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-T22-20 AND 21)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of KeySpan Energy: KE/USPS-T22-20 and 21, filed on November 14, 2001.

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

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Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2998; Fax –5402
November 28, 2001

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

KE/USPS-T22-20 Please refer to revised Library Reference USPS-LR-J-60 where you altered the models for Handwritten (HAND) and QBRM letters to exclude all operations after the outgoing primary, and to your responses to Parts K and L of Interrogatory MMA/USPS-T22-25.

A. Please confirm that out of 10,000 HAND letters, you assume that 9,891 or 98.9% of the letters will be successfully barcoded in the Outgoing RBCS operation. If no, please correct these figures, provide the source for your corrected figures, and explain why each such correction is necessary.

B. Please confirm that out of 10,000 HAND letters, you assume that 9,891 or 98.9% of the letters will be successfully sorted in the Outgoing RBCS operation. If no, please explain.

C. Please confirm that out of 10,000 HAND letters, you assume that 109 (89 from the ISS and 20 from the OSS) or 1.09% of the letters will be rejected from the outgoing RBCS and will be sent to a manual operation afterwards. If no, please correct these figures, provide the source for your corrected figures, and explain why each such correction is necessary.

D. Please explain all possible differences between the equipment used in the outgoing primary BCS operation for QBRM letters and the following RBCS automated equipment used to process HAND letters that causes the reject rates for HAND letters to be so much lower than those for QBRM letters.

   1. The ISS which has a leakage rate of .89%, and
   2. The OSS which has a reject rate of .20%.

E. Please explain the term “leakage rate” and how it differs from “reject rate”.

F. Please confirm that out of 10,000 QBRM letters, you assume that 9,510 or 95.10% of the letters will be successfully *sorted* in the Outgoing BCS Primary operation. If no, please correct these figures, provide the source for your corrected figures, and explain why each such correction is necessary.

G. Please confirm that after the outgoing primary operation, you assume that the processing of HAND and QBRM letters will incur similar costs until final delivery. If no, please explain.

H. Please confirm that the percentages you confirm (or correct) in parts A through C and F are not figures specific to handwritten or QBRM letters, but are “results” of using “average” data in the models. If you cannot confirm please explain.

I. Please explain why the percentage of letters successfully sorted by automation in the outgoing primary operation that “result” from using

RESPONSE TO KE/USPS-T22-20 (CONTINUED)

"average" data in the models are not specific to the category of letters that the model is intended to reflect.

J. Please explain how you can accurately determine the cost relationships between the rate categories if the percentage of letters successfully sorted by automation in the outgoing primary operation that "result" from using "average" data in the models are not specific to the category of letters that the model is intended to reflect.

K. Is it your testimony that the cost distinctions that exist between a QBRM mail piece and a handwritten reply mail piece disappear once the handwritten letter has been barcoded and sorted in the RBCS operation? Please explain your answer.

RESPONSE:

Please see the revised figures filed on 11/15/01.

(A) Please see the response to KE/USPS-T22-3(D).

(B) Please see the response to KE/USPS-T22-3(D).

(C) Please see the response to KE/USPS-T22-3(D).

(D) The number of handwritten reply mail pieces that are rejected in the QBRM analysis is greater than the number of QBRM mail pieces that are rejected. Please see the response to KE/USPS-T22-5(D).

(E) Please see Docket No. R97-1, USPS-T-23, page 5 at 16-20.

(F) Confirmed.

(G) Not confirmed. A more limited QBRM analysis was adopted on 11/05/01 and subsequently revised on 11/15/01. This analysis does not include costs beyond the outgoing primary operation.

(H) It can be confirmed that average data are used for the QBRM cost model. However, the handwritten model relies on data from the accept and upgrade

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study conducted in Docket No. R97-1 (USPS LR-H-130) that are specific to handwritten mail pieces.

(I)(J) Average data are used in the models because all letters and cards are processed in the same operations using the same MODS numbers, regardless of class and rate category. Consequently, disaggregate data are not available. This is one reason why CRA adjustment factors have historically been applied to cost model results.

(K) It is my testimony that the cost difference between a QBRM mail piece and handwritten reply mail piece is driven by the fact that the handwritten reply mail piece must undergo additional processing steps so that a barcode can be applied to that mail piece.

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TO INTERROGATORIES OF KEYSPAN ENERGY

KE/USPS-T22-21 Please refer to page 6 of the USPS Address Deficiency Study, Library Reference USPS-LR-I-192 in Docket No. R2000-1 and your responses to Parts K and L of Interrogatory MMA/USPS-T22-25.

A. Please confirm that the USPS Address Deficiency Study found that 29.6% of all First-Class letters exhibited one or more address deficiencies. If you cannot confirm, please explain.

B. Do you agree that, because First-Class Automation letters have their addresses certified using the CASS system while single piece letters do not have their addresses certified, the percentage of First-Class single piece letters that have one or more address deficiencies is likely to be higher than 29.6%. Please explain your answer.

C. Please confirm that address deficiencies studied in the USPS Address Deficiency Study included:

Apartment Number
2. Directional Suffix
3. Rural Route/Box Number
4. Street Name/Number
5. City/State/Zip
6. Incorrect Zip+4

D. Please confirm that for purposes of your mail flow models, you assumed that HAND letters would exhibit no address deficiencies. If you cannot confirm, please explain.

E. In your response to Parts (K) and (L) of Interrogatory MMA/USPS-T22-25, you state that the primary cost distinctions that exist between QBRM and HAND letters are the costs required to apply a barcode in the RBCS operation to the HAND letter. Please provide all of the other secondary cost distinctions that you know of, if they exist.

RESPONSE:

(A) Confirmed.

(B) Not necessarily. The data found in Docket No. R2000-1 USPS LR-I-192 do not appear to be calculated at that level of detail. However, even if the percentage of address deficiencies were higher for single-piece letters, these mail pieces are more likely to be processed using systems, such as Optical Character Readers (OCR) and Remote Encoding Centers (REC),

RESPONSE TO KE/USPS-T22-21 (CONTINUED)

that can correct addressing problems. In addition, it should be pointed out that data collected in Docket No. R2000-1 showed that the percentage of First-Class presort letters that were returned and forwarded, which could be a reflection of the percentage of address deficiencies, was higher than the percentage of First-Class single-piece letters that were returned and forwarded. Please see Docket No. R2000-1, Tr. 7/3158-3159.

(C) Confirmed.

(D) Not confirmed. The data used in the handwritten reply mail model included handwritten-specific data from Docket No. R97-1, USPS LR-H-130. Consequently, the impact of address deficiencies in handwritten mail pieces would be included in the model. As stated in the response to KE/USPS-T22-21(B), handwritten reply mail pieces are likely to be processed using systems that can correct the address deficiency. In addition, CRA adjustment factors are applied to model costs to compensate for the fact that some tasks are not modeled.

(E) The cost difference between a QBRM mail piece and a handwritten reply mail piece is driven by the fact that the handwritten reply mail piece must undergo additional processing steps so that a barcode can be applied to that mail piece. Once both mail pieces are barcoded, it is possible there could be additional minor cost differences. However, it is not possible to determine the extent of those differences, if any exist, given that input data specific to both mail types are not available.

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.

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Michael T. Tidwell

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Washington, D.C. 20260–1137
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