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

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: POSTAL RATE AND FEE CHANGES, 2001 : Docket No. R2001-1  
: \_\_\_\_\_:

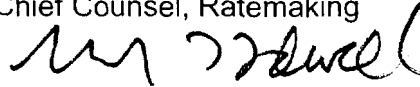
INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE  
TO AMERICAN POSTAL WORKERS UNION WITNESS RILEY  
(USPS/APWU-T1-1 THROUGH 6)

In accordance with Presiding Officer's Ruling No. R2001-1/43 (January 31, 2002), the United States Postal Service hereby directs the following interrogatories to American Postal Workers Union witness Michael Riley: USPS/APWU-T1-1 through 6.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



\_\_\_\_\_  
Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
February 1, 2002

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE  
TO APWU WITNESS RILEY

**USPS/APWU-T1-1**

Please refer to your testimony at page 4 at (lines 9-11) where you state, "From August 1993 to July 1998, I held the position of Senior Vice President and Chief Financial Officer of the U.S. Postal Service."

- a. Please confirm that the USPS Request in Docket No. R97-1 (an electronic copy of which may be accessed and examined via the PRC website) was filed at the Postal Rate Commission on July 10, 1997. If not confirmed, please explain.
- b. Please confirm that you were the Senior Vice President and Chief Financial Officer of the Postal Service at the time that the Postal Service prepared its Docket No. R97-1 Request, submitted to the USPS Board of Governor for approval, and filed it at the Postal Rate Commission. If not confirmed, please explain.
- c. Please confirm that the Certification found in Attachment D of that Request was signed by John A. Reynolds, Manager, Product Finance, Finance Department, USPS Headquarters. If not confirmed, please explain.
- d. Please confirm that in July, 1997, the Finance Department operated under the direction of the Senior Vice-President and Chief Financial Officer. If not confirmed, please explain.

**USPS/APWU-T1-2**

Please refer to your testimony on page 24 (lines 6-9), where you state, "In summary, I recommend that the Postal Rate Commission set discounts for First-Class mail at levels between 80 percent and 100 percent of the estimated cost avoided by the Postal Service."

- a. Please provide the quantitative basis for your lower bound of 80 percent.
- b. Please explain in full the qualitative basis for your lower bound of 80 percent.

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE  
TO APWU WITNESS RILEY

**USPS/APWU-T1-3**

- a. Please refer to your testimony on page 10 at 9-11 where you state, "In this case, the CRA cost system will properly register the 'actual' costs of the mail with the resulting contribution from such mail being less than had been anticipated." Please confirm that the CRA is designed to capture costs related to all mail. If not confirmed, please explain.
- b. Please refer to witness Miller's testimony (USPS-T-22) on page 8 at 15-16. Please confirm that witness Miller's analysis relied upon CRA mail processing unit cost estimates. If not confirmed, please explain.
- c. Please refer to witness Miller's testimony (USPS-T-22) on page 17 at 1-9. Please confirm that CRA adjustment factors were applied to witness Miller's test year model cost estimates. If not confirmed, please explain.
- d. Please refer to USPS LR-J-60, page 51. Please confirm that witness Miller's cost models rely upon actual accept rates for all mail processed on letter sorting equipment. If not confirmed, please explain.
- e. Please refer to your testimony on page 10 at 3-9 where you state, "Since the Postal Service's proposed discounts are based upon special studies which develop 'should cost' estimates of cost avoided by pre-barcoding and pre-sorting, in those cases where the mail is not presented in the prescribed manner but is granted the discount anyway, the result certainly will be the Postal Service experiencing higher costs than had been estimated." Please explain how the Postal Service will experience higher costs than it has estimated, if its costs estimates are based on data representing actual mail pieces, including mail pieces accepted and processed despite not being presented in the prescribed manner.

**USPS/APWU-T1-4**

Please refer to your testimony on page 15 at 14-17 where you state, "Good economics and public policy require a limit of discounts to a maximum of cost avoided. The Postal Rate Commission has said as much in its past orders and this is correct."

- a. Please refer to PRC Op. R2000-1, page 243, Table 5-3. Please confirm that the recommended passthrough of avoided cost for the First-Class Mail nonautomation presort letters rate category was 500 percent ( $2.0\phi + 0.4\phi$ ).

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE  
TO APWU WITNESS RILEY

- b. Please confirm that discount for First-Class Mail nonautomation presort letters, as modified by the Decision of the Governors of the United States Postal Service on the Recommended Decision on Further Reconsideration of the Postal Rate Commission on Postal Rate and Fee Changes, Docket No. R2000-1 (May 7, 2001) is 1.8 cents.
- c. Please confirm that the passthrough of avoided cost for the First-Class Mail nonautomation presort letters rate category, as modified by the Governors in Docket No. R2000-1 was 450 percent ( $1.8\phi \div 0.4\phi$ ).
- d. Are you aware of any other mail classes within which the Postal Rate Commission has recommended passthroughs in excess of 100 percent for particular rate categories since Docket No. MC95-1? If so, please list all such categories and the recommended passthroughs.

**USPS/APWU-T1-5**

Please refer to your testimony at page 11 (lines 9-12), where you state, "If the larger discounts drive greater volume into pre-barcoded and pre-sorted mail, then the Postal Service will realize a smaller return on its investment in automation equipment." In addition, please refer to your testimony at page 20 (lines 11-13), where you state, "One feature of capital investment in the high tech equipment is that these machines are expected to recover their costs in the first year or two."

- a. In reference to the first statement, please identify the sources of the mail volume that would convert or migrate to prebarcoded and presorted status. Please fully explain the basis for your conclusions.
- b. Please refer to witness Miller's response to KE/USPS-T22-1 (Tr. 7/1357-60) and identify which pieces of postal letter mail processing equipment referenced in that response you consider to be "high tech equipment."
- c. Of the equipment identified in response to subpart (b), to the best of your knowledge, please identify the equipment for which deployment was either completed or substantially completed more than two years ago.

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TO APWU WITNESS RILEY

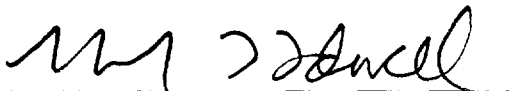
**USPS/APWU-T1-6**

Please refer to your Table I and Table II, Column (4) of your testimony.

- a. Please confirm that cost methodology changes will affect the costs in Table II, Column (4). If not confirmed, please explain.
- b. Please confirm that the results in Column (4) would change if the Postal Service, in support of its Docket No. R2001-1 cost presentations, had adopted the Postal Rate Commission's approach to volume variability, as reflected in PRC Op. R2000-1, Appendix F.
- c. Please confirm that Docket No. R2001-1 witness Miller (USPS-T-22) has made cost pool classification adjustments that differ from those relied upon by the Commission in Docket No. R2000-1. (See USPS-T-22, pages 9 (line 23) - 10 (line 4). If not confirmed, please explain.
- d. Please confirm that Docket No. R2001-1 witness Miller (USPS-T-22) has adopted a delivery unit cost estimate proxy for Bulk Metered Mail (BMM) letters that differs from that relied upon by the Commission in Docket No. R2000-1. (See USPS-T-22, page 20 (lines 19-24). If not confirmed, please explain.

**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

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February 1, 2002