

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

RECEIVED
Dec 20 4 56 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 SCHENK TO INTERROGATORIES OF
MAJOR MAILERS ASSOCIATION
(MMA/USPS-T43-21-22)

The United States Postal Service hereby provides the responses of witness Schenk to the following interrogatories of Major Mailers Association: MMA/USPS-T43-21-22, filed on December 6, 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



Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3089 Fax -5402
December 20, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION**

MMA/USPS-T43-21 Please refer to Part H of Interrogatory MMA/USPS-T43-13, which you redirected to USPS witness Miller to answer. That question asked you specific information regarding *your* understanding of the derivation of your unit delivery cost for nonautomation mixed AADC letters and that the interrogatory was intended for *you* to answer.

- A. Please confirm that letters addressed and delivered to a post office box do not require nonDPS processing. If no, please explain.
- B. Please confirm that you assumed that the nonDPS cost for nonautomation, machinable mixed AADC letters for the test year, as well as for all other types of presorted letters, was 3.11 cents.
- C. Please confirm that the 3.11 unit cost refers to an average for all nonautomation machinable mixed AADC letters, as well as all other types of presorted letters, whether or not they required nonDPS processing, since some unknown portion was addressed and delivered to a post office box.
- D. Please confirm your understanding that the decision to use nonautomation machinable mixed AADC letters as a proxy for BMM letters implicitly assumes that the 3.11 unit cost refers to BMM letters as well, and that BMM letters would exhibit the same, unknown portion of letters that was addressed and delivered to a post office box. If you cannot confirm, please explain.
- E. Please confirm that letters addressed and delivered to a post office box do not require DPS processing. If no, please explain.
- F. Please confirm that your derived DPS cost for nonautomation, machinable mixed AADC letters, as well as for all other types of presorted letters, was .5 cents for the test year.
- G. Please confirm that the .5-cent unit cost refers to an average for all nonautomation machinable mixed AADC letters, as well as all other types of presorted letters, whether or not they required DPS processing, since some unknown portion was addressed and delivered to a post office box.
- H. Please confirm your understanding that the decision to use nonautomation machinable mixed AADC letters as a proxy for BMM letters implicitly assumes that the .5-unit cost refers to BMM letters as well, and that BMM letters would exhibit the same, unknown portion of letters that was addressed and delivered to a post office box. If you cannot confirm, please explain.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION**

RESPONSE:

- A. By “nonDPS processing” I assume you are referring to the carrier processing of nonDPS sorted mail, as USPS-LR-J-117 only refers to carrier costs. Not confirmed. Single-piece First-Class letters may require collection-related processing by carriers. See my response to MMA/USPS-T43-1Q and MMA/USPS-T43-1U.
- B. Confirmed.
- C. Confirmed.
- D. Although the assignment of proxies for BMM letters is outside the scope of my testimony (see witness Miller’s testimony, USPS-T-22), I can confirm that the delivery costs for nonautomation machinable mixed AADC letters are derived in part using a nonDPS carrier processing cost of 3.11 cents, and that witness Miller has designated the nonautomation machinable mixed AADC letters as a proxy for BMM letters in determining delivery costs (see USPS-T-22, page 20 at 21-23). Given these facts, it is my understanding that the delivery costs for BMM letters was derived in part using the nonDPS carrier processing cost of 3.11 cents, and any other assumptions that are implicit in the derivation of the delivery cost of nonautomation machinable mixed AADC letters.
- E. By “DPS processing” I assume you are referring to the carrier processing of DPS sorted mail, as USPS-LR-J-117 only refers to carrier costs. Not confirmed. See the response to part A above.
- F. Confirmed.
- G. Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION**

H. Although the assignment of proxies for BMM letters is outside the scope of my testimony (see witness Miller's testimony, USPS-T-22), I can confirm that the delivery costs for nonautomation machinable mixed AADC letters are derived in part using a DPS carrier processing cost of 0.5 cents, and that witness Miller has designated the nonautomation machinable mixed AADC letters as a proxy for BMM letters in determining delivery costs (see USPS-T-22, page 20 at 21-23). Given these facts, it is my understanding that the delivery costs for BMM letters was derived in part using the DPS carrier processing cost of 0.5 cents, and any other assumptions that are implicit in the derivation of the delivery cost of nonautomation machinable mixed AADC letters.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION**

MMA/USPS-T43-22 Please refer to your response to Part B of Interrogatory

MMA/USPS-T43-12. There you discuss the derivation of the DPS unit cost to process presorted letters based on the derived nonDPS unit cost to process presorted letters from FY 1993 cost and volume data.

A. Please confirm that your derived estimate for the test year DPS unit cost to process presorted machinable letters is .5 cents. If you cannot confirm, please provide the correct figure and a source for your answer.

B. Please confirm that USPS witness Miller estimates that the test year DPS unit cost to process presorted machinable letters is 1.14 cents, as shown in the following table. If you cannot confirm, please provide the correct figures and the sources for your answer.

**Computation of Unit DPS Costs For Presorted Letter Categories From USPS
Witness Millers Models
(Cents)**

Model		TPH	Total Cents Per Piece	DPS %	Unit DPS Cost
BMM	Auto 3-Pass	3,205	0.187	75.73%	0.0793
	Auto 2-Pass	13,536	0.594	75.73%	1.0624
	Avg DPS Cost				1.1416
Mach MAADC-AADC	Auto 3-Pass	3,182	0.187	75.17%	0.0793
	Auto 2-Pass	13,436	0.594	75.17%	1.0624
	Avg DPS Cost				1.1416
Mach 3D-5D	Auto 3-Pass	3,276	0.187	77.40%	0.0793
	Auto 2-Pass	13,835	0.594	77.40%	1.0624
	Avg DPS Cost				1.1416
Auto Mix AADC	Auto 3-Pass	3,122	0.187	73.76%	0.0793
	Auto 2-Pass	13,184	0.594	73.76%	1.0624
	Avg DPS Cost				1.1416
Auto AADC	Auto 3-Pass	3,232	0.187	76.35%	0.0793
	Auto 2-Pass	13,646	0.594	76.35%	1.0624
	Avg DPS Cost				1.1416
Auto 3D	Auto 3-Pass	3,258	0.187	76.98%	0.0793
	Auto 2-Pass	13,759	0.594	76.98%	1.0624
	Avg DPS Cost				1.1416

Source: USPS-LR-J-60 (Revised 11/14/01)

Note that Unit DPS Cost = (TPH x Total Cents Per Piece) / DPS % /10,000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION**

C. Please explain why your derived test year presorted DPS unit cost is less than half that derived by USPS witness Miller.

RESPONSE:

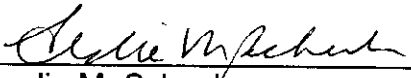
A. Confirmed.

B. Not confirmed. The data presented in the above table in the columns headed "TPH", "Total Cents Per Piece", and "DPS%" are confirmed as coming from USPS-LR-J-60, workbook FCMREV2.xls. However, I have not been able to confirm that witness Miller calculates any unit DPS costs in USPS-LR-J-60 or in his testimony (USPS-T-22).

C. The test year presorted DPS unit costs presented in USPS-LR-J-117 are DPS unit carrier costs, i.e., the unit costs associated with carrier processing of DPS sorted mail. The derived unit DPS costs for presorted letters presented in part B above, if correct, would be mail processing unit cost for DPS sortation. Since the unit DPS costs presented in USPS-LR-J-117 and those presented in part B above are measuring different functions, they are not directly comparable.

DECLARATION

I, Leslie M. Schenk, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

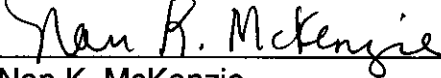


Leslie M. Schenk

Dated: 12/20/01

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
December 20, 2001