

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

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MILLER TO INTERROGATORIES OF THE ASSOCIATION OF
POSTAL COMMERCE
(POSTCOM/USPS-T24—2-5)**

The United States Postal Service hereby provides the response of witness Miller to the following interrogatories of the Association of Postal Commerce: POSTCOM/USPS-T24—2-5, filed on October 29, 2001.


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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 13, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF THE ASSOCIATION FOR POSTAL COMMERCE

POSTCOM/USPS-T24-2. Please refer to USPS-LR-J-61, Standard.xls, which develops Standard Mail total mail processing unit cost estimates by rate category for flats.

(a) Please confirm that the cost estimates contained in Standard.xls for the Nonautomation Basic nonletter rate category are averages of cost estimates for flats that could be considered Nonautomation MADC flats and others that could be considered Nonautomation ADC flats. If you do not confirm, please explain fully.

(b) Please refer to worksheet 'BY00 Volume' that presents Standard Mail flats FY2000 volumes. Please confirm that, by applying sack-based and package-based presort level eligibility requirements similar to current eligibility requirements (i.e., nonautomation, sacked flat eligibility is based on the sack presortation level and nonautomation, palletized flat eligibility is based on the package presortation level), the FY 2000 volume of 1,072,621,169 Nonautomation Basic category flats (volumes in cells F15:G28 and I15:J28) is comprised of 457,907,997 Nonautomation MADC flats (volumes in cells F15:F16, G15:G22, I15:I16, and J15:J22) and 614,713,172 Nonautomation ADC flats (volumes in cells F17:F18, F23:F24, G23:G28, I17:I18, I23:I24, and J23:J28). If you do not confirm, please explain your response fully and provide the appropriate volumes and your underlying calculations.

(c) Please confirm that the following modifications develop a mailflow for Nonautomation MADC flats (as defined in subpart (b) of this interrogatory) with a base model mail processing unit cost of 17.984 cents. If you do not confirm, please explain and provide the appropriate cost and your underlying calculations.

'BY00 Volume' Worksheet

| <u>Cells</u> | <u>Formulae</u> |
|--------------|---|
| O15:O22 | Replace \$P\$29 with SUM(\$P\$15:\$P\$22) |

'Basic Nonauto Cost' Worksheet

| <u>Cell</u> | <u>Formula</u> |
|-------------|-----------------------------|
| C15 | =SUM('PACKAGE SORT'!U9:U16) |
| C16 | =SUM('PACKAGE SORT'!V9:V16) |
| C19 | =SUM('PACKAGE SORT'!Y9:Y16) |
| C20 | =SUM('PACKAGE SORT'!Z9:Z16) |

'Basic Nonauto Model' Worksheet

| <u>Cell</u> | <u>Formula</u> |
|-------------|--|
| G13 | = 'ENTRY PROFILE'!T12+'ENTRY PROFILE'!W14+'ENTRY PROFILE'!W16 |
| G15 | = 'ENTRY PROFILE'!T14+'ENTRY PROFILE'!X14+'ENTRY PROFILE'!AA16 |

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO POSTCOM/USPS-T24-2 (CONTINUED)

- G16 ='ENTRY PROFILE'!T16+'ENTRY PROFILE'!X16+'ENTRY PROFILE'!AB16
- O13 ='ENTRY PROFILE'!T11+'ENTRY PROFILE'!W13+'ENTRY PROFILE'!W15
- O15 ='ENTRY PROFILE'!T13+'ENTRY PROFILE'!X13+'ENTRY PROFILE'!AA15
- O16 ='ENTRY PROFILE'!T15+'ENTRY PROFILE'!X15+'ENTRY PROFILE'!AB15

(d) Please confirm that the following modifications develop a mailflow for Nonautomation ADC flats (as defined in subpart (b) of this interrogatory) and a base model mail processing unit cost of 13.351 cents. If you do not confirm, please explain your response fully and provide the appropriate cost and your underlying calculations.

'BY00 Volume' Worksheet

| <u>Cells</u> | <u>Formulae</u> |
|--------------|--|
| M23:M28 | Replace \$\$29 with SUM(\$P\$23:\$P\$28) |
| O23:O28 | Replace \$\$29 with SUM(\$P\$23:\$P\$28) |

'Basic Nonauto Cost' Worksheet

| <u>Cell</u> | <u>Formula</u> |
|-------------|------------------------------|
| C11 | =0 |
| C12 | =0 |
| C15 | =SUM('PACKAGE SORT'!U17:U22) |
| C16 | =SUM('PACKAGE SORT'!V17:V22) |
| C19 | =SUM('PACKAGE SORT'!Y17:Y22) |
| C20 | =SUM('PACKAGE SORT'!Z17:Z22) |

'Basic Nonauto Model' Worksheet

| <u>Cell</u> | <u>Formula</u> |
|-------------|---|
| G11 | =0 |
| G13 | 'ENTRY PROFILE'!W18+'ENTRY PROFILE'!W20+'ENTRY PROFILE'!W22+'ENTRY PROFILE'!X18 |
| G15 | 'ENTRY PROFILE'!X20+'ENTRY PROFILE'!AA22 |
| G16 | 'ENTRY PROFILE'!X22+'ENTRY PROFILE'!AB22 |
| O11 | =0 |
| O13 | 'ENTRY PROFILE'!W17+'ENTRY PROFILE'!W19+'ENTRY PROFILE'!W21+'ENTRY PROFILE'!X17 |
| O15 | 'ENTRY PROFILE'!X19+'ENTRY PROFILE'!AA21 |
| O16 | 'ENTRY PROFILE'!X21+'ENTRY PROFILE'!AB21 |

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO POSTCOM/USPS-T24-2 (CONTINUED)

(e) Please confirm that the weighted average (weighted based upon Standard Mail base year mail volumes) of the base model mail processing unit cost of Nonautomation MADC flats of 17.984 cents and the base model mail processing unit cost of Nonautomation ADC flats of 13.351 cents equals the base model mail processing unit cost of Nonautomation Basic category flats of 15.329 cents. If you do not confirm, please explain your response fully and provide the appropriate weighted average unit cost and your underlying calculations.

(f) Taking into account your response to subpart (e) of this interrogatory, please confirm that deaveraging the Nonautomation Basic flat unit cost into MADC and ADC Nonautomation flat unit costs does not change any of the CRA adjustment factors presented in USPS-LR-J-61.

(g) Please confirm that applying the CRA adjustment factors in USPS-LR-J-61 to the Nonautomation MADC base model mail processing unit cost of 17.984 cents results in a total mail processing unit cost for MADC Nonautomation flats of 22.445 cents. If you do not confirm, please explain your response fully and provide the appropriate unit costs and your underlying calculations.

(h) Please confirm that applying the CRA adjustment factors in USPS-LR-J-61 to the Nonautomation ADC base model mail processing unit cost of 13.351 cents results in a total mail processing unit cost for Nonautomation ADC flats of 17.706 cents. If you do not confirm, please explain your response fully and provide the appropriate costs and your underlying calculations.

(i) Please confirm that the weighted average (weighted based upon base year Standard Mail volumes) of the total mail processing unit costs of Nonautomation MADC flats of 22.445 cents and of Nonautomation ADC flats of 17.706 cents equals the total mail processing unit cost of Nonautomation Basic category flats of 19.729 cents. If you do not confirm, please explain your response fully and provide the appropriate costs and your underlying calculations.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE ASSOCIATION FOR POSTAL COMMERCE
RESPONSE TO POSTCOM/USPS-T24-2 (CONTINUED)**

(e) Confirmed.

(f) Confirmed.

(g) Confirmed.

(h) Confirmed.

(i) Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF THE ASSOCIATION FOR POSTAL COMMERCE

POSTCOM/USPS-T24-3. Please refer to USPS-LR-J-61, Standard.xls, which develops Standard Mail total mail processing unit cost estimates by rate category for flats.

(a) Please confirm that the cost estimates for the Automation Basic rate category are averages of cost estimates for flats that could be considered Automation MADC flats and others that could be considered Automation ADC flats. If you do not confirm, please explain.

(b) Please refer to worksheet 'BY00 Volume' that presents Standard Mail flats FY2000 volumes. Please confirm that, by applying package-based presort level eligibility requirements similar to current eligibility requirements (i.e., automation flat eligibility is based on the package presortation level), the FY 2000 volume of 424,818,179 Automation Basic category flats (volumes in cells F47:F48, G43:G48, I47:I48, and J43:J48) is comprised of 156,201,184 Automation MADC category flats (volumes in cells G43:G44 and J43:J44) and 268,616,995 Automation ADC category flats (volumes in cells F47:F48, G45:G48, I47:I48, and J45:J48). If you do not confirm, please explain your response fully and provide the appropriate volumes, and your underlying calculations.

(c) Please confirm that the following modifications develop a mailflow for Automation MADC flats (as defined in subpart (b) of this interrogatory) with a base model mail processing unit cost of 16.507 cents. If you do not confirm, please explain your response fully and provide the appropriate costs and your underlying calculations.

'BY00 Volume' Worksheet

| <u>Cells</u> | <u>Formulae</u> |
|--------------|--|
| O43:O44 | Replace \$\$49 with SUM(\$P\$43:\$P\$44) |

'Basic Auto Cost' Worksheet

| <u>Cell</u> | <u>Formula</u> |
|-------------|------------------------------|
| C11 | =SUM('PACKAGE SORT'!Q39:Q40) |
| C12 | =SUM('PACKAGE SORT'!R39:R40) |
| C15 | =0 |
| C16 | =0 |

'Basic Auto Model' Worksheet

| <u>Cell</u> | <u>Formula</u> |
|-------------|--|
| C11 | ='ENTRY PROFILE'!S40+'ENTRY PROFILE'!T40 |
| C13 | =0 |
| K11 | ='ENTRY PROFILE'!S39+'ENTRY PROFILE'!T39 |
| K13 | =0 |

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF THE ASSOCIATION FOR POSTAL COMMERCE

RESPONSE TO POSTCOM/USPS-T24-3 (CONTINUED)

(d) Please confirm that the following modifications develop a mailflow for Automation ADC flats (as defined in subpart (b) of this interrogatory) and a base model mail processing unit cost of 11.581 cents. If you do not confirm, please explain your response fully and provide the appropriate costs and your underlying calculations.

'BY00 Volume' Worksheet

| <u>Cells</u> | <u>Formulae</u> |
|--------------|---|
| M45:M48 | Replace \$P\$49 with SUM(\$P\$45:\$P\$48) |
| O45:O48 | Replace \$P\$49 with SUM(\$P\$45:\$P\$48) |

'Basic Auto Cost' Worksheet

| <u>Cell</u> | <u>Formula</u> |
|-------------|------------------------------|
| C11 | =SUM('PACKAGE SORT'!Q41:Q42) |
| C12 | =SUM('PACKAGE SORT'!R41:R42) |
| C15 | =SUM('PACKAGE SORT'!U43:U44) |
| C16 | =SUM('PACKAGE SORT'!V43:V44) |

'Basic Auto Model' Worksheet

| <u>Cell</u> | <u>Formula</u> |
|-------------|----------------------|
| C11 | ='ENTRY PROFILE'!S42 |
| K11 | ='ENTRY PROFILE'!S41 |

(e) Please confirm that the weighted average (weighted based upon Standard Mail base year mail volumes) of the base model mail processing unit costs of Automation MADC flats of 16.507 cents and of Automation ADC flats of 11.581 cents equals the base model mail processing unit cost of Automation Basic category flats of 13.392 cents. If you do not confirm, please explain your response fully and provide the appropriate costs and your underlying calculations.

(f) Taking into account your response to subpart (e) of this interrogatory, please confirm that deaveraging the Automation Basic flat unit cost into MADC and ADC Automation flat unit costs does not change any of the CRA adjustment factors presented in USPS-LR-J-61. If not confirmed, please explain your response fully.

(g) Please confirm that applying the CRA adjustment factors from USPS-LR-J-61 to the Automation MADC model unit cost of 16.507 cents results in a total mail processing unit cost of 20.934 cents. If you do not confirm, please explain your response fully and provide the appropriate costs and your underlying calculations.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO POSTCOM/USPS-T24-3 (CONTINUED)

(h) Please confirm that applying the CRA adjustment factors from USPS-LR-J-61 to the Automation ADC model unit cost of 11.581 cents results in a total mail processing unit cost of 15.896 cents. If you do not confirm, please explain your response fully and provide the appropriate costs and your underlying calculations.

(i) Please confirm that the weighted average (weighted based upon base year mail volumes) of the total mail processing unit costs of Automation MADC category flats of 20.934 cents and of Automation ADC category flats of 15.896 cents equals the total mail processing unit cost of Automation Basic category flats of 17.748 cents. If you do not confirm, please explain, provide the appropriate costs, and describe your calculations.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) Confirmed.
- (e) Confirmed.
- (f) Confirmed.
- (g) Confirmed.
- (h) Confirmed.
- (i) Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF THE ASSOCIATION FOR POSTAL COMMERCE

POSTCOM/USPS-T24-4. Please refer to your testimony at pages 12-13, which discusses the presort-adjusted mail processing unit cost methodology, and to USPS-LR-J-61, Standard.xls, which develops Standard Mail total mail processing unit cost estimates by rate category for flats.

(a) Please confirm that "using the identical entry profile from the corresponding nonautomation mail flow model" and the mail flow models discussed in POSTCOM/USPS-T24-2 and POSTCOM/USPS-T24-3, the presort-adjusted total mail processing unit costs for Nonautomation MADC flats is 22.445 cents, Nonautomation ADC flats is 17.706 cents, Automation MADC flats is 19.057 cents, and Automation ADC flats is 15.484 cents. If you do not confirm, please explain your response fully and provide the appropriate costs and your underlying calculations.

(b) Please confirm that the weighted average cost (using base year Standard Mail volumes) of the presort-adjusted total mail processing unit costs of Automation MADC flats of 19.057 cents and of Automation ADC flats of 15.484 cents equals the presort-adjusted total mail processing unit cost of Automation Basic category flats of 17.009 cents. If you do not confirm, please explain, provide the appropriate costs, and describe your calculations.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF THE ASSOCIATION FOR POSTAL COMMERCE

POSTCOM/USPS-T24-5. Please refer to USPS-LR-J-61, Standard.xls, and confirm that (using the definitions provided in POSTCOM/USPS-T24-2-3) the base year Standard Mail volume figures in the table below are correct. If you do not confirm, please explain, provide the appropriate figures and describe your calculations.

Table 1. Standard Mail Base Year 2000 Flat Volumes

| Description | MADC | | ADC | |
|--------------------|---------------|-------------|---------------|-------------|
| | Nonautomation | Automation | Nonautomation | Automation |
| Standard Regular | 319,935,391 | 135,721,800 | 549,013,442 | 210,414,564 |
| Standard Nonprofit | 137,972,606 | 20,479,384 | 65,699,730 | 58,202,431 |

RESPONSE:

Confirmed.

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: 11-13-01

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.



Anthony Alverno

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November 13, 2001