

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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WASHINGTON, D.C.

Postal Rate and Fee Changes

Docket No. R2001-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

(Issued January 9, 2002)

United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 10 days.

1. Please refer to USPS-LR-J-125, file VF_AR_XLS, sheet SHARES. Show, step-by-step, how the basic automation letter discounts for Standard regular and nonprofit in cells T8 and AD8 were calculated.
2. Please refer to USPS-LR-J-125, file VF_AR_XLS, sheet PRICES. Show, step-by-step, how the worksharing discounts in cells CA5 through CH6 were calculated.
3. The FY 2000 piece data for Zone 5 of Intra-BMC Parcel Post in LR-J-106 does not match the data in LR-J-67, Attachment E, Table 3, page 5. Please reconcile the differences and provide revised exhibits, testimony, and library references as necessary.

4. Library Reference J-202 provided in response to POIR 6, question 9 displays the components and distribution keys used in the SAS programs provided in USPS LR-J-46 and USPS LR-J-52. USPS LR-J-46 develops the piggyback factors for the Base Year and USPS LR-J-52 develops piggyback factors for the Test Year. A review of the distribution keys displayed in LR-J-202 indicate some inconsistencies in the rollforward process.
- (a) Component 694, the distribution key for component 678, Joint Supervision is the same in the test year as it is for the base year. The same is true for component 294, distribution key for components 30, Higher Level Supervision, and 422, Administrative Clerks-General Office and Clerical. Since the distribution keys are developed by the summation of direct cost components which are rolled forward from the base year to the test year, should the distribution keys be different for the two years? If the keys should be different for the base year and the test year please provide corrections as necessary to Library References J-46 and J-52, the base year and test year piggyback factor calculations.
- (b) The distribution key for segment 2 Employee and Labor Relations supervision (Component 528), Time and Attendance supervision (Component 483), and segment 3 Time and Attendance clerks (component 477) is shown to be component 525. This distribution key, component 525, does not include the PESSA labor costs for segment 11, custodial and equipment maintenance and segment 18, USPS protection force. Should the correct distribution key used in the piggyback factor calculation include these PESSA labor costs, as it does in the development of the base year and the rollforward to the test year? If the current distribution key used is incorrect, please provide the correct distribution key and indicate how the piggyback factors for the base year and the test year would change.
- (c) The distribution key for the segment 18 and segment 20 labor-related benefits costs, component 526, also does not include the PESSA labor costs noted in part (b), above. Should the correct distribution key used in the piggyback factor calculation include these PESSA labor costs? If the current distribution

key used is incorrect, please provide the correct distribution key and indicate how the piggyback factors for the base year and the test year would change.

5. Please provide the following information regarding the APWU contract arbitration award of December 18, 2001:

- The FY 2002 and Test Year estimated cost of the \$499 COLA lump sum awarded to APWU employees;
- The FY 2002 and Test Year estimated cost of the grade level upgrades awarded to specific position classifications. Include the number of employees affected by job classification title. Also indicate if the cost estimate can be incorporated into LR-J-50 in the same manner as the grade level upgrade awarded to the NALC in FY 2001;
- The FY 2002 and Test Year estimated cost of the lump sum payment for the retroactive pay increase for November 18, 2000 (1.2% increase) and November 17, 2001 (1.8% increase).

The information should be consistent with the spreadsheet formats in USPS LR-J-50, the Comprehensive Roll-Forward Factor Development Model (CRFDM). Please indicate how these data may be incorporated into LR-J-50.

6. Witness Patelunas, in his response to Presiding Officer's Information Request No. 6, question 8, implies that the costs reflected in the rollforward are for only the domestic transactions of registry, insurance, and money orders. The costs of the international transactions associated with these special services are included in the total costs of international mail. However, workpaper 11 of USPS-T-36 calculates cost coverages for registry, insurance, and money orders using total revenues that include the international transactions of the aforementioned special services. Please discuss why it is appropriate to calculate cost coverages for registry, insurance, and money orders with revenues that include international transactions and costs that do not include international transactions.

7. This question refers to LR-J-106 and LR-I-62 from Docket No. R2000-1.
- (a) The calculation of the piece charge for Parcel Post involves subtracting the surcharges from the total amount to be recovered by the piece charge. In LR-I-62 witness Plunkett used the proposed nonmachinable surcharge rate times the estimated TYBR nonmachinable volume to calculate the surcharges for Inter-BMC, Intra-BMC, and DBMC. In LR-J-106 witness Keifer uses the unit cost, rather than the proposed rate, of the nonmachinable parcels for Inter-BMC, Intra-BMC and DBMC to calculate the surcharges. Please explain the rationale for this change in methodology.
- (b) In LR-J-106 witness Kiefer increases the piece charge by a “rate constraint revenue reallocation factor” of 101%. Please explain how this factor is derived.
8. Witness Moeller’s Exhibit USPS-28B shows TYAR revenues of \$11,037,577 for Standard Mail Regular Subclass and \$1,669,064 for Nonprofit subclass. The total for these two subclasses is shown as \$12,706,641. The source for these figures, USPS-T-32, p.28, contains only the total for the two subclasses and it is shown as \$12,711,544. LR-J-132, WP 1, page W, the source for USPS-T-32, p.28, shows TYAR revenues of \$11,042,480 for Standard Mail Regular Subclass and \$1,669,063 for Nonprofit subclass. The total for these two subclasses is shown as \$12,711.543. The figures are summarized below (Amounts in Thousands):

Subclass	Exhibit USPS-28A (1)	USPS-T-32 Page 28 (2)	LR-J-132 WP 1, p.W (3)
Regular	\$11,037,577		\$11,042,480
Nonprofit	\$ 1,669,064		\$ 1,669,063
Total	\$12,706,641	\$12,711,544	\$12,711,543

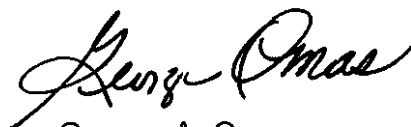
Please reconcile the differences and provide revised exhibits, testimony, and library references as necessary.

9. Please reference LR-J-199 provided by witness Schenk in response to Presiding Officer Information Request No. 6, Item 10(c.). The following questions refer to Standard mail.
 - (a) In LR-J-199, the distribution of rural carrier test year attributable costs by shape is based on the distribution of RPW test year piece volumes by shape. In the USPS version, the shape distribution of test year rural carrier costs is based on the distribution of base year rural carrier costs by shape as developed in LR-J-117 (See File: LR-J-117, Sheet: Rural Crosswalk, Cells: C51. E52). The latter distribution methodology was also used by witness Crum in Docket No. R2000-1. The difference between the distribution methodologies has a significant effect on total attributable costs by shape. It appears that the distribution key used in the USPS version would be applicable to the PRC version because there is no difference in the treatment of rural carrier costs between the two methodologies. Please provide a rationale for using a different distribution key for the PRC version, or alternatively, please provide a revised distribution.
 - (b) In LR-J-199, the distribution of city carrier test year elemental load attributable costs by shape is based on the distribution of RPW test year weight by shape. In the USPS version, the shape distribution of test year city carrier elemental load costs is based on the distribution of base year rural carrier costs by shape as developed in LR-J-117 (See File: LR-J-117, Sheet: City Load, Cells: C68. E69). The latter distribution methodology was also used by witness Crum in Docket No. R2000-1. The difference between the distribution methodologies has a significant effect on total attributable costs by shape. It appears that the distribution key used in the USPS version would be applicable to the PRC version because there is no difference in the treatment of city carrier elemental load costs between the two methodologies. Please

provide a rationale for using a different distribution key for the PRC version, or alternatively, please provide a revised distribution.

10. In the latest version of USPS-LR-J-58 (rev. 12/17/01), the cell in Table 1 of the spreadsheet LR58ASP_revised.xls which contains the additional ounce cost for First-Class single-piece mail (cell O28) was omitted. Please provide the revised figure and discuss any impact the revision may have had on the relationship between the additional ounce cost for First-Class presort (13.75 cents) and that of single-piece.

11. This item addresses mail processing cost for Standard 3/5-digit nonautomation letters. USPS LR-J-162 shows a mail processing worksharing-related cost of 8.257 cents. (See File: Standard.xls, Sheet: Letters Summary, Cell: E18) The comparable figure from Docket No. 2000-1 is 4.516 cents (See USPS-J-162, File: appiii, Sheet: DEAVGD NONAUTO UNIT COST, Cell: F45). The figure from the current case is nearly double that of the previous case and has substantially increased the cost differential between 3/5-digit nonautomation letters and 3-digit automation letters (the cost for this latter category has remained roughly constant). The referenced cost differential is used in the design of Regular and Nonprofit rates. Please discuss the reason(s) for the increase in this cost, whether the increase is reasonable, prospective changes in the cost differential, and the ramifications for rate design in the current rate case and prospectively.



George A. Omas
Presiding Officer