BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES, 2001	Docket No. R2001–1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSPAN ENERGY
(KE/USPS-T22-1-6(A-C,E,F) 7 through 12, 14 through 17(A-I) AND 18)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of KeySpan Energy: KE/USPS–T22-1 through 6(A-C,E,F), and 7 through 12, 14 through 17(A-I) and 18, filed on November 5, 2001.

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

Interrogatory KE/USPS-T22-6(D) has been redirected to witness Mayo for response. Interrogatory KE/USPS-T22-13 and 17(J) has been redirected to the Postal Service for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSPAN ENERGY

KE/USPS-T22-1 On page 46 of Library Reference USPS-LR-J-60 you list marginal (volume variable) productivities that you employ in your analyses.

A. Please describe the Outgoing ISS operation, including the number of separations that result when that operation is completed.

B. Please describe the Outgoing OSS operation, including the number of separations that result when that operation is completed.

C. Please describe the Outgoing BCS Primary operation, including the number of separations that result when that operation is completed.

D. Please fully explain why the MODS productivity for the Outgoing OSS (9,177) is 46 % greater than the MODS productivity for the Outgoing ISS (6,269).

E. Please fully explain why the MODS productivity for the Outgoing OSS (9,177) is 60 % greater than the MODS productivity for the Outgoing BCS Primary (5,724).

F. Please fully explain why the MODS productivity for the Outgoing ISS (6,269) is 10 % greater than the MODS productivity for the Outgoing BCS Primary (5,724).

G. Please confirm that the Outgoing ISS operation entails reading an I.D. tag, pairing the address from the REC with the I.D. tag, applying the barcode, and sorting the letters. If you cannot confirm, please explain and provide appropriate references to the record in this proceeding, and copies of any other documents you reviewed to arrive at your conclusion that the Outgoing ISS operation does not entail the listed operations.

H. Please fully explain how the Outgoing ISS, which must read an I.D. tag, find the address, apply the barcode and sort the letters, has a 60% greater productivity than the outgoing BCS primary, which merely has to sort letters that already have a barcode applied.

RESPONSE:

(A) The Input Sub System (ISS) "lifts" the "images" of mail pieces that have historically had a low encoding (barcoding) rate. Mail piece images are lifted using the AFCS-ISS, MLOCR-ISS or DIOSS. The bin capacity on these machines varies.

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

The Advanced Facer Canceler System Input Sub System (AFCS-ISS) culls, cancels, lifts images, and sorts mail. The AFCS-ISS contains seven bins and can sort mail into one of four categories: (1) prebarcoded (FIM A and C), (2) handwritten, (3) "enriched" or machine printed (OCR-readable), and (4) rejects. National policy dictates that the AFCS-ISS is used to lift images for handwritten mail pieces only.

Machine printed mail pieces will be routed to the Multi Line Optical Character Reader (MLOCR-ISS). The MLOCR-ISS contains either 44 or 60 bins. Generally, two bins are reserved for mail that cannot be encoded by the MLOCR-ISS. One bin is maintained for mail that receives no resolution and one bin is maintained for mail that receives a 5-digit resolution. All mail pieces routed to these bins will have their images lifted.

As stated in witness Kingsley's testimony (USPS-T-39, page 6 at 21), the Postal Service has retrofitted some Delivery Bar Code Sorters (DBCS) to include Input and Output Sub System (DIOSS) capabilities. The DIOSS has the greatest bin capacity (up to 300 bins), but the number of bins varies based on specific plant requirements. This DIOSS lifts images in a manner similar to the MLOCR-ISS.

Each ISS sprays a fluorescent ID Tag on the back of every mail piece fed through the machine, whether the mailpiece has an image lifted or not. The images are controlled by the Image Processing Sub-System (IPSS). Mail piece images are first routed through the RCR (Remote Computer Read). If the RCR cannot resolve the image, it will be forwarded to the Remote Encoding Center (REC) for manual keying. These systems are al components of the Remote Bar Coding System (RBCS).

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

Mail pieces that have been processed through RBCS are placed in trays and loaded into properly labeled containers. A placard displaying the image lift time, the bin of origin, and the ISS number is typically placed on each container. These containers are moved to a staging area and will be processed later in an Output Sub System (OSS) operation.

(B) The image processing results from RBCS are forwarded to the Decision Storage Unit (DSU). These results are stored in the DSU where they will reside until retrieved by the OSS. The OSS will read the ID tag, retrieve the corresponding result, and apply a POSTNET barcode to the mail piece based on that result. OSS operations can be performed on one of three pieces of equipment: the Delivery Bar Code Sorter Output Sub System (DBCS-OSS), the Mail Processing Bar Code Sorter Output Sub System (MPBCS-OSS) and the DIOSS. The bin capacity on these machines varies. The MPBCS-OSS has 96 bins. The DBCS-OSS and DIOSS have greater bin capacity, but the number varies based on the specific requirements at each plant.

(C) The automation outgoing primary operation is often referred to as a "FIM" operation at many plants because it is typically used to process the Courtesy Reply Mail (CRM) and Business Reply Mail (BRM) letters and cards that have been isolated in the cancellation operation. Both the MPBCS-OSS and DBCS can be used for this operation. The MPBCS-OSS has 96 bins. The DBCS has greater bin capacity, but the number varies based on the specific requirements at each plant.

(D) Please see the response to KE/USPS-T39-14(H).

(E) Please see the response to KE/USPS-T39-14(H).

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

(F) Please see the response to KE/USPS-T39-14(H).

(G) Not confirmed.

The Input Sub System (ISS) is used to read the addresses and apply barcodes to mail pieces. If the address cannot be fully interpreted, the ISS applies an ID tag to the mail piece and lifts the image. Mail pieces that have images lifted on the ISS must be staged for subsequent processing.

The images proceed directly to the Remote Computer Read (RCR) system. The RCR is basically a computer that contains image recognition software. If the RCR can finalize the images, the results are transmitted to the Decision Storage Unit (DSU). The DSU is a computer that stores the results. If the RCR cannot finalize the images, it will forward the images over "T1" (telephone) lines to the Remote Encoding Center (REC) for further processing.

Data Conversion Operators (DCO) key the addresses they see on Video Display Terminals (VDT) at the REC. The results that are achieved are transmitted back over the T1 lines to the DSU at the plant.

Once a supervisor determines that adequate time has been given for the activities described above to occur, the mail that was originally processed on the ISS is retrieved from the staging area and processed on an Output Sub System (OSS). The OSS reads the ID tag on the mail piece, retrieves the corresponding result from the DSU, and applies a barcode to the mail piece.

(H) Please see the response to KE/USPS-T39-14(H).

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KE/USPS-T22-2 On page 27 of your Direct Testimony you indicate that in the test year, 92.3 percent of handwritten letters will be finalized within the MLOCR-ISS/RCR operation. On page 51 of Library Reference USPS-LR-J-60 you show that the acceptance rate for MLOCCR/ISS/RCR handwritten letters is 82.77%. Please explain what accounts for this apparent inconsistency.

RESPONSE:

The Letter Recognition Enhancement Program (USPS LR-J-62) will achieve an aggregate Multi Line Optical Character Reader Input Sub System (MLOCR-ISS) / Remote Computer Read (RCR) finalization rate of 93.20 percent. This is an 8 percent improvement over the finalization rate (85.20 percent) achieved by the Recognition Improvement Program (RIP). This RIP program included separate finalization rates for both machine printed (88.40 percent) and handwritten (74.77 percent) mail pieces. The Letter Recognition Enhancement program is structured differently in that an incentive contract will be awarded to the vendor. Consequently, the focus has been on the aggregate finalization rate. In order to develop cost estimates, however, I added the 8 percent improvement figure to the disaggregate RIP finalization rates for machine printed and handwritten mail pieces. As an alternative, the aggregate finalization rate could have been used for both machine printed and handwritten addresses. This methodology would have resulted in higher cost estimates for nonautomation machinable mail pieces and a lower worksharing related savings estimate for QBRM. These figures are for the test year for all letters and cards. Data by class of mail are not available.

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KE/USPS-T22-3 On page 12 of Library Reference USPS-LR-J-60 you show that only 110 of 10,000 pieces, or 1.1 % of all handwritten addressed letters cannot be provided with a barcode or are non-machinable. Such letters, as you show, are processed manually in the outgoing primary operation.

A. Please confirm that out of 10,000 handwritten pieces that enter the RBCS, you show that 8,277 letters (cell H24) successfully receive a barcode in the ISS and are sent to automation barcode sorting equipment, 1,613 letters (cells E40 + G41) successfully receive a barcode in the OSS and are sent to automation barcode sorting equipment and the remaining 110 letters (cells H30 + H37) are sent as either leakage or rejects to the outgoing manual primary operation. If you cannot confirm, please explain and provide corrected numbers, with source references.

B. Please justify your assumption that 98.9% of handwritten addressed envelopes will be provided with a barcode and are sent to an automated sortation and provide copies of all studies or other documents that discuss the percentage of handwritten addressed envelopes that can be provided with a barcode and sent to automated sortation.

C. Did you take into account the problems associated with handwritten addressed letters that were studied in the USPS Address Deficiency Study that was provided by the Postal Service in Docket No. R2000-1 as Library Reference USPS-LR-I-192? If not, why not? If yes, please list all the problems identified in the referenced Library Reference and, for each problem listed, please provide a detailed explanation of how you took that problem into account.

D. Please confirm that the outgoing RBCS, which reads an address, obtains the correct barcode, barcodes the letter and sorts the letter, has a 1.1% reject rate for handwritten letters, whereas a barcode sorter that sorts pre-approved, prebarcoded QBRM letters has a 4.9% reject rate. If no, please explain.

RESPONSE:

(A) Not confirmed. Please see the revisions filed on 11/05/01 and 11/15/01.

(B) I made no such "assumption." The mail pieces that flow through the models and are processed in specific operations are a function of the data inputs that are used. Please see the revisions filed on 11/05/01 and 11/15/01. Some data specific to handwritten mail pieces can be found in Docket No. R97-1, USPS LR-H-130.

RESPONSE TO KE/USPS-T22-3 (CONTINUED)

(C) No. The Commission stated that such consideration was not appropriate in its Docket No. R2000-1 Opinion and Recommended Decision. Please see PRC Op. R2000-1 at paragraph 5092.

(D) Not confirmed. Please see the revisions filed on 11/15/01. In USPS LR-J-60 on page 12, the amount of mail that is "rejected" would include the 212 mail pieces flowing to the manual outgoing primary operation, as well as the 686 pieces where a 5-digit barcode was the only result that could be achieved. In total, 898 pieces would be rejected. In addition, the cost for processing these rejects was not included in the analysis, based on the revised methodology that was adopted on 11/05/01.

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KE/USPS-T22-4 Within First-Class single piece, is the percentage of handwritten addressed envelopes that are processed manually more likely to be higher, lower, or about the same as:

A. typewritten or computer addressed envelopes, such as a metered letters;

B. prebarcoded envelopes not originally sent out as inserts in Automation letters;

C. prebarcoded envelopes that are originally sent out as inserts in Automation letters; and

D. QBRM letters.

Please explain your answers.

RESPONSE:

(A) The cost models in USPS LR-J-60 rely on average data inputs due to the fact that all letters and cards are processed in the same operations. Disaggregate data are not available. To the best of my knowledge, no studies have been conducted to isolate the requested data, other than USPS LR-H-130 from Docket No. R97-1.

(B) Please see the response to KE/USPS-T22-4(A).

(C) Please see the response to KE/USPS-T22-4(A).

(D) Please see the response to KE/USPS-T22-4(A).

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KE/USPS-T22-5 Please refer to page 12 of Library Reference USPS-LR-J-60 where you diagram the mail flow for QBRM letters but with a handwritten address, and page 14 where you diagram the mail flow for QBRM letters.

A. Please explain why none if the 10,000 handwritten letters sent through the outgoing ISS/RCR operation are rejected because they are not machinable?

B. Please explain why 5% of QBRM letters, which are pre-approved, prebarcoded machinable letters with very reliable addresses, are rejected in the outgoing BCS primary operation.

C. Please confirm that in your models for both handwritten and QBRM letters, you assume that once a letter is rejected for any reason, it will be processed manually from then on until delivery. If you cannot confirm, please explain.

D. Please confirm that in your two models, a total of 761 of 10,000 handwritten letters were rejected during automation processes, and a total of 1,052 of QBRM letters were rejected during automation processes. If you cannot confirm, please explain.

E. Please explain why 38% more QBRM letters will be rejected by automation equipment and processed manually than handwritten letters. Please provide appropriate record citations or copies of all studies and other documents you reviewed in responding to this question.

F. Please confirm that in your model for metered letters (Library Reference USPS-LR-J-60, page 16) 451 of 10,000 metered letters were rejected by automation processes. If you cannot confirm, please explain.

G. Please explain why QBRM letters will be rejected by automation equipment more than twice as often as metered letters. Please provide appropriate record citations or copies of all studies and other documents you reviewed in responding to this question.

H. Is it your testimony that handwritten addressed QBRM letters will be just as accurate, readable and complete as machine printed addresses for those same letters? Please explain your answer.

I. Is it your testimony that Postal Service automation equipment can read, barcode and sort handwritten letters more reliably than machinable QBRM letters with pre-approved printed addresses and prebarcodes? Please explain your answer.

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

Please see the revised figures in USPS LR-J-60 that were filed on 11/15/01

(A) Nonmachinable mail pieces that enter postal facilities in the collection mail stream would be culled from machinable pieces in the 010 operation and would not be routed to the MLOCR-ISS. In addition, the QBRM analysis involves an "exact piece comparison" between a QBRM letter and a handwritten reply mail letter. If the QBRM mail piece were assumed to be machinable, the handwritten mail piece would also be machinable.

(B) The 4.90% reject rate for the automation outgoing primary operation is the aggregate for all mail pieces processed in that operation. A reject rate specific to QBRM is not available. Consequently, the average figure has been used. The costs for processing rejects, however, were excluded from this analysis using the methodology adopted on 11/05/01.

(C) Not confirmed. Some OSS "rejects," such as those related to RBCS ID tag errors, are reprocessed in an attempt to barcode the mail piece.

(D) Not confirmed. In the handwritten reply mail model, the total number of mail pieces flowing from RBCS to manual operations and from RBCS to the 5-Digit barcode operation is 898 mail pieces. In the QBRM model, the total number of mail pieces flowing from automation operations to manual operations is 490. Please see the revisions filed on 11/15/01.

(E) A greater number of handwritten mail pieces is rejected. Please see the revisions filed on 11/15/01.

(F) Not confirmed. The total number of mail pieces flowing from RBCS to manual operations, from RBCS to the 5-Digit barcode operation, and from automation operations to the manual operations is 986.

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

(G) This comparison can no longer be made given that the QBRM analysis is more limited in scope. Please see the revisions filed on 11/05/01 and 11/15/01.

(H) No. QBRM is typically used to solicit business from new customers, or for remittance payments. While the QBRM address may not be handwritten, both the QBRM and handwritten reply mail pieces would contain the same address. Consequently, the QBRM recipient would likely do everything in its power, were reply mail envelopes not provided to customers, to ensure that those customers used the correct address.

(I) No. I made no such statement in my testimony. However, the Postal Service has considerably improved its ability to barcode handwritten mail pieces. Please see the response to MMA/USPS-T22-4(E2).

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KE/USPS-T22-6 Please refer to page 26 of your Direct Testimony where you discuss your decision to eliminate incoming secondary costs from your analysis of QBRM cost savings. You state that "[t]he incoming primary operation is normally where QBRM would be isolated so that it could be routed to the operation(s) where those mail pieces would be sorted, counted, rated and billed."

A. Please explain how QBRM letters are separated in the incoming primary operation.

B. Please explain how, under what circumstances, and where QBRM letters are "sorted" prior to being counted, rated, and billed.

C. What percent of QBRM letters are "isolated in one or more bins on an incoming primary BCS operation and routed to a downstream operation where they are further sorted to permit number"? Please provide appropriate record citations or the source documents that you believe support your answer.

D. Please confirm that USPS witness Mayo projects that in the test year, 2/3 of all QBRM volumes will be received in volumes that will be too low to justify election of the Qualified BRM (with quarterly fee) and lower per piece fee option by those recipients. If you cannot confirm, please explain.

E. Is it your position that, after handwritten and QBRM letters are processed in the incoming primary operation, they would be equal in the sense that they would be sorted to the exact same degree and exhibit the exact same machinability characteristics? Please support your answer.

F. If after the incoming primary operation it could be demonstrated that more QBRM letters were able to be processed on automation than handwritten letters, would you agree that eliminating the incoming secondary operation from the analysis, as you did, understates QBRM cost savings and would be inappropriate? Please explain your answer.

RESPONSE:

(A) QBRM letters and cards would typically be isolated, or "jackpotted," into one bin in an incoming primary operation. This bin would contain letters and cards for several QBRM permit holders mixed together. These letters and cards would be routed to the operation where the mail pieces are sorted to permit number, whether that operation would involve BRMAS processing or otherwise.

RESPONSE TO KE/USPS-T22-6 (CONTINUED)

(B) QBRM letters and cards would have to be sorted by permit number prior to being counted, rated, and billed. The counting process, however, is sometimes accomplished at the same time the mail is sorted, as is the case with BRMAS processing. The methods used are those found in USPS LR-J-60 on page 98.

(C) To the best of my knowledge, these data have not been collected. It is my understanding, based on discussions with field employees, that the incoming primary operation is typically where BRM is isolated. Some smaller volumes are routed to incoming secondary operations because that mail is counted, rated, and billed manually by clerks at Delivery Units that service specific BRM recipients.

(D) Redirected to witness Mayo.

(E) In general, yes.

(F) No. Please see the revisions filed on both 11/05/01 and 11/15/01. In addition, please see the response to KE/USPS-T39-1. I have adopted a more limited analysis. Given the limitations of the data used in the models, the one area where it can be determined that cost differences truly exist concerns the additional RBCS operations required to apply a barocode on a handwritten reply mail piece. Those operations are described in the response to KE/USPS-T22-1.

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KE/USPS-T22-7 Please refer to page 27 of your Direct Testimony where you discuss your decision to eliminate incoming secondary costs from your analysis of QBRM cost savings. You state that handwritten and QBRM letters would undergo a similar incoming secondary sort and that handwritten letters would not be processed using the BRMAS software.

A. If your QBRM benchmark letters had a handwritten address but were barcoded, why couldn't such letters be processed using BRMAS software?

B. Wouldn't the incoming secondary costs for handwritten and regular QBRM be different if the number of pieces that could be barcoded, and thus processed by automation, was different? If no, please explain.

C. What percent of QBRM letters cannot be processed by automation in the incoming secondary? If your answer is not zero or very close to zero, please explain the reasons why pre-approved, machine printed, pre-barcoded letters could not be processed by automation in the incoming secondary.

D. What percent of handwritten QBRM letters cannot be processed by automation in the incoming secondary? If your answer is not zero or very close to zero, please explain the reasons why handwritten non-prebarcoded letters could not be processed by automation in the incoming secondary.

E. Please confirm that your models show that 761 handwritten letters and 1,052 QBRM letters are processed in the incoming manual primary. If you cannot confirm, please explain.

F. Is it likely that letters processed manually in the incoming primary would be processed manually in the incoming secondary as well? If no, please explain your answer.

G. Please explain how "these mail pieces would incur the same 'incoming secondary' sortation costs", as you state on page 27 of your Direct Testimony, when, as you find, 38% more QBRM letters than handwritten letters cannot be processed on automation equipment?

H. Please explain why the Commission should reasonably conclude that there is a greater likelihood of handwritten addressed letters being processed on automation equipment than QBRM letters being processed on automation equipment.

I. Please confirm that your mail flow models show the following percentages of letters are successfully barcoded:

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

1. 100% of QBRM letters (prebarcoded by mailer);
2. 98.9% of handwritten letters; and
3. 99.7% of metered letters.

If you cannot confirm, please provide the correct percentages and the source citations.

J. Please refer to page 11 of USPS witness Kingsley's Direct Testimony (USPS-T-39). Please reconcile the percentages shown in Part I with USPS witness Kingsley's testimony that 91.1 percent of all letters in AP 12, FY 01 were barcoded. .

K. Please confirm that your mail flow models show the following percentages of letters are successfully sorted by automation through and including the outgoing primary:

1. 95.1% of QBRM letters;
2. 98.7% of handwritten letters;
3. 99.6% of metered letters; and
4. 99.6 % of machinable, mixed AADC letters.

If you cannot confirm, please provide the correct percentages and the source citations.

L. Please confirm that your mail flow models show the following percentages of letters are successfully sorted by automation through and including the outgoing secondary:

1. 94.8% of QBRM letters;
2. 97.3% of handwritten letters;
3. 98.5% of metered letters; and
4. 98.5% of machinable, mixed AADC letters.

If you cannot confirm, please provide the correct percentages and the source citations.

M. Please confirm that your mail flow models show the following percentages of letters are successfully sorted by automation through and including the incoming primary:

1. 89.5% of QBRM letters;
2. 92.4% of handwritten letters;
3. 95.5% of metered letters; and
4. 95.5% of machinable, mixed AADC letters.

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

If you cannot confirm, please provide the correct percentages and appropriate source citations.

RESPONSE:

(A) A handwritten letter could be processed using BRMAS software. However, such processing would not be required because handwritten mail pieces contain stamps or meter strips. The advantage in using the BRMAS software is that it can be used to count and rate mail pieces where postage must be collected from the BRM recipient because those mail pieces do not contain stamps or meter strips.

(B) It is possible, but is not likely to occur. Please see the response to KE/USPS-T39-1.

(C) The accept rates for incoming secondary operations can be found in USPS LR-J-60 on page 51. These data are aggregate figures. Disaggregate data for QBRM mail pieces are not available.

(D) The accept rates for incoming secondary operations can be found in USPS LR-J-60 on page 51. These data are aggregate figures. Disaggregate data for handwritten reply mail pieces are not available.

(E) Not confirmed. Please see the response to KE/USPS-T22-5(D). In addition, please see the revisions filed on 11/05/01 and 11/15/01. The costs related to the processing of rejects have been excluded from the analysis.

(F) Not necessarily. The point at which letters are processed manually depends on when that mail piece is rejected and why it is rejected.

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

(G) I cannot respond to this interrogatory as the origin of the 38% figure has not been made clear.

(H) Please note that a more limited cost methodology was adopted on 11/05/01. This analysis was subsequently revised on 11/15/01. In addition, please reference the enhancements that have provided the Postal Service with the capability to barcode handwritten reply mail pieces, as described in the response to MMA/USPS-T22-4(E2).

The cost models in USPS LR-J-60 rely on average data. Studies that have isolated and collected acceptance rates and address quality data specific to handwritten reply mail pieces and QBRM mail pieces have not been conducted. The only data available can be found in Docket No. R97-1, USPS LR-H-130.

In addition, QBRM addresses are not completely problem-free. Postal facilities use specific BRM ZIP Codes. For example, a given site may have a BRM letter ZIP Code, a BRM card ZIP Code, and a CRM ZIP Code. In some instances, these ZIP Codes are nearly identical. Consequently, mail pieces are sometimes found to contain the incorrect ZIP Code and/or barcode. These errors can affect how the mail is processed as well as how the mail is rated. In addition, these errors can only be detected when mail processing clerks spot them while sweeping mail from the machines.

(I1) Not confirmed. The cost models assumes that 100% of the mail pieces are prebarcoded. The QBRM cost model, however, shows that 95.10% are successfully processed through the automation outgoing primary operation.

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

(I2) Not confirmed. The handwritten reply mail cost models shows that 91.02% of the mail pieces receive a "finest-depth-of-sort" barcode after being processed through RBCS.

(I3) Not confirmed. The BMM letters model shows that 75.73% of the mail pieces are sorted in Delivery Point Sequence (DPS). However, the BMM letters cost model is more extensive in scope than either the handwritten reply mail cost model or the QBRM cost model. Consequently, the percentage is lower.

(J) It is my understanding that the figure cited in witness Kingsley's testimony represents the percentage of total mailer applied and postal applied barcodes, whether they are 5-digit, 9-digit, or 11-digit barcodes. In addition, it is my understanding that this figure does not quantify the percentage of barcoded mail pieces that are processed through automation.

The cost models in USPS LR-J-60 concern smaller subsets of the letter and card population and focus on the percentage of mail that is successfully processed in one or more operations.

(K) For each category specified in this interrogatory, it should be noted that different mail volumes are processed in the automation outgoing primary operation. Consequently, a calculation involving the percentage of total mail volume (10,000 pieces) that is processed up through that operation is meaningless.

(K1) Confirmed. Please see the revisions 11/15/01.

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

(K2) Not confirmed. Please see the revisions filed on 11/15/01. In total, 898 mail pieces are rejected up through RBCS processing.

(K3) Not confirmed. Please see the revisions filed on 11/15/01. In total, 157 mail pieces were rejected up through RBCS processing and the automation outgoing primary operation.

(K4) Not confirmed. Please see the revisions filed on 11/15/01. In total, 229 mail pieces were rejected up through RBCS processing and the automation outgoing primary operation.

(L) For each category specified in this interrogatory, it should be noted that different mail volumes are processed in the automation outgoing secondary operation. Consequently, a calculation involving the percentage of total mail volume (10,000 pieces) that is processed up through that operation is meaningless.

(L1) Not confirmed. A more limited cost methodology was adopted on 11/15/01. This methodology does not flow mail to the automation outgoing secondary operation.

(L2) Not confirmed. A more limited cost methodology was adopted on 11/15/01. This methodology does not flow mail to the automation outgoing secondary operation.

(L3) Not confirmed. Please see the revisions filed on 11/15/01. In total, 265 mail pieces were rejected up through the automation outgoing secondary operation.

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

(L4) Not confirmed. Please see the revisions filed on 11/15/01. In total, 335 mail pieces were rejected up through the automation outgoing secondary operation.

(M) For each category specified in this interrogatory, it should be noted that different mail volumes are processed in the automation incoming SCF/Primary secondary operation. Consequently, a calculation involving the percentage of total mail volume (10,000 pieces) that is processed up through that operation is meaningless.

(M1) Not confirmed. A more limited cost methodology was adopted on 11/15/01. This methodology does not flow mail to the automation outgoing secondary operation.

(M2) Not confirmed. A more limited cost methodology was adopted on 11/15/01. This methodology does not flow mail to the automation outgoing secondary operation.

(M3) Not confirmed. Please see the revisions filed on 11/15/01. In total, 555 mail pieces were rejected up through the automation incoming SCF/Primary operation.

(M4) Not confirmed. Please see the revisions filed on 11/15/01. In total, 623 mail pieces were rejected up through the automation incoming SCF/Primary operation.

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KE/USPS-T22-8 Please refer to page 10 of Library Reference USPS-LR-J-60 where you apply your CRA adjustment factor to both the handwritten and QBRM letter processing costs.

A. Please confirm that your CRA adjustment factor of 1.538 was derived by computing the ratio of the metered letter CRA mail processing cost to the model-derived mail processing cost as follows: 6.447 / 4.193 = 1.538. If you cannot confirm, please provide the correct computation and source citations.

B. Is the difference between the CRA unit cost and the model-derived unit cost of 2.254 cents supposed to represent costs incurred to process metered letters not reflected in the models, such as missorts, platform operations, mail preparation, forwarding and returns, pouching, package sorting, tray sorting and sack sorting? If no, please explain.

C. What is the rationale for assuming that the relationship between the CRA derived unit cost and your model-derived unit cost for metered letters would be applicable to that for

   1. handwritten letters; and
   2. QBRM letters?

D. Do QBRM letters take on the characteristics of (1) AADC machinable automation letters, (2) 3-Digit automation letters, (3) 5-Digit Automation letters, or (4) some combination thereof, once they are sorted in the outgoing primary operation? Please explain your answer.

E. Do handwritten letters take on the characteristics of (1) AADC machinable automation letters, (2) 3-Digit automation letters, (3) 5-Digit Automation letters, or (4) some combination thereof, once they are sorted in the outgoing primary operation? Please explain your answer.

F. Please confirm that the purpose of the CRA adjustment factor is to tie the derived mail flow model costs to the CRA-derived unit costs, if the latter are known. If no, please explain.

G. Please confirm that you do not know the CRA-derived unit costs for either handwritten letters or QBRM letters. If no, please explain.

H. Please confirm that your CRA adjustment factor for metered letters signifies that your model-derived unit processing cost must be ***raised*** by 53.8% in order for it to be reconciled to the CRA. If no, please explain.

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

I. Please confirm that your CRA adjustment factor for automated letters signifies that your model-derived unit processing cost must be ***lowered*** by 26.7% in order for it to be reconciled to the CRA. If no, please explain.

J. Please explain why the processing of QBRM letters is not more like the processing of automation letters, particularly after they are sorted in the outgoing primary, rather than like metered letters, which must go through the RBCS for barcoding and whose addresses are not pre-approved or even necessarily printed.

RESPONSE:

(A) Not confirmed. Please see the revisions filed on 11/15/01. It can be confirmed that the CRA adjustment factor is 1.508. This figure is calculated to be the sum of the worksharing related proportional cost pools (6.447 cents) divided by the model cost (4.276 cents).

(B) The cost difference represents piece and package distribution costs that have not been included in the models. In addition, these factors are applied to account for the fact that average data must be used and the model is a simplified representation of the actual mail processing network. Furthermore, please see the responses to MMA/USPS-T22-10(B) and MMA/USPS-T22-22(E). These responses discuss the reasons why the BMM letters mail processing unit cost estimate is likely overstated.

(C) I used the CRA adjustment factor for BMM letters as the proxy in the QBRM analysis because BMM letters, QBRM letters, and handwritten reply mail letters are all subsets of the First-Class single-piece letters mail stream.

(D) No. QBRM mail pieces have their own unique mail piece characteristics.

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

(E) No. Handwritten reply mail pieces have their own unique mail characteristics.

(F) Confirmed. The purpose of CRA adjustment factors is to account for any under or over estimation of costs related to the fact that average data are used and various simplifying assumptions must be made when developing cost models. However, it should be noted that the CRA mail processing unit cost estimates themselves are a result of analyses performed by one or more witnesses. The application of these factors basically gives the CRA mail processing unit costs precedence over the cost models.

(G) Confirmed.

(H) Not confirmed. Please see the responses to MMA/USPS-T22-10(B) and MMA/USPS-T22-22(E). These responses discuss the reasons why the BMM letters mail processing unit cost estimate is likely overstated.

(I) Not confirmed. Please see the revisions filed on 11/15/01. In addition, please see the responses to MMA/USPS-T22-10(C) and (D), which discuss the impact the nonautomation/automation CRA cost methodology has had on the CRA mail processing unit cost estimates and corresponding CRA adjustment factors.

(J) QBRM and automation presort have distinct mail piece characteristics. QBRM mail pieces would not be finalized until they are sorted to permit number whereas automation presort mail pieces would not be finalized until they are sorted to residential and/or business addresses. In addition, automation presort mail pieces are presorted to a large degree, whereas QBRM mail pieces are not.

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KE/USPS-T22-9 Please refer to pages 13, 14, 17 and 18 of Library Reference USPS-LR-J-60 where you derive unit mail processing costs for QBRM and non-automation machinable mixed AADC-AADC letters.

A. Please confirm that both QBRM and non-automation machinable mixed AADC-AADC letters are machinable by definition. If no, please explain.

B. Please confirm that QBRM letters are prebarcoded and machinable while mixed AADC-AADC letters are just machinable. If no, please explain.

C. Please confirm that machinable mixed AADC-AADC letters are sent through the RBCS where they are barcoded (if possible) and receive their first outgoing primary sort. If no, please explain

D. Please confirm that machinable mixed AADC-AADC letters do not have to conform to the Postal Service's move update or address readability requirements. If no, please explain.

E. Please confirm that QBRM letters bypass the RBCS and go to a barcode sorter to receive their first outgoing primary sort. If no, please explain.

F. Excluding mail preparation costs, should QBRM letters cost more or less than machinable mixed AADC-AADC letters for operations up through and including the incoming primary sort. Please explain your answer.

G. Please explain why your model-derived mail processing unit cost for operations up through and including the incoming primary for QBRM letters (3.206 cents) are a full penny higher than for machinable mixed AADC-AADC letters (2.205 cents).

RESPONSE:

(A) Confirmed.

(B) Confirmed.

(C) Confirmed.

(D) Not confirmed. According to DMM Sections E130.3.1.c, mail pieces paying the nonautomation presort rate must meet the move update standards specified in E130.3.3.

RESPONSE TO KE/USPS-T22-9 (CONTINUED)

(E) Confirmed.

(F) It is difficult to make a direct cost comparison between QBRM mail pieces and nonautomation machinable mixed AADC mail pieces because these mailstreams have distinct characteristics. For example, nonautomation mail pieces can weigh more than QBRM mail pieces.

(G) The revised QBRM cost methodology filed on 11/05/01 is more limited in scope. Consequently, a cost comparison is not longer valid. Please note that further revisions were filed on 11/15/01.

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KE/USPS-T22-10 Please refer to pages 12 and 14 of Library Reference USPS-LR-J-60 where you model the mail flow for QBRM and handwritten (HAND) letters.

A, Please confirm that 100% of QBRM letters are pre-barcoded and that the design and printing of each envelope has been pre-approved by the Postal Service to conform to postal guidelines and requirements to ensure machinability. If no, please explain.

B. Please confirm that none of the HAND letters is pre-barcoded and none have been specifically designed to conform to postal guidelines or requirements to ensure machinability. If no, please explain.

C. Please confirm that for QBRM, you assume that 4.9% of the letters will be rejected in the outgoing BCS primary operation, requiring manual processing throughout the mailstream from that point forward. If no, please explain.

D. Please confirm that for HAND letters you assume that .89% of the letters will be rejected in the outgoing ISS/RCR primary, .20% of the letters will be rejected in the outgoing OSS primary, and .20% will be rejected in the outgoing BCS primary, for a total of 1.29%. If no, please explain.

E. Please explain why you show that the percentage of QBRM letters that are rejected by automation equipment in the outgoing primary is almost 4 times the percentage of HAND letters that are rejected by automation equipment in the outgoing primary.

F. Does your model indicate that 9,871 of 10,000 letters, or 98.71% of all HAND letters will be successfully barcoded in the RBCS and directly sent to an automation operation? If no, please explain.

G. Does the Postal Service expect to barcode 98.71% of all HAND letters in the test year? Please explain your answer and provide appropriate record citations or copies of studies or other documents that indicate the Postal Service will barcode 98.71% of such letters in the test year.

RESPONSE:

(A) It can be confirmed that QBRM mail piece designs are preapproved by the Postal Service. It cannot be confirmed that 100% of these mail pieces are prebarcoded. In talking with field personnel, problems do occur on occasion. The exact percentage of QBRM mail pieces that contain accurate barcodes is unknown, but is likely close to 100%.

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

(B) It can be confirmed that handwritten mail pieces are not prebarcoded. In an "exact piece comparison" analysis, however, it is likely that the handwritten mail piece would be machinable if the QBRM mail piece were also machinable.

(C) Please see the response to KE/USPS-T22-5(B).

(D) Not confirmed. Please see the response to KE/USPS-T22-3(D).

(E) In the revised analysis, a greater number of handwritten mail pieces is rejected.

(F) No. Please see the revisions filed on 11/05/01 and 11/15/01. In addition, please see the response to KE/USPS-T22-3(D).

(G) No. Please see the revisions filed on 11/05/01 and 11/15/01. In addition, please see the response to KE/USPS-T22-3(D).

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KE/USPS-T22-11 Please refer to USPS witness Campbell's response to Interrogatory KE-USPS-T29-31(C) in Docket No. R2000-1 where he discussed his observations of QBRM processing.

A, Please confirm that at the Carol Stream (Illinois) Processing and Distribution Center on April 6, 1999, Mr. Campbell saw BRM letters sorted into ZIP+4 order on the second pass of the incoming secondary operation before being sent to the Postage Due unit. If you cannot confirm, please explain.

B. Please confirm that at the Carol Stream (Illinois) Processing and Distribution Center on April 7, 1999, Mr. Campbell saw BRM letters sorted to P.O. Box in the first pass on a DBCS. If you cannot confirm, please explain.

C. Please confirm that at the Chicago Processing and Distribution Center on April 8, 1999, Mr. Campbell saw nearly all BRM letters on a DBCS in the incoming secondary operation, where large-volume BRM accounts had dedicated bins in the first pass and small-volume accounts were required to receive a second pass for finalization.

D. Will the processing of QBRM change significantly in the test year from what Mr. Campbell reportedly saw? If yes, please explain and provide appropriate record citations or studies or other documents you reviewed in reaching your conclusion.

RESPONSE:

(A) Witness Campbell no longer works at the Postal Service and I was not with him during these field observations. Consequently, I cannot confirm, or not confirm, what he did, or did not, see. However, the activity described in this interrogatory is consistent with BRM operations that I have myself observed.

(B) Please see the response to KE/USPS-T22-11A.

(C) Please see the response to KE/USPS-T22-11A.

(D) Mail volume dictates how BRM is processed in a given facility. The methods used to sort, count, and rate BRM mail pieces in a given facility

RESPONSE TO KE/USPS-T22-11 (CONTINUED)

are not likely to change in the test year unless the BRM volume processed at that facility also changes.

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KE/USPS-T22-12 Please refer to USPS witness Campbell's response to Interrogatory KE-USPS-T29-35 (b) in Docket No. R2000-1 where he discussed his view concerning the processing of QBRM in the incoming secondary operations. Please confirm that Mr. Campbell stated that "it is possible, but unlikely" that QBRM pieces even if received in high volumes would be sorted to the end user in the incoming primary operation, bypassing the incoming secondary. If no, please explain.

RESPONSE:

Please see Docket No. R2000-1, Tr. 14/6000.

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KE/USPS-T22-14 Please refer to USPS witness Campbell's response to Interrogatory OCA/USPS-T29-4 in Docket No. R2000-1. Do you agree with Mr. Campbell that, in order to derive QBRM cost savings, "[a] handwritten mail piece is the more appropriate benchmark because households must generate handwritten mail pieces when no preapproved, prebarcoded reply mail pieces are provided"? If no, please explain.

RESPONSE:

If QBRM recipients did not provided QBRM mail pieces to their customers, it is likely that those customers would use a handwritten-addressed envelope, or an envelope addressed by typewriter or computer, were a courtesy reply envelope not provided. It is unknown, however, what the exact mail mix would be in that situation. Given that these data are not available, I feel that a handwritten mail piece is an appropriate benchmark.

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KE/USPS-T22-15 Please refer to page 37 of your Direct Testimony where you indicate that, in Docket No. R2000-1, KeySpan Energy witness Bentley modified the cost study developed by USPS witness Campbell by removing from the analysis costs related to BRMAS processing. Please also refer to Library Reference USPS-LR-I-160, Section B, pages 2 and 3, where USPS witness Campbell derives the unit cost for QBRM letters.

A. Please confirm that USPS witness Campbell removed from his derivation of high volume QBRM costs the costs associated with BRMAS processing. If you cannot confirm, please explain.

B. Please confirm that USPS witness Campbell removed from his derivation of low volume QBRM costs the costs associated with BRMAS processing. If you cannot confirm, please explain.

C. Please confirm that by adding the BRMAS operation to the derivation of QBRM counting costs, you are proposing a modification not only to the methodology used by KeySpan Energy witness Bentley but also the method used by USPS witness Campbell. If no, please explain.

D. Please confirm that the Commission accepted KE witness Bentley's derivation of QBRM costs in Docket No. R2000-1. If no, please explain.

RESPONSE:

(A) Confirmed. The explanation as to why this methodology is unsound can be found in USPS-T-22, page 37 at 27.

(B) Confirmed. The explanation as to why this methodology is unsound can be found in USPS-T-22, page 37 at 27.

(C) Not Confirmed. The cost for the "BRMAS operation" were not added to these cost studies. The "additional workload BRMAS" costs were added, as described in USPS-T-22, page 38 at 13-15.

(D) Please see PRC Op. R2000-1 at [6022] where the Commission stated,

> The Commission finds that KeySpan's high-volume analysis presents the best available evidence, incomplete as it is.

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KE/USPS-T22-16 Please refer to pages 98 and 99 of Library Reference USPS-LR-J-60 where you derive the unit costs for QBRM letters.

A. Please confirm that you did not include costs from "Other Software" and "End-of-Run" for counting the letters because the cost of using such methods is zero. If no, please explain.

B. Please confirm that BRMAS performs sorting, counting and rating of QBRM letters. If no, please explain.

C. Please provide the basis and source for the productivity of 7,936 PPH that you use for letters that are counted by BRMAS.

D. Does the BRMAS operation, for which you have used a productivity of 7,936 PPH, entail sorting the QBRM letters? If not, please explain.

E. If the 7,936 PPH productivity factor you used for BRMAS does include sorting, please explain why QBRM letters should pay twice for sorting, once in the First-Class rate and again in the QBRM per piece fee?

RESPONSE:

(A) Confirmed.

(B) Confirmed.

(C) Please see USPS LR-J-60 page 103.

(D) No. This figure includes the activities above and beyond those typically associated with a normal incoming secondary operation as described in USPS-T-22 page 38 at 3-15.

(E) No response is required.

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KE/USPS-T22-17 Please refer to page 38 of your Direct Testimony where you discuss the downtime of BRMAS equipment when bills are printed out.

A. Are the costs of printing the bills volume variable costs? If yes, please explain your answer and provide appropriate record citations or copies of the documents you relied upon in formulating your answer.

B. How many postal clerks are required to operate a BCS sorter that does not have a BRMAS counting computer attached to it?

C. How many postal clerks are required to operate the same capacity BCS sorter that has a BRMAS counting computer attached to it?

D. How many postal clerks does it take to print out the bills? If your answer is more than one, please explain.

E. Do the other postal clerks sit around and watch the bills being printed out, or do they have other tasks that they can be doing at the same time? Please explain your answer.

F. How much time does it take to print out each QBRM bill? Please support your answer and provide any studies or other document you review in responding to this interrogatory.

G. Does the time required to print out a QBRM bill vary depending upon the number of pieces counted by the BRMAS software? Please explain your answer and provide any studies or other document you review in responding to this interrogatory.

H. During the time that the bills are printed out, what is the average cost per piece during this process? Please support your answer.

I. Is the .76 “Total Cents Per Piece” that you derive for QBRM pieces under the BRMAS “Counting Method”, as shown on pages 98 and 99 of Library Reference USPS-LR-J-60, supposed to be the unit cost for counting QBRM by BRMAS? If yes, please explain how this unit cost, as you have derived it, specifically reflects the cost of counting QBRM letters and nothing else. If no, please explain what the .76 unit cost represents?

J. Please provide copies of all technical manuals, training manuals and written policies and procedures that describe or prescribe the proper operation of BRMAS software and computer systems, the methods of connecting such systems to BCS equipment and any technical or other restrictions on the type of BCS equipment that BRMAS can be used with.

RESPONSE TO KE/USPS-T22-17 (CONTINUED)

(A) I treated these activities as volume variable using the Postal Service methodology.

(B) It is my understanding that the BCS is staffed by two mail processing clerks.

(C) It is my understanding that the BCS is staffed by two mail processing clerks.

(D) It is my understanding that the BCS is staffed by two mail processing clerks. However, these clerks would be performing multiple tasks simultaneously.

(E) No. They perform multiple tasks simultaneously such as separate the bills and placing them with the appropriate mail.

(F) To the best of my knowledge, these data have not been collected.

(G) No. The bill printing time would be dependent on the number of separations and permit numbers.

(H) To the best of my knowledge, these data have not been collected. The only data that quantifies the "additional workload for BRMAS" tasks discussed in USPS-T22, page 38 at 13-15 is the productivity figure used in the cost model.

(I) Yes. It is the unit cost were all mail pieces processed using BRMAS and is not the weighted unit cost based on how all mail pieces are actually processed.

RESPONSE TO KE/USPS-T22-17 (CONTINUED)

(J) Redirected to the Postal Service.

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KE/USPS-T22-18 Please refer to page 103 of Library Reference USPS-LR-J-60 where you derive marginal productivities from MODS productivities.

A. Please confirm that for manually counting QBRM in the postage due unit, you assume that 94% of the labor cost varies with volume. If no, please explain.

B. Please explain the bases for your assumption of a 94% volume variability factor for manually counting QBRM letters in the postage due unit and provide record citations or copies of all studies or other documents you believe support your assumption.

C. Please refer to USPS witness Campbell's response to Interrogatory KE/USPS-T29-26(B) in Docket No. R2000-1. Please confirm that Mr. Campbell made a change from the methodology used in Docket No. R97-1 for determining the cost of manually counting and distributing QBRM letters in the postage due, more particularly by assuming that such costs were 100% volume variable. If you cannot confirm, please explain.

D. Please confirm that, USPS witness Campbell's response to Interrogatory KE/USPS-T29-26(B) in Docket No. R2000-1 states, in part, "[t]he use of 100 percent volume variability in the postage due unit is an institutional decision made by the Postal Service and is not within the scope of my testimony." If you cannot confirm, please explain.

E. Is the decision to assume in this case a volume variability factor of 94% for manual counting of QBRM letters in the postage due unit an institutional decision? Please explain your answer.

RESPONSE:

(A) It can be confirmed that I used the Postal Service volume variability figure for postage due operations.

(B) Please see the response to KE/USPS-T22-18(A). Volume Variability figures can be found in USPS LR-J-55.

(C) Please see Docket No. R2000-1, Tr. 14/5961-5962.

(D) Please see Docket No. R2000-1, Tr. 14/5961-5962.

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

(E) Yes, the volume variability factor for postage due activities is a result of the Postal Service's volume variability methodology.

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.

_____
Michael T. Tidwell

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November 21, 2001