-T-32, page 43). Witness Fronk used a break-even volume of 200,000 pieces annually in his Workpaper III.

- (a) Do you agree with USPS witness Fronk that recipients who wish to join the PRM program are likely to receive significant volumes of mail? Please explain any no answer.
- (b) Do you agree that PRM recipients who receive mail in "bulk" quantities are likely to be assigned their own 5-digit zip code destination? Please explain any no answer.
- (c) Do you agree that PRM recipients who receive mail in "bulk" quantities, if they are not assigned their own unique 5-digit zip code, are likely to be assigned their own 9-digit zip code destination? Please explain any no answer.
- (d) Do you agree that PRM recipients who receive mail in "bulk" quantities are likely to obtain a final sort to addressee in the incoming secondary sort and bypass the carrier sequencing operation? Please explain any no answer.
- (e) Do you agree that PRM recipients who receive mail in "bulk" quantities are likely to obtain a final sort to addressee in the incoming primary sort and bypass the incoming secondary sort and carrier sequencing operation? Please explain any no answer.
- (f) Do you agree that PRM recipients who receive mail

in "bulk" quantities, particularly if the mail is local, are likely to obtain a final sort to addressee in the outgoing primary sort and by-pass the incoming primary, incoming secondary, and carrier sequencing operation? Please explain any no answer.

- (g) Do you agree that PRM recipients who receive mail in "bulk" quantities are likely to have their mail addressed to a post office box rather than have their mail delivered by a carrier? Please support your answer.
- (h) What proportion of advance deposit Business Reply Mail is currently addressed to a post office box?
- (I) USPS witness Hume testified that First-Class letters cost about 5 cents to deliver. (See USPS-18A, page 6 (Line 16, Column I)). Do you agree that PRM letters delivered in "bulk" quantities and which are addressed to post office box will save the Postal Service a delivery cost of about 5 cents? Please explain any no answer.
- (j) Can you confirm that your models do not measure any cost savings for PRM which might result from PRM being delivered in "bulk" quantities and to a post office box (or firm holdout)? If not please explain.

BUG/USPS-T-23-7

It is our understanding that, by definition, PRM will never receive free forwarding at the proposed PRM rate of 30 cents.

- (a) Do you expect that PRM will ever receive forwarding? If yes, please explain how this will be accomplished and the rationale for allowing this mail to be forwarded with the recipient being charged only 30 cents.
- (b) Does a handwritten reply letter receive free forwarding and return service? Please explain any no answer.

- (c) Please confirm that your models do not measure any cost differences or cost savings resulting from handwritten reply letters getting forwarded and PRM never receiving forwarding? Please explain any no answer.
- (d) Please confirm that your models do not measure any cost savings resulting from handwritten reply letters requiring use of the central mark-up system to print forwarding addresses and PRM never requiring use of this system? Please explain any no answer.
- (e) Can you quantify any savings that PRM provides since this mail will not incur forwarding or central mark-up charges? Please provide support for your answer.

BUG/USPS-T-23-8

Please confirm that your models do not measure any cost savings caused by handwritten reply letters incurring window service costs for mailing and stamp sales whereas PRM does not? Please explain any no answer.

BUG/USPS-T-23-9

You list the productivities that you used as inputs to your model in EXHIBIT USPS-T-23B.

- (a) Please confirm that you adjusted upward the actual productivities, in a manner similar to that employed by USPS witness Hatfield (see USPS-T-25, pp. 8-10) to reflect the Postal Service's proposed cost methodology whereby USPS labor costs are not 100% attributable? If you cannot confirm, please explain.
- (b) Did you perform your analysis using actual (unadjusted) productivities? If so, please provide those results.
- (c) If your answer to part (b) is no, please confirm that had you used the unadjusted productivities, the cost savings derived for PRM would be higher?
- (d) If your answer to part (b) is no, please provide the

unadjusted productivities for each of the operations included in your cost models.

BUG/USPS-T-23-10

Under the Postal Service's PRM proposal postage is to be paid by advanced deposit account.

- (a) Will any interest be paid on excess funds kept in PRM advance deposit accounts?
- (b) If your answer to part (a) is no, will the Postal Service experience a financial benefit from excess postage being kept in PRM advance deposit accounts?
- (c) If your answer to part (b) is yes, can you quantify any financial benefit that the Postal Service will enjoy from excess postage being kept in PRM advance deposit accounts? Please provide support for your answer.