

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

RECEIVED

Nov 30 4 18 PM '01

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS HOPE TO INTERROGATORIES OF NEWSPAPER ASSOCIATION  
OF AMERICA  
(NAA/USPS-T31—20-21)**

The United States Postal Service hereby provides the responses of witness Hope to the following interrogatories of the Newspaper Association of America: NAA/USPS-T31—20-21, filed on November 16, 2001. Counsel for NAA advised the undersigned counsel that NAA/USPS-T31—19 has been withdrawn.

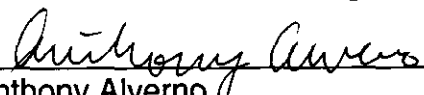
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
Anthony Alverno  
Attorney

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2997; Fax -6187  
November 30, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

**NAA/USPS-T31-20:**

Please confirm:

- a. That the volumes you use in designing rates for Standard A ECR mail are derived from LR-J-125, which is based upon the volume forecasting testimony of witness Tolley;
- b. That the cost savings which you use in designing rates are based on the testimony of witness Schenk, which used the volume forecasts in LR-J-117;
- c. That the following table accurately reflects the forecasted volumes used by witnesses Tolley and Schenk in the cited library references:

	<b>Tolley</b>			<b>Schenk Total ECR</b>	<b>% Difference</b>
	<b>Commercial</b>	<b>Non-Profit</b>	<b>Total ECR</b>		
<b>ECR Letters</b>	3,545.81	546.28	4,092.08	4,892.02	19.55%
<b>ECR Nonletters</b>	12,637.04	1,211.36	13,848.40	13,408.35	-3.18%
<b>Auto C/R</b>	2,104.82	301.14	2,405.96	2,365.74	-1.67%
<b>High Density L</b>	360.09	73.60	433.69	517.85	19.41%
<b>High D NL</b>	1,834.14	14.94	1,849.08	1,597.27	-13.62%
<b>Saturation L</b>	3,804.20	699.56	4,503.76	4,591.99	1.96%
<b>Saturation NL</b>	9,587.68	405.65	9,993.33	9,753.08	-2.40%

Notes:

Tolley numbers from LR-125

Schenk numbers from LR-117, divided by 1000 to correspond to Tolley units

If you cannot confirm these figures, please explain why not.

- d. Please explain why you propose rates based on a different volume forecast than is used in calculating the unit cost savings.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed. I also used cost data from witness Mayes (USPS-T-23) in determining dropship discounts, as stated in response to interrogatory VP/USPS-T31-29.
- c. Confirmed The first two rows could be labeled more precisely as "ECR Basic Letters" and "ECR Basic Nonletters."

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

- d. It should be noted that the Total combined ECR and NECR volume provided by both witnesses is consistent: 37,126.30 (specified in millions, as in the table above). They each use the finer detail – the mail mix – that is appropriate to their respective analyses. I utilize information from these respective analyses as appropriate in my testimony.

The rates presented in my testimony are based on the cost data that were provided by witness Schenk. Witness Schenk's data provide cost estimates for both ECR commercial and nonprofit. It is my understanding that witness Schenk's letter and nonletter volumes cited in the above table, from USPS LR-J-117, are based on the processing categories recorded in the PERMIT system. Thus, they should correspond to the Domestic Mail Manual (DMM) definition of shape. This allows witness Schenk to match volumes to costs, which are derived from IOCS tallies. It is my understanding that any other feasible approach would have involved a mismatch of cost and volume data, which would result in a distorted cost analysis.

The volumes in witness Tolley's USPS-LR-J-125 are based on the rates paid, not necessarily on the DMM-defined shape. Obviously, volume estimates developed by rate category are necessary to project Test Year revenue. My testimony uses volumes that correspond to specific rate categories and reflect the mail mix that is anticipated in the Test Year.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

A point of clarification: as noted above, total volume is the same in both analyses, but the mail mix differs. For example, the number of letters in witness Schenk's LR-J-117 is higher than in witness Tolley's USPS-LR-J-125, and the number of nonletters in witness Schenk's LR-J-117 is lower than in witness Tolley's USPS-LR-J-125. This is explained by the fact that letter-shaped pieces as defined by the DMM that weigh over 3.3 ounces will pay nonletter rates. Witness Tolley shows these pieces as nonletters because they pay nonletter rates, while witness Schenk shows these pieces as letters because they conform to the shape of a letter.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HOPE TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

**NAA/USPS-T31-21:**

Please refer to your Workpaper 1, page Q, and Workpaper 1, page X. Is there a relationship between the revenue figure from line 31 of page Q (which you use in your testimony) and the Net Revenue figure of page X, column 21? Please explain.

**RESPONSE:**

USPS-LR-J-131, page Q ("TYAR REV") calculates projected ECR revenues for the test year using proposed rates and after rates volumes. Page Q, line 31 includes revenue from fees and the residual shape surcharge. USPS-LR-J-131, page X ("TYAR VOL CAT") calculates projected ECR revenues for the test year using proposed rates and before rates volumes. The figure in column 21, line 13 – \$5,665.708 million – does not include revenues from fees and the residual shape surcharge. This figure can also be found on page S ("NEW RATE TYBR VOL"), column 3, line 26.

## 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 Alverio

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2997; Fax -6187  
November 30, 2001