

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-T22-41, 43, 44(A,B,C1,C2,E), 45-47, 48D, 49-51,
52(A-C), 54, 55, 56(A-E), 57, 58)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of Major Mailers Association: MMA/USPS-T22-41, 43, 44(A,B,C1,C2,E), 45-47, 48D, 49-51, 52(A-C), 54, 55, 56(A-E), 57, and 58, filed on November 16, 2001.

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

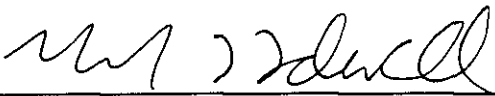
Interrogatories MMA/USPS-T22-52(A-B) are responded to by witness Miller and the Postal Service. MMA/USPS-T22-42, 44(C3,D), 48(A-C,E), 52(D) and 56(F-H) have been redirected to the Postal Service for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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December 7, 2001

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T22-41 Please refer to your response to Part A of Interrogatory MMA/USPS-T22-1 where you cannot remember stating that you had never visited workshare mailer facilities to view first hand how mailers perform worksharing operations.

- A. Prior to your visits discussed in Part B of that interrogatory that occurred last summer in preparation for your testimony in this case, do you remember ever visiting a workshare mailer's facility to view first hand how mailers perform worksharing operations. If your answer is yes, please provide, for each such visit, the name of the mailer, the location of the facility, the date and duration of your visit, the names of the mailer and USPS representatives who accompanied you on the visit, a description of what workshare activities you observed and how you have given workshare mailers credit for such cost sparing activities in your analyses in this case, and copies of all notes, memos, and/or reports you or other USPS representatives made in connection with such visit.
- B. Please confirm that in Docket No. R2000-1 you made the following statement at TR 7/3149:

I am not really an expert on presort mailers so I wouldn't know the answer to questions in terms of what they do prior to entering their mail at a postal facility.

- C. Please provide your understanding that, depending upon the volumes of workshared letters mailed, workshare mailers perform some or all of the following operations:

1. Traying the letters

- a. Unloading and distributing empty trays provided by the USPS to *appropriate workstations in the mailer's facility*;
- b. Removing old labels and printing and inserting new labels;
- c. Sleeving the trays;
- d. Banding the trays;
- e. Preparing and applying Destination and Routing ("D & R") labels;
- f. Preparing and applying ACT tags;
- g. Postage Verification; and
- h. Presorting the trays

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RESPONSE TO MMA/USPS-T22-41 (CONTINUED)

2. Palletizing the trays

- a. Unloading and distributing empty pallets provided by the USPS to appropriate workstations in the mailer's facility;
- b. Stacking Trays onto pallets;
- c. Shrinkwrapping pallets to secure trays during transport by the USPS;
- d. Labeling pallets; and
- e. Presorting the pallets.

3. Loading mail onto USPS trucks

- a. Moving pallets;
- b. Meeting USPS scheduling requirements; and
- c. Presorting the trucks with presorted pallets.

RESPONSE:

Interrogatory MMA/USPS-T22-1(A) did not ask me to confirm that I had "never" visited workshare mailer facilities. That interrogatory asked:

Please confirm that in Docket No. R2000-1, you testified that you did not visit any First-Class workshare mailer facilities to view first hand how mailers perform worksharing operations. If you cannot confirm, please explain.

Again, absent a specific citation, I am unable to confirm whether this specific question was posed to me in Docket No. R2000-1.

- (A) In 1992, I was asked by the Postmaster of the San Diego Division to help a local presort bureau (ZIPSort) develop an AutoCAD layout for their facility that included a Delivery Bar Code Sorter (DBCS). I

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RESPONSE TO MMA/USPS-T22-41 (CONTINUED)

was given a general tour as a part of those efforts. I no longer have any information concerning the ZIPSort representative with whom I talked, the operations that were observed, the date of the tour, or the time of the tour. I was also unable to locate any notes from that visit.

On December 15, 1997 from 4-6 p.m., I was given a general tour of the RR Donnelly plant in Lynchburg, Virginia. The following members of Product Cost Studies also participated in the tour: Charles Crum, Sharon Daniel, Jennifer Eggleston, Doug Madison, and Dave Yacobucci. I no longer have any information concerning the RR Donnelly representative with whom I talked or the operations that were observed. I was also unable to locate any notes from this tour.

In the spring of 1998 I conducted field observations at several facilities in the greater Chicago metropolitan area with Charles Crum and Sharon Daniel. The BMEU supervisor at the Carol Stream P&DC arranged an impromptu visit to a Detached Mail Unit (DMU) at a nearby mailer's facility. I cannot recall the facility name, the person who gave us a tour, the date of the tour, the time of the tour, or the specific operations that we saw. I was also unable to locate any notes from this visit.

- (B) Confirmed. This statement was made in response to a question concerning specific presort bureau operations that was posed to me during my cross-examination at Commission hearings. I would note that this question is not identical to that alluded to in either the preamble or MMA/USPS-T22-1(A).

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- (C) Please see the response to MMA/USPS-T22-1(C). In addition, it is my understanding that some of the tasks mailers may perform are based on local agreements in which those mailers may receive some sort of service benefit, such as a later entry time. Please see the response to MMA/USPS-T22-1(F).

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MMA/USPS-T22-43 Please refer to your response to Part C of Interrogatory MMA/USPS-T22-8 where you indicate that postal employees do not place trays of First-Class letters and cards on pallets, label the pallets, sort the pallets and transport the pallets within an office.

- A. Please explain what happens to outgoing First-Class letters after they have been sorted, placed into trays, and after the trays have been sleeved, banded, labeled and sorted, prior to the trays of letters being loaded onto trucks.
- B. In your development of CRA unit costs for bulk metered mail letters (page 8 of Library Reference USPS LR-J-60), please indicate which cost pools, if any, include the costs associated with each of the operations you discuss in response to Part A to this interrogatory.

RESPONSE:

- (A) These trays are typically placed into rolling stock.
- (B) Please see the response to MMA/USPS-T22-8(C3).

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MMA/USPS-T22-44 Please refer to your response to Parts A, B, and C of Interrogatory MMA/USPS-T22-10.

- A. For part A, you failed to reproduce the table as part of your response to the interrogatory and did not answer the question. The table is reproduced here. Please confirm the CRA adjustment factors. If you cannot confirm, please correct the figures, explain the reason for each such correction, and provide appropriate record citations or copies of other documents to support each correction.

Computation of Mail Processing CRA Adjustment Factors

Rate Category	CRA W R Cost Pools (Cents)	Weighted Model Cost (Cents)	CRA Adjustment Factor
First Class			
Metered Letters	6.447	4.193	1.508
Nonautomation Letters	9.887	6.621	1.493
Automation Letters	2.138	2.683	0.797
Standard Mail			
Nonautomation Letters	8.155	5.664	1.440
Automation Letters	2.150	2.656	0.809

- B. In your response to Part B you state that the low model-derived cost estimate for BMM (4.193 cents) compared to the CRA-derived metered mail unit cost (6.447 cents) is "yet another indication that the BMM letters mail processing unit cost estimate may be overstated..." Did you consider that another explanation could be that your model-derived unit cost estimate for BMM is not very accurate? If not, why is that not a plausible explanation for why your model-derived unit cost estimate is low compared to the CRA-derived unit cost.
- C. In your response to Part C you state that had the "Base Year 1998" methodology been employed by the Postal Service for estimating nonautomation and automation letters, both the CRA proportional adjustment factors would have moved closer to 1.000.
1. Please explain all the difference between the "Base Year 1998" and the "Base Year 1999" methodologies.
 2. Please provide all computations that support your contention and copies of all source documents or citations to the record in this case

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RESPONSE TO MMA/USPS-T22-44 (CONTINUED)

3. Is the Postal Service convinced that the "Base Year 1999" methodology is more accurate than the "Base Year 1998" methodology? Please explain your response.
- D. In your response to Part C, you state that the "Base Year 1998" methodology may have resulted in more accurate estimates for nonautomation and automation letters. Which cost estimates are more accurate, the model-derived costs or the CRA-derived costs? Please explain your response.
- E. In your response to Part C, you indicate that, if the "Base Year 1998" methodology had been used, the derived cost savings would have decreased. Please provide the computations that support this contention, appropriate citations to the record in this case, and copies of any other source documents.

RESPONSE:

- (A) The table above has been corrected to reflect the revised figures filed on 11/15/01.
- (B) No, this was not considered because the CRA mail processing unit cost estimates represent the costs for all metered letters and do not represent the costs for Bulk Metered Mail (BMM) letters.
- (C1) Please see the response to MMA/USPS-T29-14.
- (C2) Please see the response to MMA/USPS-T29-14.
- (C3) Redirected to the Postal Service.
- (D) Redirected to the Postal Service.
- (E) Please see the response to MMA/USPS-T29-14. The Postal Service has not used the BY 1998 methodology in this proceeding. However, if costs

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RESPONSE TO MMA/USPS-T22-44 (CONTINUED)

were to be moved from the automation presort letters category to the nonautomation presort letters category while the volumes remain constant, the nonautomation presort letters mail processing unit cost estimate would increase and the automation presort letters mail processing unit cost estimate would decrease.

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MMA/USPS-T22-45 Please refer to your response to Part C of Interrogatory MMA/USPS-T22-13 where you indicate that BMM was accepted at either the BMEU or the dock.

- A. Please state precisely in your cost derivations where the BMM acceptance costs are included for your:
1. CRA-derived BMM unit cost, and
 2. mail flow model-derived BMM unit cost.
- B. Please explain how you came to this conclusion based on the responses to your survey.

RESPONSE:

- (A1) If BMM letter trays are given to dock employees, those costs would be found in the "1PLATFORM" and "ALLIED" cost pools. If BMM letter trays are given to BMEU employees, those costs would be found in the "LD79" cost pool.
- (A2) Acceptance costs are not included in any of the cost models, including those related to the First-Class Mail presort letters rate categories.
- (B) Question 4 in USPS LR-J-155 asked how 020 bypass mail entered postal facilities.

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MMA/USPS-T22-46 Please refer to your response to Part A of Interrogatory MMA/USPS-T22-15 where you show that two mailers sent out 42 trays of 16,296 letters and 7 trays of 2,364 letters, respectively.

- A. Please explain fully why these two mailers engaged in no worksharing and decided to pay the full First-Class rate.
- B. How was postage paid on these letters?
- C. Where did the Postal Service accept these letters?
- D. At what time were these letters accepted?
- E. Were these letters presorted?
- F. Were the addresses on these letters pre-certified by CASS?
- G. Did the mailer's employees or Postal Service employees unload the letters from the mailers' trucks?

RESPONSE:

Please note that the postage statements in the response to MMA/USPS-T22-15 Attachment 5 were for mailings submitted by the same mailer on different days.

- (A) In my testimony, I stated that one source of BMM letters is presort bureaus that were unable to presort and/or prebarcode all mail pieces and still meet the Postal Service critical entry time (USPS-T-22, page 19 at 19-24). The referenced postage statements were for the "residual" mail that was submitted by a presort bureau that did not have access to either the Remote Computer Read (RCR) system or the Remote Bar Coding System (RBCS).
- (B) These postage statements are printouts from the PERMIT system for a mailer that maintains its own PERMIT number.
- (C) These letters were accepted at a Detached Mail Unit (DMU) at the mailer's plant.

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RESPONSE TO MMA/USPS-T22-46 (CONTINUED)

- (D) For the 42-tray mailing, please see the response to MMA/USPS-T22-15, Attachment 5, page 2. The data and time this mailing was entered in the PERMIT system is listed as 8/01/00 at 8:42 p.m. For the 7-tray mailing, please see the response to MMA/USPS-T22-15, Attachment 5, page 4. The data and time this mailing was entered in the PERMIT system is listed as 8/14/00 at 9:06 p.m.
- (E) No.
- (F) Given that this was a presort bureau's mailing that consisted of smaller mailings received from its clients, I do not know the answer to that question.
- (G) It is my understanding that the residual single-piece mail that is submitted by this presort bureau is verified by a postal clerk at the DMU at the mailer's plant. Presort bureau employees then load this mail onto a postal trailer. A postal driver retrieves the trailer and brings that mail to the Denver Processing and Distribution Center (P&DC) where mail handlers unload the truck. The mail is then weighed into the MODS system and routed to the appropriate operation.

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MMA/USPS-T22-47 Please refer to your response to Interrogatories MMA/USPS-T22-2 and MMA/USPS-T22-16.

- A. In Part A (2) of Interrogatory MMA/USPS-T22-16, you were asked if BMM met the physical requirements for First-Class automation letter discounts. You answered that BMM would not qualify because such letters are not barcoded. Please answer the question in terms of *all* of the physical attribute requirements listed in the DMM that you referred to in your response to Interrogatory MMA/USPS-T22-2. These physical attributes concern the color, weight and stiffness of the paper, letter dimensions, quality and place of the address, the need to maintain a barcode clear space, etc.
- B. In part B (1) of Interrogatory MMA/USPS-T22-16, you state that, if a presort bureau had not collected BMM from local firms, the mail likely would have undergone normal collection procedures. Please explain specifically what you mean by normal collection procedures.

RESPONSE:

- (A) To the best of my knowledge, there are no specific requirements for Bulk Metered Mail (BMM) letters as listed in this interrogatory. However, it has always been my understanding that BMM letters are regarded to be machinable mail pieces with "clean" addresses. I am not aware of any studies that have attempted to determine the extent to which these letters actually meet the DMM standards for the attributes listed.
- (B) The mail would be entered in the manner the specific mailer would have normally entered the mail, had that mailer not submitted that mail to a presort bureau.

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MMA/USPS-T22-48 Please refer to your response to Interrogatory MMA/USPS-T22-18. There you state that you have no way to determine whether workshare mailers have need for window service.

- A. Please provide copies of USPS written guidelines, instructions, or rules that indicate where mailers must present their eligible First-Class automation letters. Is a window of a post office an option?
- B. Please state the average test year after rates window service cost for
 - 1. A First-Class single piece letter, and
 - 2. A First-Class presorted letter.
- C. For the two unit costs that you provide in response to Part B, please state the reasons, if you know, why the unit costs are different.
- D. Please explain why collection costs, which you state are volume variable and are allegedly incurred by single piece but not workshare letters, are not included in your analysis of workshare cost savings. (Please do not simply refer to your response to Part J of Interrogatory MMA/USPS-T22-18, which was not responsive to the original question.)
- E. Why are collection cost data not available?

RESPONSE:

Window service and collection costs are outside the scope of my testimony as outlined in USPS-T-22 on page 1 at 3-15. In addition, I did not state that I had "no way to determine whether workshare mailers have need for window service." The response to MMA/USPS-T22-18(A) and (B) stated that:

I have not studied this issue so have no basis for forming such conclusions.

- (A) Redirected to the Postal Service.
- (B1) Redirected to the Postal Service.
- (B2) Redirected to the Postal Service.

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RESPONSE TO MMA/USPS-T22-48 (CONTINUED)

- (C) Redirected to the Postal Service.
- (D) The question posed in MMA/USPS-T22-18(J) concerns rate design, which is outside the scope of my testimony as outlined in USPS-T-22 on page 1 at 3-15. The question posed here, however, is cost related. As the mail most likely to convert to worksharing, it is my understanding that BMM letters are typically entered in bulk at postal facilities and would bypass collection activities. Please see the response to MMA/USPS-T22-19(B) for an explanation as to why I use the delivery unit cost estimate for nonautomation machinable mixed AADC presort letters as a proxy for BMM letters.
- (E) Redirected to the Postal Service.

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MMA/USPS-T22-49 Please refer to Part A of Interrogatory MMA/USPS-T22-19 where you were asked about the impact of your decision to use machinable nonautomation mixed AADC letters as a proxy for BMM in order to estimate delivery unit costs and your response thereto.

- A. In part A, you were asked about how this decision impacted your derived workshare cost savings. Your response indicates that you feel it made your derived workshare cost savings more accurate. Please provide the actual data, appropriate citations to the record in this case, and copies of any other source documents that you believe support that claim.
- B. Please confirm the unit delivery costs as shown in the table below. Please make any corrections, if necessary.

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Comparison of Delivery Costs From Docket Nos. R2000-1 and R2001-1

First-Class Category	Delivery Unit Costs In Cents		Difference
	R00-1	R01-1	R01-1 - R00-1
Single Piece	5.362	6.037	0.675
BMM	5.479	4.083	-1.396
Nonautomation Presort Letters	5.479	5.942	0.463
Nonautomation Nonmachinable Mixed ADC		8.408	
Nonautomation Nonmachinable ADC		8.408	
Nonautomation Machinable Mixed AADC		4.083	
Nonautomation Machinable AADC		4.083	
Nonautomation Nonmachinable 3-Digit		8.408	
Nonautomation Nonmachinable 5-Digit		8.408	
Nonautomation Machinable 3-Digit		3.954	
Nonautomation Machinable 5-Digit		3.954	
Nonautomation Machinable Letters (All Presort Levels)		4.005	
Automation Mixed AADC Letters		4.164	
Automation AADC Letters		4.015	
Automation Basic Letters	4.319		
Automation 3-Digit Presort Letters	4.196	3.979	-0.217
Automation 5-Digit Presort Letters	2.966	3.794	0.828
Automation 5-Digit Presort Letters (CSBCS/Manual Sites)	6.160	6.160	0.000
Automation Carrier Route Presort Letters	6.059	6.059	0.000
Source:	USPS-LR-I-95 (rev)	USPS-LR-J-117	

C. Please confirm that had you used nonpresorted letter delivery costs as a proxy for BMM, as you did in the last case, the BMM delivery cost would have increased by 1.867 cents. If you cannot confirm, please explain.

D. Please confirm that had you used nonpresorted letter delivery costs as a proxy for BMM, as you did in the last case, your workshare cost savings would have

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RESPONSE TO MMA/USPS-T22-49 (CONTINUED)

- E. increased by 1.867 cents for *each* automation letter category. If you cannot confirm, please explain.
- F. Please confirm that the test year after rates Automation letter volume is 47.743 billion pieces. If no, please provide the correct volume figure.
- G. Please confirm that your assumption concerning BMM delivery costs reduced potential workshare savings by $.01867 \times 47.743$ billion or \$891 million. If you do not agree, then please provide the correct amount, and explain the reason for such correction.
- H. Please confirm that the only explanation that you provide in your Direct Testimony and Library References for changing the assumption from the last case concerning BMM delivery costs is found on page 20 of your Direct Testimony. There you state: "

In this docket, I have refined that assumption and have assumed that delivery unit costs for BMM letters are the same as the delivery unit costs for First-Class machinable mixed AADC nonautomation presort letters".

If you cannot confirm, please provide all other record citations where you explain the rationale for your "refined" assumption.

- I. In Part B of your response, you indicate that the DPS percentage for BMM is 76.35% and is virtually identical to that for nonautomation machinable mixed AADC presort letters.
 - 1. Please confirm that, as your BMM model is constructed, if you have overstated the amount of letters processed by automation, then the very likely result would be an understatement of the true BMM unit costs. If you cannot confirm, please explain.
 - 2. Please confirm that, as your BMM model is constructed, if you have overstated the amount of letters processed by automation, then the very likely result would be an overstatement of the DPS percentage. If you cannot confirm, please explain.

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3. Please confirm that as your BMM model is constructed, if you have understated the true BMM unit cost, then the very likely result would be an overstatement of the DPS percentage. If you cannot confirm, please explain.
 4. Please confirm that, as your BMM model is constructed, if you had assumed that every BMM letter was prebarcoded, then the resulting unit BMM cost increases from 4.193 cents to 4.63 cents. If you cannot confirm, please indicate by how much the unit cost increases and support your response with appropriate citations to the record in this case. If the unit cost decreases, please support your response.
 5. Please confirm that, as your BMM model is constructed, if you had assumed that every BMM letter was prebarcoded, then the resulting BMM DPS percentage decreases from 76.35% to 72.97%. If you cannot confirm, please indicate by how much the DPS percentage decreases and support your response. If the DPS percentage increases, please support your response.
 6. Please confirm that application of the CRA adjustment factor, which you claim compensates for the use of aggregated data (see your answer to Part J of Interrogatory MMA/USPS-T22-21), in no way relates to your model-derived DPS percentage. If you cannot confirm, please explain.
- J. In your response to Part C, you state that the IOCS system does not track costs for BMM letters.
1. Does the IOCS track costs for metered letters? If yes, please explain why you could not have used metered mail costs as you did for mail processing costs?
 2. Doesn't an assumption that potentially impacts almost a \$1 billion warrant more attention that you gave it?

RESPONSE:

(A) Please see the response to MMA/USPS-T22-19(B).

(B) The table has been corrected to include the revised figures filed on 11/15/01.

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- (C) It can be confirmed that had the nonautomation presort letters unit cost estimate been used as the proxy for BMM letters, the BMM letters delivery unit cost estimate would have increased 1.850 cents.
- (D) It can be confirmed that the automation presort letters worksharing related savings estimates would have increased by 1.850 cents.
- (E) Confirmed.
- (F) Not confirmed. The aggregate nonautomation presort letters unit cost estimate represents a category of mail that requires a substantial amount of manual processing. Consequently, I do not view this cost difference as "potential savings" related to Bulk Metered Mail (BMM) letters.
- (G) Confirmed. In addition, please see the response to MMA/USPS-T22-19(B).
- (H1) Confirmed. However, BMM letters and nonautomation machinable mixed AADC presort letters follow identical processing paths. If the amount of BMM letters processed on automation were overstated, then the amount of nonautomation machinable mixed AADC presort letters processed on automation would also be overstated.
- (H2) Confirmed. However, BMM letters and nonautomation machinable mixed AADC presort letters follow identical processing paths. If the Delivery Point Sequencing (DPS) percentage for BMM letters were overstated, then the DPS percentage for nonautomation machinable mixed AADC presort letters would also be overstated. Consequently, those percentages would still be nearly identical.

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- (H3) Not confirmed. It depends on what costs are being understated.
- (H4) I would not have made such an assumption as it has always been my understanding that BMM letters are not generally prebarcoded. Please see the response to MMA/USPS-T22-38(K). However, it can be confirmed that, in the purely mathematical sense, this assumption would change the model costs from 4.276 cents to 4.280 cents.
- (H5) I would not have made such an assumption as it has always been my understanding that BMM letters are not generally prebarcoded. Please see the response to MMA/USPS-T22-38(K). However, it can be confirmed that, in the purely mathematical sense, this assumption would change the DPS percentage from 75.73 percent to 73.76 percent.
- (H6) Not confirmed. For example, the revisions that were filed on 11/15/01 affected both the DPS percentage and the CRA proportional adjustment factor.
- (I1) Yes. Please see the response to MMA/USPS-T22-43(O). The rationale that explains the delivery unit cost proxy for BMM letters can be found in the response to MMA/USPS-T22-19(B).
- (I2) The rationale that explains the delivery unit cost proxy for BMM letters can be found in the response to MMA/USPS-T22-19(B). In addition, the fact that there may be a cost difference between two delivery unit cost estimates does not, in and of itself, mean that one estimate is the best proxy for BMM letters.

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MMA/USPS-T22-50 Please refer to your response to Part E of Interrogatory MMA/USPS-T22-20 where you attempt to explain why the unit delivery cost for single piece letters is about 50% higher than your proxy for metered mail.

- A. Please explain what you mean when you note that single piece letters must pass through Delivery Units on both the originating and destinating ends.
- B. Are metered letters as likely as single piece letters to pass through Delivery Units on both the original and destinating ends? Please explain your response.
- C. Please explain why, with almost a \$1 billion is at stake, you did not perform an in depth study to explore the reasons that single piece letters should cost 50% more than BMM letters.
- D. Did you consider using single piece letters as a proxy for estimating BMM letter costs? If not, why not? If yes, please explain why you did not do so.
- E. What is the average DPS rate for First-Class single piece letters? Please provide a source and support for your response. If you do not have an estimate, what is the implied estimate based on USPS witness Schenk's delivery cost study? Please provide the source and support for your response.

RESPONSE:

- (A) I was referring to the possibility that mailers enter their mail in neighborhood drop boxes or drop boxes at nearby Delivery Units. This mail would be consolidated at the originating Delivery Unit before being routed to the plant. On the destinating end, this mail could again be routed through a Delivery Unit. This is only one possibility, however, as I am not aware of any studies that have attempted to determine why these cost differences exist. In addition, delivery costs are outside of the scope of my testimony.
- (B) It is possible that some of the single-piece letters described in that response could be metered.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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RESPONSE TO MMA/USPS-T22-50 (CONTINUED)

- (C) The Commission relied on a nonautomation presort letters delivery unit cost estimate as the proxy for BMM letters in Docket No. R2000-1. Consequently, I did not feel that such an analysis was necessary. Given that 25% of First-Class Mail nonautomation presort letters are processed manually, the use of the nonautomation mixed AADC presort letters delivery unit cost estimate is a more reasonable proxy.
- (D) No. Please see the response to MMA/USPS-T22-50(C).
- (E) The Delivery Point Sequencing (DPS) percentages have been taken from the cost models. *Cost models were not developed for First-Class Mail single-piece letters.* It is my understanding that witness Schenk's analysis is tally-based. Consequently, there is no way to determine the DPS percentage for First-Class single-piece letters.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-51 Please refer to USPS witness Schenk's response to Part E of Interrogatory MMA/USPS-T22-21 where she states that there is "no information available" as to the nature of the relationship of weight on mail processing costs.

- A. In your analysis of workshare cost savings, please confirm that your model results would not have changed had you assumed that all letters were either one ounce (or less) or between one and two ounces. If you cannot confirm, please explain.
- B. Please explain your opinion as to whether the relationship between weight (up to two ounces) and mail processing costs is linear or monotone. Please explain the terms "linear" and "monotone", as you understand them.

RESPONSE:

- (A) Confirmed. However, if the weight distribution for a specific category of mail pieces changed, some cost model inputs could change. In addition, the CRA mail processing unit costs could change.
- (B) I have not studied the impact that weight has on cost. Consequently, I have no basis for forming an opinion.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T22-52 Please refer to your response to Part A of Interrogatory MMA/USPS-T22-22. There seems to be some confusion with your original response as the CRA cost pools from the original question have been modified. For example, the cost pools for using the USPS cost methodology should not be identical to those of the PRC cost methodology. Yet your response indicates that they are identical.

- A. Please review the attachments to this interrogatory and answer the question again, using the cost pools as shown separately for the USPS and PRC cost methodologies.
- B. Is your original answer correct where you indicate that incoming secondary costs for "auto CR", "3-Pass DPS" and "2-Pass DPS" are reported in the MODS 19 INTL cost pool? If yes, please explain why such costs are treated in your analysis as not related to worksharing.
- C. Please confirm that the CRA cost pools using the USPS cost methodology that are reflected by the models are, in every case, cost pools that you have deemed to be workshare-related and proportional. If no, please provide a listing of cost pools that (1) are either workshare-related (fixed) or non-workshare related (fixed) but are included in the mail flow models or (2) are workshare-related proportional but are not included in the mail flow models.
- D. Please confirm that the CRA cost pools using the PRC cost methodology that are reflected by the models are, in every case, cost pools that you have deemed to be workshare-related and proportional. If no, please provide a listing of cost pools that (1) are either workshare-related (fixed) or non-workshare related (fixed) but are included in the mail flow models or (2) are workshare-related proportional but are not included in the mail flow models.

RESPONSE:

- (A) Please see Attachment 1. The response concerning the PRC version has been redirected to the Postal Service.
- (B) Please see Attachment 1. The response concerning the PRC version has been redirected to the Postal Service.
- (C) Confirmed. Please see USPS-T-22, page 9 at 3-5.
- (D) Redirected to the Postal Service.

[illegible]

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T22-54 Please refer to your response to Part E of Interrogatory MMA/USPS-T22-24.

- A. By using BMM as the benchmark from which to measure Automation cost savings, do you implicitly assume that BMM would be designed in the same manner as Automation letters except that they would not be prebarcoded? If no, please explain.
- B. By using BMM as the benchmark from which to measure Automation cost savings, do you implicitly assume that BMM would be addressed in the same manner as Automation letters except that they would not be prebarcoded? If no, please explain.

RESPONSE:

- (A) Not necessarily. Although it may not have been defined in explicit terms, it has always been my understanding that Bulk Metered Mail (BMM) letters are bulk-entered, nonpresorted, nonprebarcoded, machinable mail pieces with "clean" machine-printed addresses that are likely to be read by postal equipment. Please see the examples shown in the response to MMA/USPS-T22-15, Attachment 4. It is possible that once a mailer converted to worksharing, they might adjust their design and/or addressing methods.
- (B) Please see the response to MMA/USPS-T22-54(A).

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T22-55 Please refer to your answer to MMA/USPS-T22-22, part B where you indicate that you agree with USPS witness Eggleston's testimony concerning cost pools where automation letters have a positive, finite cost associated with them, when logic dictates that such costs are probably reported in error. Please indicate which statement you agree to;

1. The costs reported in cost pools for Automation letters, such as MODS 18 EXPRESS that logically should be zero, are costs that are actually incurred by automation letters but should be reported in a different cost pool.
2. The costs reported in cost pools for Automation letters, such as MODS 18 EXPRESS that logically should be zero, are costs that are incurred by another rate category and should have been reported as such in that cost pool.

RESPONSE:

It is my understanding that both statements (1) and (2) could be true based on the circumstances that may exist during any given IOCS reading. However, the use of the term "rate category" in statement 2 should probably be changed to "CRA category" as the costs may not necessarily reflect those of a rate category.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T22-56 Please refer to page 18 of your Direct Testimony where you state that the benchmark in your worksharing cost savings analysis is Bulk Metered Mail (BMM) letters. Please also refer to page 16 of USPS-LR-J-60 (Revised) where you show the mail flow for BMM letters.

- A. Please confirm that as shown in your BMM mail flow model, none of the BMM letters are prebarcoded. If no, please explain.
- B. Please confirm that the benchmark from which you measure workshare cost savings is a nonprebarcoded metered letter that is entered in bulk. If no, please explain.
- C. Please confirm that you derive workshare cost savings not from the model-derived BMM unit cost but from the CRA-derived BMM unit cost. If no, please explain.
- D. Please confirm that the CRA-derived BMM unit cost that you use includes BMM letters that are prebarcoded. If no, please explain.
- E. Please explain all the circumstances in which prebarcoded CRM would be metered and mailed in bulk quantities.
- F. Are BMM letters prebarcoded to the same degree as single piece metered letters? Please fully explain your answer.
- G. What percent of BMM letters is prebarcoded?
- H. What percent of metered mail letters is prebarcoded?

RESPONSE:

(A) Confirmed.

(B) It can be confirmed that the benchmark is a nonprebarcoded machinable letter that is entered in bulk. The cost estimate that is used as a proxy for BMM letters, however, represents the costs for all metered letters. Some of those letters may be prebarcoded, non-machinable, and have handwritten addresses.

(C) This can be confirmed for most of the First-Class presort letters rate categories, excluding the automation carrier route presort letters category.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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RESPONSE TO MMA/USPS-T22-56 (CONTINUED)

- (D) It can be confirmed that the actual unit cost estimate that has been used as a proxy for BMM letters represents the costs for all metered letters, regardless of addressing method. Consequently, some letters are prebarcoded, some have machine printed addresses, and some have handwritten addresses.
- (E) I am not aware of any situations where this would occur. However, some mailers could prebarcode mailings using technologies like PC Postage.
- (F) Redirected to the Postal Service.
- (G) Redirected to the Postal Service.
- (H) Redirected to the Postal Service.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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MMA/USPS-T22-57 Please refer to your response to Parts B and C of Interrogatory MMA/USPS-T22-27. Why did USPS witness Schenk use data that implied that 13% and 33% of workshare and single piece letters, respectively, were addressed to post office boxes, yet the data you relied upon from Docket No. MC95-1 indicates that only 8.9% of workshare letters and 8.9% of single piece bulk metered letters were addressed to post office boxes.

RESPONSE:

Witness Schenk relied on Delivery Point Sequence (DPS) percentages from my cost models to de-average the delivery unit costs by rate category. The remainder of her analysis, however, is independent from my analysis. The delivery unit cost differences between BMM letters and the First-Class presort rate categories should be related to DPS savings. The percentage of post office box addresses should not affect that savings. The source for my post office box factor can be found in USPS LR-J-60 on page 53.

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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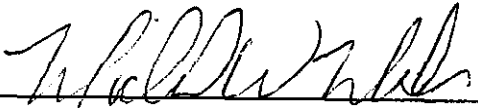
MMA/USPS-T22-58 Please refer to your response to Part D of Interrogatory MMA/USPS-T22-29. As part of the question, you were specifically asked which cost pools would include the costs incurred when BMM was entered **at a USPS window for acceptance and verification**. Your response referred to cost pools when BMM is entered **at a dock or BMEU**. Please answer the question originally posed to you by stating which cost pool includes the costs associated with having the USPS personnel accept and verify First-Class bulk metered mail when such mail is delivered to **a USPS window**. As part of your response, please provide appropriate citations to the record in this proceeding or copies of documents that describe the cost pools affected by acceptance and verification of BMM at a window.

RESPONSE:

Window service costs (cost segment 3.2) are not classified as "mail processing."
Consequently, there are no mail processing cost pools that contain window service acceptance and verification costs.

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: December 7, 2001

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

475 L'Enfant Plaza West, S.W.
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December 7, 2001