

OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:)
POSTAL RATE AND FEE CHANGES) Docket No. R-2001-1

VOLUME #14

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes

Docket No. R2001-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION

Party

Interrogatories

United States Postal Service

Kirk T. Kaneer (USPS-T-38)

Office of the Consumer Advocate

DBP/USPS-155 redirected to T38

James M. Kiefer (USPS-T-33)

Postal Rate Commission

POIR 8, Questions 3, 7(a)-(b)

POIR 9, Question 1(a)-(b)

Linda A. Kingsley (USPS-T-39)

KeySpan Energy

KE/USPS-T39-3, 13

L. Paul Loetscher (USPS-T-41)

Coalition of Religious Press
Associations and National Federation
of Independent Publications

CRPA-NFIP/USPS-T41-1-4

Susan W. Mayo (USPS-T-36)

Office of the Consumer Advocate

DBP/USPS-105, 113, 141, 144-146 redirected to
T36

Postal Rate Commission

POIR 8, Question 6

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American Postal Workers Union, AFL-CIO	KE/USPS-T22-14-16, 21 KE/USPS-T39-1 redirected to T22 MMA/USPS-T22-1, 4a, e-f, 5a-b, 6a, 8b, d, 9-15, 16a-c, 18, 20a, f, 22, 24, 26-27, 29a-d, 31-32, 33a- j, l-n, q, 34-37, 38c-d, f-k, 40-41, 43, 44a-c.1, c.2, e, 45-47, 48d, 50-51, 52c, 54-55, 56a-e, 57-63, 66- 69, 72-75 MMA/USPS-T43-19 redirected to T22
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Maura Robinson (USPS-T-29)	
Postal Rate Commission	POIR 4, Question 6
United States Postal Service	POIR 4, Question 6
Leslie M. Schenk (USPS-T-43)	
Postal Rate Commission	POIR 8, Questions 9, 10

PartyInterrogatories**Marc A. Smith (USPS-T-15)**

Major Mailers Association

MMA/USPS-T22-7c redirected to T15

Postal Rate Commission

POIR 8, Question 4(a)-(c)

Altaf H. Taufique (USPS-T-34)

Postal Rate Commission

POIR 9, Question 2(a)-(b)

POIR 10, Question 1

William P. Tayman (USPS-T-6)

Postal Rate Commission

POIR 8, Question 5

George S. Tolley (USPS-T-7)

Postal Rate Commission

POIR 8, Questions 1, 2

InstitutionalAmerican Postal Workers Union,
AFL-CIO

MMA/USPS-T22-52a-b redirected to USPS

Major Mailers Association

MMA/USPS-3

MMA/USPS-T22-7d redirected to USPS

Office of the Consumer Advocate

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Postal Rate Commission

POIR 9, Questions 4

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
<u>United States Postal Service</u>	
Kirk T. Kaneer (USPS-T-38)	
DBP/USPS-155 redirected to T38	OCA
James M. Kiefer (USPS-T-33)	
POIR 8, Questions 3, 7(a)-(b)	PRC
POIR 9, Question 1(a)-(b)	PRC
Linda A. Kingsley (USPS-T-39)	
KE/USPS-T39-3	KeySpan
KE/USPS-T39-13	KeySpan
L. Paul Loetscher (USPS-T-41)	
CRPA-NFIP/USPS-T41-1	CRPA-NFIP
CRPA-NFIP/USPS-T41-2	CRPA-NFIP
CRPA-NFIP/USPS-T41-3	CRPA-NFIP
CRPA-NFIP/USPS-T41-4	CRPA-NFIP
Susan W. Mayo (USPS-T-36)	
DBP/USPS-105 redirected to T36	OCA
DBP/USPS-113 redirected to T36	OCA
DBP/USPS-141 redirected to T36	OCA
DBP/USPS-144 redirected to T36	OCA
DBP/USPS-145 redirected to T36	OCA
DBP/USPS-146 redirected to T36	OCA
POIR 8, Question 6	PRC
Michael W. Miller (USPS-T-22)	
KE/USPS-T22-5	KeySpan
KE/USPS-T22-6	KeySpan
KE/USPS-T22-7	KeySpan
KE/USPS-T22-8	KeySpan
KE/USPS-T22-9	KeySpan

<u>Interrogatory</u>	<u>Designating Parties</u>
MMA/USPS-T22-44b	APWU
MMA/USPS-T22-44c.1	APWU
MMA/USPS-T22-44c.2	APWU
MMA/USPS-T22-44e	APWU
MMA/USPS-T22-45	APWU
MMA/USPS-T22-46	APWU
MMA/USPS-T22-47	APWU
MMA/USPS-T22-48d	APWU
MMA/USPS-T22-49	MMA
MMA/USPS-T22-50	APWU
MMA/USPS-T22-51	APWU
MMA/USPS-T22-52c	APWU
MMA/USPS-T22-54	APWU
MMA/USPS-T22-55	APWU
MMA/USPS-T22-56a	APWU
MMA/USPS-T22-56b	APWU
MMA/USPS-T22-56c	APWU
MMA/USPS-T22-56d	APWU
MMA/USPS-T22-56e	APWU
MMA/USPS-T22-57	APWU
MMA/USPS-T22-58	APWU
MMA/USPS-T22-59	APWU
MMA/USPS-T22-60	APWU
MMA/USPS-T22-61	APWU
MMA/USPS-T22-62	APWU
MMA/USPS-T22-63	APWU
MMA/USPS-T22-66	APWU
MMA/USPS-T22-67	APWU
MMA/USPS-T22-68	APWU
MMA/USPS-T22-69	APWU
MMA/USPS-T22-72	APWU
MMA/USPS-T22-73	APWU
MMA/USPS-T22-74	APWU
MMA/USPS-T22-75	APWU
MMA/USPS-T43-19 redirected to T22	APWU
POIR 8, Question 11	PRC
POIR 9, Question 3	PRC

InterrogatoryDesignating Parties**Joseph D. Moeller (USPS-T-28)**

POIR 8, Questions 8, 11

PRC

Joseph D. Moeller (USPS-T-32)

POIR No. 2, Question 6 Attachment pp. 1-4

MMA

Maura Robinson (USPS-T-29)

POIR 4, Question 6

PRC, USPS

Leslie M. Schenk (USPS-T-43)

POIR 8, Questions 9, 10

PRC

Marc A. Smith (USPS-T-15)

MMA/USPS-T22-7c redirected to T15

MMA

POIR 8, Question 4(a)-(c)

PRC

Altaf H. Taufique (USPS-T-34)

POIR 9, Question 2(a)-(b)

PRC

POIR 10, Question 1

PRC

William P. Tayman (USPS-T-6)

POIR 8, Question 5

PRC

George S. Tolley (USPS-T-7)

POIR 8, Questions 1, 2

PRC

Institutional

DBP/USPS-9

OCA

DBP/USPS-83

OCA

DBP/USPS-88

OCA

DBP/USPS-114

OCA

DBP/USPS-115

OCA

DBP/USPS-116

OCA

DBP/USPS-117

OCA

DBP/USPS-118

OCA

DBP/USPS-119

OCA

United States Postal Service

**Kirk T. Kaneer
(USPS-T-38)**

<u>Interrogatory</u>	<u>Designating Parties</u>
DBP/USPS-120	OCA
DBP/USPS-123a	OCA
DBP/USPS-130d	OCA
DBP/USPS-138a	OCA
DBP/USPS-138b	OCA
DBP/USPS-150	OCA
DBP/USPS-151	OCA
DBP/USPS-153	OCA
DBP/USPS-154	OCA
DBP/USPS-156	OCA
MMA/USPS-3	MMA
MMA/USPS-T22-7d redirected to USPS	MMA
MMA/USPS-T22-52a redirected to USPS	APWU
MMA/USPS-T22-52b redirected to USPS	APWU
OCA/USPS-66	OCA
OCA/USPS-68	OCA
OCA/USPS-70	OCA
OCA/USPS-72	OCA
OCA/USPS-77	OCA
OCA/USPS-311	OCA
OCA/USPS-313	OCA
OCA/USPS-T30-19a redirected to USPS	OCA
OCA/USPS-T30-19b redirected to USPS	OCA
OCA/USPS-T30-19c redirected to USPS	OCA
POIR 9, Questions 4	PRC

**RESPONSE OF UNITED STATES POSTAL WITNESS KIEFER
TO PRESIDING OFFICER'S INFORMATION REQUEST 8**

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.

RESPONSE

The volumes shown for Intra-BMC zone 5 Parcel Post in LR-J-67 (16,871) reflect only the Form 12 data for this rate category and zone. The billing determinants data shown in LR-J-106 for Intra-BMC zone 5 contain an additional 29,916 pieces identified from the USPS Permit system. These additional pieces were distributed to weight increments in the same proportions as the pieces in the Form 12 data employed by witness Eggleston. The total volume for zone 5 in the billing determinants is the sum of the Form 12 pieces and the Permit pieces. The aggregated Form 12 and Permit volume benchmarks to the RPW data, so it is the appropriate volume figure to use for rate design purposes. Witness Eggleston used the Form 12 data (without the additional Permit data) to develop average cubic feet estimates, to calculate the percent of each rate category that is machinable, and to run the regressions to develop the cube-weight relationship estimates. These uses of the data were internally consistent since only Form 12 data were used throughout these analyses. Witness Eggleston used my TYBR volume profiles, which were based on the billing determinants, for all of her cost and worksharing cost savings estimates. Given the limited and internally consistent use of the Form 12 data, as well as the relatively small size of the difference, neither witness Eggleston nor I believe that any material effects were produced on the costing or pricing analyses or outcomes, so no revisions to exhibits, testimony or library references are necessary.

United States Postal Service

**James M. Kiefer
(USPS-T-33)**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KANEER
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-155 Please refer to your response to DBP/USPS-122 subpart c and d. [a] Please provide a copy of the referenced Publication 431. [b] The requested procedures also relates to the time period that the updates will be made, such as on an annual basis, prior to each omnibus rate case, etc. What time period is contemplated for updating the data?

RESPONSE:

- (a) Please see library reference J-216.
- (b) Again, no determinations have been made.

**RESPONSE OF UNITED STATES POSTAL WITNESS KIEFER
TO PRESIDING OFFICER'S INFORMATION REQUEST 8**

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.

RESPONSE

(a) The method I used places all leakages and surcharges on an equal footing before adjustments are made, with passthroughs set at 100%. Then, as passthroughs are reduced from 100%, the revenue recovery impact of reducing the passthrough is apportioned to all Parcel Post mail pieces roughly proportionately to each piece's revenue burden. Using my method, the markup factor is slightly higher than if the reduction in surcharge passthroughs are assumed *a priori*, which is the approach used by witness Plunkett in Docket No. R2000-1. Both approaches yield the same amount of target revenue. Both methods represent reasonable approaches to reallocating the relatively small amounts of revenue required to offset the surcharge reductions. I believe that the approach I used has merit since it treats all factors requiring revenue adjustments (worksharing leakages, surcharge reductions, etc.) on a consistent basis.

(b) During the rate design process, when rate constraints were imposed, some revenue was lost. The "rate constraint revenue reallocation factor" was applied to give the per-piece rate element a slightly higher weight in recovering this lost revenue than it would have borne if the markup factor had simply been

**RESPONSE OF UNITED STATES POSTAL WITNESS KIEFER
TO PRESIDING OFFICER'S INFORMATION REQUEST 8**

increased. Increasing the per-piece rate element shares the burden of recovering revenues lost via rate change mitigation more equally to all Parcel Post pieces than would increasing the markup factor. The value used for the revenue reallocation factor was judgmentally determined to accomplish what I believe to be a fair and equitable redistribution of the burden of recovering lost revenue.

**RESPONSE OF UNITED STATES POSTAL WITNESS KIEFER
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9**

1. Please refer to USPS-LR-J-106.

- (a) In WP-BPM-16, the single-piece rates are developed using the "adjusted rate elements" for flats, rather than parcels. Please explain the rationale for using the flat rate element rather than the parcel rate element.
- (b) In WP-BPM-27 the barcode discounts for parcels, both single-piece and presort, are developed using the total volume instead of the parcel volume. Please explain the rationale for using total volume.

RESPONSE

- (a) The rates identified as the Single Piece BPM parcel rates in workpaper WP-BPM-16 were developed using the Single Piece BPM flats rate elements due to a spreadsheet error. These proposed Single Piece rates were subsequently used to calculate TYAR revenues, so the projected revenues shown in workpapers WP-BPM-27 and WP-BPM-28 are consistent with the proposed rates. Because only a small number of BPM pieces use the Single Piece rates, the sole impact of the error was to shift a slight amount of revenue recovery (less than \$900,000) from Single Piece BPM to presorted BPM. Given the small impact of the error, I believe that the BPM rates originally proposed remain appropriate and meet all the pricing criteria of the Postal Reorganization Act.
- (b) The numbers of pieces expected to bear parcel barcodes was calculated by applying percentages (Items [7a] and [7b] on workpaper WP-BPM-1) to total single piece and presort volumes, respectively. These percentages are the ratios of single piece parcel barcoded pieces to total single piece volume and of presort parcel barcoded pieces to total presort volume, calculated from historical RPW data. Since the percentages of parcel barcoded pieces were calculated from historical *total* volumes, those percentages should be applied to test year *total* volumes to derive the appropriate numbers of parcel barcoded pieces in the test year. Had the

**RESPONSE OF UNITED STATES POSTAL WITNESS KIEFER
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9**

percentages been derived as ratios of *parcel* barcoded pieces to base year *parcel-shaped* pieces (assuming those data were available), then it would have been appropriate to multiply those percentages by the test year volumes of only *parcel-shaped* pieces. Of course, in that case, the percentages would have been proportionately higher, since the denominators of the ratios were smaller. Using either approach, the estimated volumes of *parcel* barcoded pieces, and the revenue impacts, would have been identical.

United States Postal Service

**Linda A. Kingsley
(USPS-T-39)**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF KEYSpan ENERGY

KE/USPS-T-39-3 Please refer to your response to Interrogatory KE/USPS-T10-6c in Docket No. R2000-1 where you testified that the Postal Service expected to finalize by automation 94.1% of all barcoded letter volume in the incoming secondary operation by the test year in that case.

- A. Was this goal achieved? Please support your answer.
- B. What is the projection for the test year in this case?
- C. Does your projection include letters addressed to a post office box?
Please explain.

Response:

- A. Yes. The projection of 94.1% was based on incoming secondary letters that were sorted on automation equipment in the plants. The final number was 94.8% for the year.
- B. No projection has been made for the test year at the present time.
- C. If a projection were available for the test year, letters addressed to post office boxes would be included.

Revised 12/03/01

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF KEYSpan ENERGY**

KE/USPS-T-39-13 Please refer to the Postal Service's response to Interrogatory OCA/USPS-62.

- A. Please confirm that the Postal Service barcoded 3,007,541,000 letters during AP 12, FY 01. If no, please explain
- B. Please confirm that the Postal Service failed to barcode 946,754,000 letters during AP 12, FY 01. If no, please explain
- C. Please confirm that the Postal Service could potentially have barcoded 3,007,541,000 plus 946,754,000 letters or 3,954,295,000 during AP 12, FY 01. If no, please explain.
- D. Please confirm that the Postal Service could not or did not barcode 946,754,000 /3,954,295,000 or 23.9 % of the letters during AP 12, FY 01, If no, please explain.
- E. For the test year, what percent of total letters will the Postal Service fail to barcode, given the fact that 23.9 % of the letters were not barcoded during AP 12, FY 01? Please support your answer.
- F. Please fill in the following table and correct any volume figures shown if they are not correct.

Volume of Barcoded and Non-barcoded Letters (000)

Subclass	Letters with USPS Applied Barcodes	Letters with Mailer Applied Barcodes	Letters Without Barcodes
FY 1999			
First Class	38,911,824	47,000,370	9,829,438
Standard	4,946,688	29,304,609	7,373,399
Total	43,858,512	76,304,979	17,202,837
FY 2000			
First Class	39,230,428	50,097,557	9,105,107
Standard	4,016,695	33,617,045	6,765,283
Total	43,247,124	83,714,601	15,870,390
FY 2001			
First Class	38,980,010	52,800,062	8,467,994
Standard	3,664,574	37,299,240	5,699,796
Total	42,644,584	90,099,302	14,167,790
AP 12, FY 01			
First Class	2,847,333	4,066,708	567,350
Standard	160,208	2,582,785	379,404
Total	3,007,541	6,649,493	946,754
AP 13, FY 01			
First Class	2,610,868	3,803,057	545,863
Standard	112,854	2,805,734	363,027
Total	2,723,722	6,608,791	908,890

Revised 12/03/01

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KINGSLEY
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE:

- A. Confirmed
- B. Not confirmed. The Postal Service will never be able to finalize 100% of letters and cards that are processed by the MLOCR-ISS and RCR systems. See response to MMA/USPS-T22-4D.
- C. Not confirmed. The Postal Service does not expect to finalize all letters and cards since not every card and letter can be read. The Postal Service attempts to barcode machinable cards and letters not pre-barcode, but due to insufficient addresses, addresses not matching the data base, etc., sometimes the attempts are unsuccessful. The non-machinable letters and cards that obviously can't be barcoded on an OCR or through RBCS are also included in the non-barcode volume. *Unless all non-machinable letter volume goes away, we will be unable to reach anything close to 100%.*
- D. Not confirmed. See KE/USPS-T39-13C. The 3.9 billion figure is only USPS-applied barcodes, not total barcodes.
- E. *Under the Letter Recognition Enhancement Program (USPS-LR-J-62), the Postal Service has targeted a MLOCR-ISS/RCR finalization rate of 93.25. See response to MMA/USPS-T22-4D.*
- F. Completed above. Total excludes Periodicals letters.

United States Postal Service

**L. Paul Loetscher
(USPS-T-41)**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS L. PAUL
LOETSCHER TO INTEROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS AND NATIONAL FEDERATION OF INDEPENDENT PUBLICATIONS

CRPA-NFIP/USPS-T41-3.

- (a) Your response to MPA/USPS-T34-2, redirected to you from Witness Taufique states that "The PERMIT system collects Postage statement data (form 3541) for roughly 95 percent of Periodicals Outside-County mail Trial Balance revenue." What percent of total Periodicals Outside-County publications does the PERMIT system represent?
- (b) Please supply the same information requested in part (a) separately for Regular-Rate, Nonprofit, and if necessary, Science of Agriculture Publications.

RESPONSE:

- (a) I know of no USPS database that contains information on the total number of publications that entered mail at Periodicals Outside-County rates in FY 2000.
- (b) See response to CRPA-NFIP-T41-3, subpart (a).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS L. PAUL
LOETSCHER TO INTEROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS AND NATIONAL FEDERATION OF INDEPENDENT PUBLICATIONS

CRPA-NFIP/USPS-T41-2.

In your response to CRPA-NFIP/USPS-T43-14(e), you refer to publications that enter mail at both Nonprofit Periodicals and Regular Periodicals rates. Please clarify how a publication can enter at both Nonprofit and as Regular Rates.

RESPONSE:

It is my understanding that a publication can enter mail at both Periodicals Nonprofit rates and Periodicals Regular rates in the same fiscal year if Nonprofit Periodicals mailing privileges are granted or revoked within the fiscal year.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS L. PAUL
LOETSCHER TO INTEROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS AND NATIONAL FEDERATION OF INDEPENDENT PUBLICATIONS**

CRPA-NFIP/USPS-T-41-1.

- (a) In your response to CRPA-NFIP/USPS-T-34-14(d), redirected to you from Witness Taufique, you report that 91 of 256 Nonprofit publications with "measurable zone distribution and an estimated issue size between 0-1,000 copies mailed more than 50 percent of there [sic] copies at DDU, DSCF or Zone 1&2 rates." Confirm that the USPS data which are presented in this response also show that in addition to the 256 publications described above, there are also 3,974 nonprofit publications with circulation per issue of 0-1,000 which report 0 advertising percentage for all mailings in FY2000, and for which no destination entry data are currently available.
- (b) Confirm that the 91 nonprofit publications in the 0-1,000 circulation stratum which you describe as having 50% or more of copies dropshipped to DDU, DSCF or Zone 1&2 entry points represent only 2.15% of the total (4230) publications in the nonprofit publications category which have and estimated issue sizes of 0-1,000 copies per issue.

RESPONSE:

- (a) In the PERMIT system database there are 3,974 publications with estimated issue size between 0-1,000 copies paying Periodicals Nonprofit rates for all mailings in FY2000 which reported 0 percent advertising in FY2000 so the zone distribution of these publications could not be determined.
- (b) Confirmed, but this does not imply that only 2.15 percent of Nonprofit publications with issue size between 0 - 1,000 copies have 50 percent or more of their copies entered at the DDU, DSCF or within 150 miles of the destination. Some of the publications with no advertising may have over 50 percent of mailed copies entered at the DDU, DSCF or within 150 miles of their destination. The number of these publications cannot be determined since zone information is not available for publications with no advertising.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS L. PAUL
LOETSCHER TO INTEROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS AND NATIONAL FEDERATION OF INDEPENDENT PUBLICATIONS**

CRPA-NFIP/USPS-T41-4.

Your Table 1 which follows your response to MPA/USPS-T34-2, shows a total of 25,872 Periodicals mailed Outside-County in FY2000.

- (a) Of the 25, 872, how many are Nonprofit, and how many are Regular Rate?
- (b) How many periodicals are there in the Outside-County subclass in addition to the 25,872 "Permit System Periodicals Outside-County" publications listed in your table 1, MPA/USPS-T34-2?
- (c) Of the non-PERMIT periodicals, the number which is requested in part (b), how many are Regular-Rate and how many are Nonprofit? In providing this information please identify the source, form or database which you derive that information.
- (d) Please confirm that of the 25,872 publications counted by the PERMIT system as shown in table 1, 12,487 report and annual advertising percentages of 1-10% or 48.3% of the total number of outside county publications in the PERMIT database.

RESPONSE:

- (a) Of the 25,872 publications shown in Table 1 in my response to MPA/USPS-T34-2, 17,375 publications mailed all pieces in FY 2000 at Regular or Science of Agriculture rates, 8,315 publications mailed all pieces at Nonprofit rates in FY 2000, 145 publications mailed at both Regular and Nonprofit rates in FY 2000, and 37 publications mailed all pieces at Classroom rates in FY 2000.
- (b) I know of no USPS database that maintains information on the total number of publications that entered mail at Outside-County Periodicals rates in FY 2000.
- (c) See response to CRPA-NFIP/USPS-T41-4 subpart (b).
- (d) Confirmed.

United States Postal Service

**Susan W. Mayo
(USPS-T-36)**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)**

DBP/USPS-105. Please refer to your response to OCA/USPS 237 subparts b and c. [a] Please advise the one location that set up an operation to automate the completion of the PS Form 3811. [b] Please provide details of the automated system utilized and provide a copy of a sample completed return receipt form. [c] Please provide a listing of those high volume users that hand over certified mail before obtaining signatures on the return receipts. [d] Provide the name of the location that stopped the practice and provide details of the system that is utilized at that location including a copy of a sample completed return receipt form. [e] Please provide details of the "approach of automated printing of receipt information on receipts" that is being considered. [f] Provide the date the USPS anticipates when each problem will be resolved.

RESPONSE:

[a] One location that uses an automated operation for completing the PS Form 3811 is Sacramento, California.

[b] Postal employees modified a Mark II facer canceller machine to stamp the name, date and toll-free number of a state representative on the PS Form 3811 Return Receipts. This expedited method of return receipt stamping/signing made it possible to complete return receipts while the certified mail was still in the possession of the postal employee handing the mail to the state tax agency. A copy of a sample completed return receipt form will be provided if it can be obtained.

[c] A listing of this nature has not been compiled.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-105. (CONTINUED)

RESPONSE:

[d] Sacramento, California. The process is described in (b) above.

[e] See (b) above. The details of this approach are still under consideration.

[f] No specific date has been established.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-113. In your response to DBP/USPS-25 subparts a and b, you indicate that it is a goal to achieve the signing for all accountable mail and the associated return receipt at the time of delivery regardless of the type of addressee or the number of articles involved. [a] Elaborate what you mean by a goal. [b] Does this goal have the support of management? [c] Does this goal apply to all delivery offices? [d] Do you agree that this goal should be attempted to be met by all delivery offices? [e] Explain any negative response to subparts b through d. [f] Are there any instances existing anywhere within the Postal Service where the signing for the accountable mail and the associated return receipt are, by default or by design, not completed at the time of delivery? [g] Provide details of any affirmative response to subpart f including the authority for and the method of delivery. If a detached mail unit is a method of delivery, confirm, or explain if you are unable to do so, that a detached mail unit is an activity which is operated by Postal employees at the addressee's location. [h] Elaborate on your response to the statement in reply to subpart b, "In some cases it is possible that the signature takes place after delivery." [i] In your response to subpart e, you indicated that it would be relatively rare for multiple pieces of articles requesting return receipts to be addressed to a single recipient. Does this apply to various government agencies, such as IRS and the state tax departments, as well as other government agencies and large commercial organizations? [j] Confirm, or explain if you are unable to do so, that DMM Section D042.1.7b would place the requirement for obtaining the signature at the time of delivery from that of being a goal to that of being a regulation. [k] Does DMM Section D042.1.7 apply to all addressees within the service area of the United States Postal Service? [l] If not, provide a listing of any exceptions and the authority for doing so.

RESPONSE:

I assume you are referring to witness Plunkett's Docket No. R97-1 response to interrogatory DBP/USPS-32.

[a] A goal in this case refers to a general business objective.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-113. (CONTINUED)

RESPONSE:

[b] It is not a formal corporate goal but rather a business objective. A goal is a measurable event with a specific time and level of achievement. A general business objective refers to a desired achievement for the organization.

[c] The business objective applies to all delivery offices.

[d] Yes.

[e] I assume that witness Plunkett was considering the entire variety of return receipt deliveries, including deliveries to large organizations.

[f-h] See the responses to OCA/USPS-236 and 237 and DBP/USPS-104 and 105.

[i] There is no part (e) in the response to DBP/USPS-25.

[j] The DMM contains regulations, not goals.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN
(DBP/USPS-104-113)

DBP/USPS-113. (CONTINUED)

RESPONSE:

[k] Yes.

[l] Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-141 Please refer to your response to DBP/USPS-106 subpart a. [a]
Please advise the expected date for dissemination of the communication. [b]
What are the "usual internal communications channels" utilized?

RESPONSE:

a. The expected date for dissemination of the communication has not yet been determined, but an attempt will be made to complete the communication before the 2002 tax season.

b. The usual channels include postal publications (both internal and external), letters, and electronic messaging.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN

5425

DBP/USPS-144 Please refer to your response to DBP/USPS-111 subpart c. Will mailers desiring a return receipt after mailing be advised that they may obtain the same information for a savings of \$1.95 by utilizing the electronic return receipt service? If not, why not?

RESPONSE:

Yes. All forms of return receipt, including electronic return receipt service, will be identified with their prices in postal facilities, so the public can be advised of the options. Further, information about all options will be available in Postal Service notices and publications, and on the Postal Service website. Finally, it is normally the procedure for window clerks to explain and advise customers of available options when special services are being purchased.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN

5426

DBP/USPS-145 Please refer to your response to DBP/USPS-112 subpart a.
Please advise the expected date of completion of the operating procedures.

RESPONSE:

The expected date of completion has not yet been determined.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-146 Please refer to your response to DBP/USPS-112 subpart b. Which specific lines of your testimony explain how you determined that the rate for return receipt after mailing obtained on the Internet will require a \$3.25 fee.

RESPONSE:

Page 55, lines 15 through 18. I determined one fee to apply to all types of return receipt after mailing, based on a weighted cost.

**RESPONSE OF POSTAL SERVICE WITNESS MAYO (USPS-T-36) TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

QUESTION 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.

RESPONSE:

Appropriate cost coverages would be obtained by comparing the revenues without international transactions with the costs. In prior proceedings, the costs included international transactions, and therefore it was appropriate to calculate cost coverages by comparing revenues that include international transactions to costs.

United States Postal Service

**Michael W. Miller
(USPS-T-22)**

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

KE/USPS-T22-5 Please refer to page 12 of Library Reference USPS-LR-J-60 where you diagram the mail flow for QBRM letters but with a handwritten address, and page 14 where you diagram the mail flow for QBRM letters.

- A. Please explain why none of the 10,000 handwritten letters sent through the outgoing ISS/RCR operation are rejected because they are not machinable?
- B. Please explain why 5% of QBRM letters, which are pre-approved, prebarcoded machinable letters with very reliable addresses, are rejected in the outgoing BCS primary operation.
- C. Please confirm that in your models for both handwritten and QBRM letters, you assume that once a letter is rejected for any reason, it will be processed manually from then on until delivery. If you cannot confirm, please explain.
- D. Please confirm that in your two models, a total of 761 of 10,000 handwritten letters were rejected during automation processes, and a total of 1,052 of QBRM letters were rejected during automation processes. If you cannot confirm, please explain.
- E. Please explain why 38% more QBRM letters will be rejected by automation equipment and processed manually than handwritten letters. Please provide appropriate record citations or copies of all studies and other documents you reviewed in responding to this question.
- F. Please confirm that in your model for metered letters (Library Reference USPS-LR-J-60, page 16) 451 of 10,000 metered letters were rejected by automation processes. If you cannot confirm, please explain.
- G. Please explain why QBRM letters will be rejected by automation equipment more than twice as often as metered letters. Please provide appropriate record citations or copies of all studies and other documents you reviewed in responding to this question.
- H. Is it your testimony that handwritten addressed QBRM letters will be just as accurate, readable and complete as machine printed addresses for those same letters? Please explain your answer.
- I. Is it your testimony that Postal Service automation equipment can read, barcode and sort handwritten letters more reliably than machinable QBRM letters with pre-approved printed addresses and prebarcodes? Please explain your answer.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-5 (CONTINUED)

Please see the revised figures in USPS LR-J-60 that were filed on 11/15/01

- (A) Nonmachinable mail pieces that enter postal facilities in the collection mail stream would be culled from machinable pieces in the 010 operation and would not be routed to the MLOCR-ISS. In addition, the QBRM analysis involves an "exact piece comparison" between a QBRM letter and a handwritten reply mail letter. If the QBRM mail piece were assumed to be machinable, the handwritten mail piece would also be machinable.
- (B) The 4.90% reject rate for the automation outgoing primary operation is the aggregate for all mail pieces processed in that operation. A reject rate specific to QBRM is not available. Consequently, the average figure has been used. The costs for processing rejects, however, were excluded from this analysis using the methodology adopted on 11/05/01.
- (C) Not confirmed. Some OSS "rejects," such as those related to RBCS ID tag errors, are reprocessed in an attempt to barcode the mail piece.
- (D) Not confirmed. In the handwritten reply mail model, the total number of mail pieces flowing from RBCS to manual operations and from RBCS to the 5-Digit barcode operation is 898 mail pieces. In the QBRM model, the total number of mail pieces flowing from automation operations to manual operations is 490. Please see the revisions filed on 11/15/01.
- (E) A greater number of handwritten mail pieces is rejected. Please see the revisions filed on 11/15/01.
- (F) Not confirmed. The total number of mail pieces flowing from RBCS to manual operations, from RBCS to the 5-Digit barcode operation, and from automation operations to the manual operations is 986.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-5 (CONTINUED)

- (G) This comparison can no longer be made given that the QBRM analysis is more limited in scope. Please see the revisions filed on 11/05/01 and 11/15/01.
- (H) No. QBRM is typically used to solicit business from new customers, or for remittance payments. While the QBRM address may not be handwritten, both the QBRM and handwritten reply mail pieces would contain the same address. Consequently, the QBRM recipient would likely do everything in its power, were reply mail envelopes not provided to customers, to ensure that those customers used the correct address.
- (I) No. I made no such statement in my testimony. However, the Postal Service has considerably improved its ability to barcode handwritten mail pieces. Please see the response to MMA/USPS-T22-4(E2).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

KE/USPS-T22-6 Please refer to page 26 of your Direct Testimony where you discuss your decision to eliminate incoming secondary costs from your analysis of QBRM cost savings. You state that "[t]he incoming primary operation is normally where QBRM would be isolated so that it could be routed to the operation(s) where those mail pieces would be sorted, counted, rated and billed."

- A. Please explain how QBRM letters are separated in the incoming primary operation.
- B. Please explain how, under what circumstances, and where QBRM letters are "sorted" prior to being counted, rated, and billed.
- C. What percent of QBRM letters are "isolated in one or more bins on an incoming primary BCS operation and routed to a downstream operation where they are further sorted to permit number"? Please provide appropriate record citations or the source documents that you believe support your answer.
- D. Please confirm that USPS witness Mayo projects that in the test year, 2/3 of all QBRM volumes will be received in volumes that will be too low to justify election of the Qualified BRM (with quarterly fee) and lower per piece fee option by those recipients. If you cannot confirm, please explain.
- E. Is it your position that, after handwritten and QBRM letters are processed in the incoming primary operation, they would be equal in the sense that they would be sorted to the exact same degree and exhibit the exact same machinability characteristics? Please support your answer.
- F. If after the incoming primary operation it could be demonstrated that more QBRM letters were able to be processed on automation than handwritten letters, would you agree that eliminating the incoming secondary operation from the analysis, as you did, understates QBRM cost savings and would be inappropriate? Please explain your answer.

RESPONSE:

- (A) QBRM letters and cards would typically be isolated, or "jackpotted," into one bin in an incoming primary operation. This bin would contain letters and cards for several QBRM permit holders mixed together. These letters and cards would be routed to the operation where the mail pieces are sorted to permit number, whether that operation would involve BRMAS processing or otherwise.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-6 (CONTINUED)

- (B) QBRM letters and cards would have to be sorted by permit number prior to being counted, rated, and billed. The counting process, however, is sometimes accomplished at the same time the mail is sorted, as is the case with BRMAS processing. The methods used are those found in USPS LR-J-60 on page 98.
- (C) To the best of my knowledge, these data have not been collected. It is my understanding, based on discussions with field employees, that the incoming primary operation is typically where BRM is isolated. Some smaller volumes are routed to incoming secondary operations because that mail is counted, rated, and billed manually by clerks at Delivery Units that service specific BRM recipients.
- (D) Redirected to witness Mayo.
- (E) In general, yes.
- (F) No. Please see the revisions filed on both 11/05/01 and 11/15/01. In addition, please see the response to KE/USPS-T39-1. I have adopted a more limited analysis. Given the limitations of the data used in the models, the one area where it can be determined that cost differences truly exist concerns the additional RBCS operations required to apply a barcode on a handwritten reply mail piece. Those operations are described in the response to KE/USPS-T22-1.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

KE/USPS-T22-7 Please refer to page 27 of your Direct Testimony where you discuss your decision to eliminate incoming secondary costs from your analysis of QBRM cost savings. You state that handwritten and QBRM letters would undergo a similar incoming secondary sort and that handwritten letters would not be processed using the BRMAS software.

- A. If your QBRM benchmark letters had a handwritten address but were barcoded, why couldn't such letters be processed using BRMAS software?
- B. Wouldn't the incoming secondary costs for handwritten and regular QBRM be different if the number of pieces that could be barcoded, and thus processed by automation, was different? If no, please explain.
- C. What percent of QBRM letters cannot be processed by automation in the incoming secondary? If your answer is not zero or very close to zero, please explain the reasons why pre-approved, machine printed, pre-barcoded letters could not be processed by automation in the incoming secondary.
- D. What percent of handwritten QBRM letters cannot be processed by automation in the incoming secondary? If your answer is not zero or very close to zero, please explain the reasons why handwritten non-prebarcoded letters could not be processed by automation in the incoming secondary.
- E. Please confirm that your models show that 761 handwritten letters and 1,052 QBRM letters are processed in the incoming manual primary. If you cannot confirm, please explain.
- F. Is it likely that letters processed manually in the incoming primary would be processed manually in the incoming secondary as well? If no, please explain your answer.
- G. Please explain how "these mail pieces would incur the same 'incoming secondary' sortation costs", as you state on page 27 of your Direct Testimony, when, as you find, 38% more QBRM letters than handwritten letters cannot be processed on automation equipment?
- H. Please explain why the Commission should reasonably conclude that there is a greater likelihood of handwritten addressed letters being processed on automation equipment than QBRM letters being processed on automation equipment.
- I. Please confirm that your mail flow models show the following percentages of letters are successfully barcoded:

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

1. 100% of QBRM letters (prebarcoded by mailer);
2. 98.9% of handwritten letters; and
3. 99.7% of metered letters.

If you cannot confirm, please provide the correct percentages and the source citations.

- J. Please refer to page 11 of USPS witness Kingsley's Direct Testimony (USPS-T-39). Please reconcile the percentages shown in Part I with USPS witness Kingsley's testimony that 91.1 percent of all letters in AP 12, FY 01 were barcoded. .

- K. Please confirm that your mail flow models show the following percentages of letters are successfully sorted by automation through and including the outgoing primary:

1. 95.1% of QBRM letters;
2. 98.7% of handwritten letters;
3. 99.6% of metered letters; and
4. 99.6 % of machinable, mixed AADC letters.

If you cannot confirm, please provide the correct percentages and the source citations.

- L. Please confirm that your mail flow models show the following percentages of letters are successfully sorted by automation through and including the outgoing secondary:

1. 94.8% of QBRM letters;
2. 97.3% of handwritten letters;
3. 98.5% of metered letters; and
4. 98.5% of machinable, mixed AADC letters.

If you cannot confirm, please provide the correct percentages and the source citations.

- M. Please confirm that your mail flow models show the following percentages of letters are successfully sorted by automation through and including the incoming primary:

1. 89.5% of QBRM letters;
2. 92.4% of handwritten letters;
3. 95.5% of metered letters; and
4. 95.5% of machinable, mixed AADC letters.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

If you cannot confirm, please provide the correct percentages and appropriate source citations.

RESPONSE:

- (A) A handwritten letter could be processed using BRMAS software. However, such processing would not be required because handwritten mail pieces contain stamps or meter strips. The advantage in using the BRMAS software is that it can be used to count and rate mail pieces where postage must be collected from the BRM recipient because those mail pieces do not contain stamps or meter strips.
- (B) It is possible, but is not likely to occur. Please see the response to KE/USPS-T39-1.
- (C) The accept rates for incoming secondary operations can be found in USPS LR-J-60 on page 51. These data are aggregate figures. Disaggregate data for QBRM mail pieces are not available.
- (D) The accept rates for incoming secondary operations can be found in USPS LR-J-60 on page 51. These data are aggregate figures. Disaggregate data for handwritten reply mail pieces are not available.
- (E) Not confirmed. Please see the response to KE/USPS-T22-5(D). In addition, please see the revisions filed on 11/05/01 and 11/15/01. The costs related to the processing of rejects have been excluded from the analysis.
- (F) Not necessarily. The point at which letters are processed manually depends on when that mail piece is rejected and why it is rejected.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

(G) I cannot respond to this interrogatory as the origin of the 38% figure has not been made clear.

(H) Please note that a more limited cost methodology was adopted on 11/05/01. This analysis was subsequently revised on 11/15/01. In addition, please reference the enhancements that have provided the Postal Service with the capability to barcode handwritten reply mail pieces, as described in the response to MMA/USPS-T22-4(E2).

The cost models in USPS LR-J-60 rely on average data. Studies that have isolated and collected acceptance rates and address quality data specific to handwritten reply mail pieces and QBRM mail pieces have not been conducted. The only data available can be found in Docket No. R97-1, USPS LR-H-130.

In addition, QBRM addresses are not completely problem-free. Postal facilities use specific BRM ZIP Codes. For example, a given site may have a BRM letter ZIP Code, a BRM card ZIP Code, and a CRM ZIP Code. In some instances, these ZIP Codes are nearly identical. Consequently, mail pieces are sometimes found to contain the incorrect ZIP Code and/or barcode. These errors can affect how the mail is processed as well as how the mail is rated. In addition, these errors can only be detected when mail processing clerks spot them while sweeping mail from the machines.

(I1) Not confirmed. The cost models assumes that 100% of the mail pieces are prebarcoded. The QBRM cost model, however, shows that 95.10% are successfully processed through the automation outgoing primary operation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

- (I2) Not confirmed. The handwritten reply mail cost models shows that 91.02% of the mail pieces receive a "finest-depth-of-sort" barcode after being processed through RBCS.
- (I3) Not confirmed. The BMM letters model shows that 75.73% of the mail pieces are sorted in *Delivery Point Sequence (DPS)*. However, the BMM letters cost model is more extensive in scope than either the handwritten reply mail cost model or the QBRM cost model. Consequently, the percentage is lower.
- (J) It is my understanding that the figure cited in witness Kingsley's testimony represents the percentage of total mailer applied and postal applied barcodes, whether they are 5-digit, 9-digit, or 11-digit barcodes. In addition, it is my understanding that this figure does not quantify the percentage of barcoded mail pieces that are processed through automation.

The cost models in USPS LR-J-60 concern smaller subsets of the letter and card population and focus on the percentage of mail that is successfully processed in one or more operations.

- (K) For each category specified in this interrogatory, it should be noted that different mail volumes are processed in the automation outgoing primary operation. Consequently, a calculation involving the percentage of total mail volume (10,000 pieces) that is processed up through that operation is meaningless.
- (K1) Confirmed. Please see the revisions 11/15/01.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

- (K2) Not confirmed. Please see the revisions filed on 11/15/01. In total, 898 mail pieces are rejected up through RBCS processing.
- (K3) Not confirmed. Please see the revisions filed on 11/15/01. In total, 157 mail pieces were rejected up through RBCS processing and the automation outgoing primary operation.
- (K4) Not confirmed. Please see the revisions filed on 11/15/01. In total, 229 mail pieces were rejected up through RBCS processing and the automation outgoing primary operation.
- (L) For each category specified in this interrogatory, it should be noted that different mail volumes are processed in the automation outgoing secondary operation. Consequently, a calculation involving the percentage of total mail volume (10,000 pieces) that is processed up through that operation is meaningless.
- (L1) Not confirmed. A more limited cost methodology was adopted on 11/15/01. This methodology does not flow mail to the automation outgoing secondary operation.
- (L2) Not confirmed. A more limited cost methodology was adopted on 11/15/01. This methodology does not flow mail to the automation outgoing secondary operation.
- (L3) Not confirmed. Please see the revisions filed on 11/15/01. In total, 265 mail pieces were rejected up through the automation outgoing secondary operation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSPAN ENERGY

RESPONSE TO KE/USPS-T22-7 (CONTINUED)

- (L4) Not confirmed. Please see the revisions filed on 11/15/01. In total, 335 mail pieces were rejected up through the automation outgoing secondary operation.
- (M) For each category specified in this interrogatory, it should be noted that different mail volumes are processed in the automation incoming SCF/Primary secondary operation. Consequently, a calculation involving the percentage of total mail volume (10,000 pieces) that is processed up through that operation is meaningless.
- (M1) Not confirmed. A more limited cost methodology was adopted on 11/15/01. This methodology does not flow mail to the automation outgoing secondary operation.
- (M2) Not confirmed. A more limited cost methodology was adopted on 11/15/01. This methodology does not flow mail to the automation outgoing secondary operation.
- (M3) Not confirmed. Please see the revisions filed on 11/15/01. In total, 555 mail pieces were rejected up through the automation incoming SCF/Primary operation.
- (M4) Not confirmed. Please see the revisions filed on 11/15/01. In total, 623 mail pieces were rejected up through the automation incoming SCF/Primary operation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

KE/USPS-T22-8 Please refer to page 10 of Library Reference USPS-LR-J-60 where you apply your CRA adjustment factor to both the handwritten and QBRM letter processing costs.

- A. Please confirm that your CRA adjustment factor of 1.538 was derived by computing the ratio of the metered letter CRA mail processing cost to the model-derived mail processing cost as follows: $6.447 / 4.193 = 1.538$. If you cannot confirm, please provide the correct computation and source citations.
- B. Is the difference between the CRA unit cost and the model-derived unit cost of 2.254 cents supposed to represent costs incurred to process metered letters not reflected in the models, such as missorts, platform operations, mail preparation, forwarding and returns, pouching, package sorting, tray sorting and sack sorting? If no, please explain.
- C. What is the rationale for assuming that the relationship between the CRA derived unit cost and your model-derived unit cost for metered letters would be applicable to that for
 - 1. handwritten letters; and
 - 2. QBRM letters?
- D. Do QBRM letters take on the characteristics of (1) AADC machinable automation letters, (2) 3-Digit automation letters, (3) 5-Digit Automation letters, or (4) some combination thereof, once they are sorted in the outgoing primary operation? Please explain your answer.
- E. Do handwritten letters take on the characteristics of (1) AADC machinable automation letters, (2) 3-Digit automation letters, (3) 5-Digit Automation letters, or (4) some combination thereof, once they are sorted in the outgoing primary operation? Please explain your answer.
- F. Please confirm that the purpose of the CRA adjustment factor is to tie the derived mail flow model costs to the CRA-derived unit costs, if the latter are known. If no, please explain.
- G. Please confirm that you do not know the CRA-derived unit costs for either handwritten letters or QBRM letters. If no, please explain.
- H. Please confirm that your CRA adjustment factor for metered letters signifies that your model-derived unit processing cost must be **raised** by 53.8% in order for it to be reconciled to the CRA. If no, please explain.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-8 (CONTINUED)

- I. Please confirm that your CRA adjustment factor for automated letters signifies that your model-derived unit processing cost must be **lowered** by 26.7% in order for it to be reconciled to the CRA. If no, please explain.
- J. Please explain why the processing of QBRM letters is not more like the processing of automation letters, particularly after they are sorted in the outgoing primary, rather than like metered letters, which must go through the RBCS for barcoding and whose addresses are not pre-approved or even necessarily printed.

RESPONSE:

- (A) Not confirmed. Please see the revisions filed on 11/15/01. It can be confirmed that the CRA adjustment factor is 1.508. This figure is calculated to be the sum of the worksharing related proportional cost pools (6.447 cents) divided by the model cost (4.276 cents).
- (B) The cost difference represents piece and package distribution costs that have not been included in the models. In addition, these factors are applied to account for the fact that average data must be used and the model is a simplified representation of the actual mail processing network. Furthermore, please see the responses to MMA/USPS-T22-10(B) and MMA/USPS-T22-22(E). These responses discuss the reasons why the BMM letters mail processing unit cost estimate is likely overstated.
- (C) I used the CRA adjustment factor for BMM letters as the proxy in the QBRM analysis because BMM letters, QBRM letters, and handwritten reply mail letters are all subsets of the First-Class single-piece letters mail stream.
- (D) No. QBRM mail pieces have their own unique mail piece characteristics.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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RESPONSE TO KE/USPS-T22-8 (CONTINUED)

- (E) No. Handwritten reply mail pieces have their own unique mail characteristics.
- (F) Confirmed. The purpose of CRA adjustment factors is to account for any under or over estimation of costs related to the fact that average data are used and various simplifying assumptions must be made when developing cost models. However, it should be noted that the CRA mail processing unit cost estimates themselves are a result of analyses performed by one or more witnesses. The application of these factors basically gives the CRA mail processing unit costs precedence over the cost models.
- (G) Confirmed.
- (H) Not confirmed. Please see the responses to MMA/USPS-T22-10(B) and MMA/USPS-T22-22(E). These responses discuss the reasons why the BMM letters mail processing unit cost estimate is likely overstated.
- (I) Not confirmed. Please see the revisions filed on 11/15/01. In addition, please see the responses to MMA/USPS-T22-10(C) and (D), which discuss the impact the nonautomation/automation CRA cost methodology has had on the CRA mail processing unit cost estimates and corresponding CRA adjustment factors.
- (J) QBRM and automation presort have distinct mail piece characteristics. QBRM mail pieces would not be finalized until they are sorted to permit number whereas automation presort mail pieces would not be finalized until they are sorted to residential and/or business addresses. In addition, automation presort mail pieces are presorted to a large degree, whereas QBRM mail pieces are not.

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KE/USPS-T22-9 Please refer to pages 13, 14, 17 and 18 of Library Reference USPS-LR-J-60 where you derive unit mail processing costs for QBRM and non-automation machinable mixed AADC-AADC letters.

- A. Please confirm that both QBRM and non-automation machinable mixed AADC-AADC letters are machinable by definition. If no, please explain.
- B. Please confirm that QBRM letters are prebarcoded and machinable while mixed AADC-AADC letters are just machinable. If no, please explain.
- C. Please confirm that machinable mixed AADC-AADC letters are sent through the RBCS where they are barcoded (if possible) and receive their first outgoing primary sort. If no, please explain.
- D. Please confirm that machinable mixed AADC-AADC letters do not have to conform to the Postal Service's move update or address readability requirements. If no, please explain.
- E. Please confirm that QBRM letters bypass the RBCS and go to a barcode sorter to receive their first outgoing primary sort. If no, please explain.
- F. Excluding mail preparation costs, should QBRM letters cost more or less than machinable mixed AADC-AADC letters for operations up through and including the incoming primary sort. Please explain your answer.
- G. Please explain why your model-derived mail processing unit cost for operations up through and including the incoming primary for QBRM letters (3.206 cents) are a full penny higher than for machinable mixed AADC-AADC letters (2.205 cents).

RESPONSE:

- (A) Confirmed.
- (B) Confirmed.
- (C) Confirmed.
- (D) Not confirmed. According to DMM Sections E130.3.1.c, mail pieces paying the nonautomation presort rate must meet the move update standards specified in E130.3.3.

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RESPONSE TO KE/USPS-T22-9 (CONTINUED)

- (E) Confirmed.
- (F) It is difficult to make a direct cost comparison between QBRM mail pieces and nonautomation machinable mixed AADC mail pieces because these mailstreams have distinct characteristics. For example, nonautomation mail pieces can weigh more than QBRM mail pieces.
- (G) The revised QBRM cost methodology filed on 11/05/01 is more limited in scope. Consequently, a cost comparison is not longer valid. Please note that further revisions were filed on 11/15/01.

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KE/USPS-T22-10 Please refer to pages 12 and 14 of Library Reference USPS-LR-J-60 where you model the mail flow for QBRM and handwritten (HAND) letters.

- A. Please confirm that 100% of QBRM letters are pre-barcoded and that the design and printing of each envelope has been pre-approved by the Postal Service to conform to postal guidelines and requirements to ensure machinability. If no, please explain.
- B. Please confirm that none of the HAND letters is pre-barcoded and none have been specifically designed to conform to postal guidelines or requirements to ensure machinability. If no, please explain.
- C. Please confirm that for QBRM, you assume that 4.9% of the letters will be rejected in the outgoing BCS primary operation, requiring manual processing throughout the mailstream from that point forward. If no, please explain.
- D. Please confirm that for HAND letters you assume that .89% of the letters will be rejected in the outgoing ISS/RCR primary, .20% of the letters will be rejected in the outgoing OSS primary, and .20% will be rejected in the outgoing BCS primary, for a total of 1.29%. If no, please explain.
- E. Please explain why you show that the percentage of QBRM letters that are rejected by automation equipment in the outgoing primary is almost 4 times the percentage of HAND letters that are rejected by automation equipment in the outgoing primary.
- F. Does your model indicate that 9,871 of 10,000 letters, or 98.71% of all HAND letters will be successfully barcoded in the RBCS and directly sent to an automation operation? If no, please explain.
- G. Does the Postal Service expect to barcode 98.71% of all HAND letters in the test year? Please explain your answer and provide appropriate record citations or copies of studies or other documents that indicate the Postal Service will barcode 98.71% of such letters in the test year.

RESPONSE:

- (A) It can be confirmed that QBRM mail piece designs are preapproved by the Postal Service. It cannot be confirmed that 100% of these mail pieces are prebarcoded. In talking with field personnel, problems do occur on occasion. The exact percentage of QBRM mail pieces that contain accurate barcodes is unknown, but is likely close to 100%.

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RESPONSE TO KE/USPS-T22-10 (CONTINUED)

- (B) It can be confirmed that handwritten mail pieces are not prebarcoded. In an "exact piece comparison" analysis, however, it is likely that the handwritten mail piece would be machinable if the QBRM mail piece were also machinable.
- (C) Please see the response to KE/USPS-T22-5(B).
- (D) Not confirmed. Please see the response to KE/USPS-T22-3(D).
- (E) In the revised analysis, a greater number of handwritten mail pieces is *rejected*.
- (F) No. Please see the revisions filed on 11/05/01 and 11/15/01. In addition, please see the response to KE/USPS-T22-3(D).
- (G) No. Please see the revisions filed on 11/05/01 and 11/15/01. In addition, please see the response to KE/USPS-T22-3(D).

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RESPONSE TO KE/USPS-T22-9 (CONTINUED)

- (E) Confirmed.
- (F) It is difficult to make a direct cost comparison between QBRM mail pieces and nonautomation machinable mixed AADC mail pieces because these mailstreams have distinct characteristics. For example, nonautomation mail pieces can weigh more than QBRM mail pieces.
- (G) The revised QBRM cost methodology filed on 11/05/01 is more limited in scope. Consequently, a cost comparison is not longer valid. Please note that further revisions were filed on 11/15/01.

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KE/USPS-T22-10 Please refer to pages 12 and 14 of Library Reference USPS-LR-J-60 where you model the mail flow for QBRM and handwritten (HAND) letters.

- A. Please confirm that 100% of QBRM letters are pre-barcoded and that the design and printing of each envelope has been pre-approved by the Postal Service to conform to postal guidelines and requirements to ensure machinability. If no, please explain.
- B. Please confirm that none of the HAND letters is pre-barcoded and none have been specifically designed to conform to postal guidelines or requirements to ensure machinability. If no, please explain.
- C. Please confirm that for QBRM, you assume that 4.9% of the letters will be rejected in the outgoing BCS primary operation, requiring manual processing throughout the mailstream from that point forward. If no, please explain.
- D. Please confirm that for HAND letters you assume that .89% of the letters will be rejected in the outgoing ISS/RCR primary, .20% of the letters will be rejected in the outgoing OSS primary, and .20% will be rejected in the outgoing BCS primary, for a total of 1.29%. If no, please explain.
- E. Please explain why you show that the percentage of QBRM letters that are rejected by automation equipment in the outgoing primary is almost 4 times the percentage of HAND letters that are rejected by automation equipment in the outgoing primary.
- F. Does your model indicate that 9,871 of 10,000 letters, or 98.71% of all HAND letters will be successfully barcoded in the RBCS and directly sent to an automation operation? If no, please explain.
- G. Does the Postal Service expect to barcode 98.71% of all HAND letters in the test year? Please explain your answer and provide appropriate record citations or copies of studies or other documents that indicate the Postal Service will barcode 98.71% of such letters in the test year.

RESPONSE:

- (A) It can be confirmed that QBRM mail piece designs are preapproved by the Postal Service. It cannot be confirmed that 100% of these mail pieces are prebarcoded. In talking with field personnel, problems do occur on occasion. The exact percentage of QBRM mail pieces that contain accurate barcodes is unknown, but is likely close to 100%.

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RESPONSE TO KE/USPS-T22-10 (CONTINUED)

- (B) *It can be confirmed that handwritten mail pieces are not prebarcoded. In an "exact piece comparison" analysis, however, it is likely that the handwritten mail piece would be machinable if the QBRM mail piece were also machinable.*
- (C) Please see the response to KE/USPS-T22-5(B).
- (D) Not confirmed. Please see the response to KE/USPS-T22-3(D).
- (E) *In the revised analysis, a greater number of handwritten mail pieces is rejected.*
- (F) No. Please see the revisions filed on 11/05/01 and 11/15/01. In addition, please see the response to KE/USPS-T22-3(D).
- (G) No. Please see the revisions filed on 11/05/01 and 11/15/01. In addition, please see the response to KE/USPS-T22-3(D).

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KE/USPS-T22-14 Please refer to USPS witness Campbell's response to Interrogatory OCA/USPS-T29-4 in Docket No. R2000-1. Do you agree with Mr. Campbell that, in order to derive QBRM cost savings, "[a] handwritten mail piece is the more appropriate benchmark because households must generate handwritten mail pieces when no preapproved, prebarcoded reply mail pieces are provided"? If no, please explain.

RESPONSE:

If QBRM recipients did not provide QBRM mail pieces to their customers, it is likely that those customers would use a handwritten-addressed envelope, or an envelope addressed by typewriter or computer, were a courtesy reply envelope not provided. It is unknown, however, what the exact mail mix would be in that situation. Given that these data are not available, I feel that a handwritten mail piece is an appropriate benchmark.

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KE/USPS-T22-15 Please refer to page 37 of your Direct Testimony where you indicate that, in Docket No. R2000-1, KeySpan Energy witness Bentley modified the cost study developed by USPS witness Campbell by removing from the analysis costs related to BRMAS processing. Please also refer to Library Reference USPS-LR-I-160, Section B, pages 2 and 3, where USPS witness Campbell derives the unit cost for QBRM letters.

- A. Please confirm that USPS witness Campbell removed from his derivation of high volume QBRM costs the costs associated with BRMAS processing. If you cannot confirm, please explain.
- B. Please confirm that USPS witness Campbell removed from his derivation of low volume QBRM costs the costs associated with BRMAS processing. If you cannot confirm, please explain.
- C. Please confirm that by adding the BRMAS operation to the derivation of QBRM counting costs, you are proposing a modification not only to the methodology used by KeySpan Energy witness Bentley but also the method used by USPS witness Campbell. If no, please explain.
- D. Please confirm that the Commission accepted KE witness Bentley's derivation of QBRM costs in Docket No. R2000-1. If no, please explain.

RESPONSE:

- (A) Confirmed. The explanation as to why this methodology is unsound can be found in USPS-T-22, page 37 at 27.
- (B) Confirmed. The explanation as to why this methodology is unsound can be found in USPS-T-22, page 37 at 27.
- (C) Not Confirmed. The cost for the "BRMAS operation" were not added to these cost studies. The "additional workload BRMAS" costs were added, as described in USPS-T-22, page 38 at 13-15.
- (D) Please see PRC Op. R2000-1 at [6022] where the Commission stated,

The Commission finds that KeySpan's high-volume analysis presents the best available evidence, incomplete as it is.

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KE/USPS-T22-16 Please refer to pages 98 and 99 of Library Reference USPS-LR-J-60 where you derive the unit costs for QBRM letters.

- A. Please confirm that you did not include costs from "Other Software" and "End-of-Run" for counting the letters because the cost of using such methods is zero. If no, please explain.
- B. Please confirm that BRMAS performs sorting, counting and rating of QBRM letters. If no, please explain.
- C. Please provide the basis and source for the productivity of 7,936 PPH that you use for letters that are counted by BRMAS.
- D. Does the BRMAS operation, for which you have used a productivity of 7,936 PPH, entail sorting the QBRM letters? If not, please explain.
- E. If the 7,936 PPH productivity factor you used for BRMAS does include sorting, please explain why QBRM letters should pay twice for sorting, once in the First-Class rate and again in the QBRM per piece fee?

RESPONSE:

- (A) Confirmed.
- (B) Confirmed.
- (C) Please see USPS LR-J-60 page 103.
- (D) No. This figure includes the activities above and beyond those typically associated with a normal incoming secondary operation as described in USPS-T-22 page 38 at 3-15.
- (E) No response is required.

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KE/USPS-T22-20 Please refer to revised Library Reference USPS-LR-J-60 where you altered the models for Handwritten (HAND) and QBRM letters to exclude all operations after the outgoing primary, and to your responses to Parts K and L of Interrogatory MMA/USPS-T22-25.

- A. Please confirm that out of 10,000 HAND letters, you assume that 9,891 or 98.9% of the letters will be successfully barcoded in the Outgoing RBCS operation. If no, please correct these figures, provide the source for your corrected figures, and explain why each such correction is necessary.
- B. Please confirm that out of 10,000 HAND letters, you assume that 9,891 or 98.9% of the letters will be successfully sorted in the Outgoing RBCS operation. If no, please explain.
- C. Please confirm that out of 10,000 HAND letters, you assume that 109 (89 from the ISS and 20 from the OSS) or 1.09% of the letters will be rejected from the outgoing RBCS and will be sent to a manual operation afterwards. If no, please correct these figures, provide the source for your corrected figures, and explain why each such correction is necessary.
- D. Please explain all possible differences between the equipment used in the outgoing primary BCS operation for QBRM letters and the following RBCS automated equipment used to process HAND letters that causes the reject rates for HAND letters to be so much lower than those for QBRM letters.
 1. The ISS which has a leakage rate of .89%, and
 2. The OSS which has a reject rate of .20%.
- E. Please explain the term "leakage rate" and how it differs from "reject rate".
- F. Please confirm that out of 10,000 QBRM letters, you assume that 9,510 or 95.10% of the letters will be successfully sorted in the Outgoing BCS Primary operation. If no, please correct these figures, provide the source for your corrected figures, and explain why each such correction is necessary.
- G. Please confirm that after the outgoing primary operation, you assume that the processing of HAND and QBRM letters will incur similar costs until final delivery. If no, please explain.
- H. Please confirm that the percentages you confirm (or correct) in parts A through C and F are not figures specific to handwritten or QBRM letters, but are "results" of using "average" data in the models. If you cannot confirm please explain.
- I. Please explain why the percentage of letters successfully sorted by automation in the outgoing primary operation that "result" from using

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RESPONSE TO KE/USPS-T22-20 (CONTINUED)

"average" data in the models are not specific to the category of letters that the model is intended to reflect.

- J. Please explain how you can accurately determine the cost relationships between the rate categories if the percentage of letters successfully sorted by automation in the outgoing primary operation that "result" from using "average" data in the models are not specific to the category of letters that the model is intended to reflect.
- K. Is it your testimony that the cost distinctions that exist between a QBRM mail piece and a handwritten reply mail piece disappear once the handwritten letter has been barcoded and sorted in the RBCS operation? Please explain your answer.

RESPONSE:

Please see the revised figures filed on 11/15/01.

- (A) Please see the response to KE/USPS-T22-3(D).
- (B) Please see the response to KE/USPS-T22-3(D).
- (C) Please see the response to KE/USPS-T22-3(D).
- (D) The number of handwritten reply mail pieces that are rejected in the QBRM analysis is greater than the number of QBRM mail pieces that are rejected. Please see the response to KE/USPS-T22-5(D).
- (E) Please see Docket No. R97-1, USPS-T-23, page 5 at 16-20.
- (F) Confirmed.
- (G) Not confirmed. A more limited QBRM analysis was adopted on 11/05/01 and subsequently revised on 11/15/01. This analysis does not include costs beyond the outgoing primary operation.
- (H) It can be confirmed that average data are used for the QBRM cost model. However, the handwritten model relies on data from the accept and upgrade

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RESPONSE TO KE/USPS-T22-20 (CONTINUED)

study conducted in Docket No. R97-1 (USPS LR-H-130) that are specific to handwritten mail pieces.

(I)(J) Average data are used in the models because all letters and cards are processed in the same operations using the same MODS numbers, regardless of class and rate category. Consequently, disaggregate data are not available. This is one reason why CRA adjustment factors have historically been applied to cost model results.

(K) It is my testimony that the cost difference between a QBRM mail piece and handwritten reply mail piece is driven by the fact that the handwritten reply mail piece must undergo additional processing steps so that a barcode can be applied to that mail piece.

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KE/USPS-T22-21 Please refer to page 6 of the USPS Address Deficiency Study, Library Reference USPS-LR-I-192 in Docket No. R2000-1 and your responses to Parts K and L of Interrogatory MMA/USPS-T22-25.

- A. Please confirm that the USPS Address Deficiency Study found that 29.6% of all First-Class letters exhibited one or more address deficiencies. If you cannot confirm, please explain.
- B. Do you agree that, because First-Class Automation letters have their addresses certified using the CASS system while single piece letters do not have their addresses certified, the percentage of First-Class single piece letters that have one or more address deficiencies is likely to be higher than 29.6%. Please explain your answer.
- C. Please confirm that address deficiencies studied in the USPS Address Deficiency Study included:
1. Apartment Number
 2. Directional Suffix
 3. Rural Route/Box Number
 4. Street Name/Number
 5. City/State/Zip
 6. Incorrect Zip+4
- D. Please confirm that for purposes of your mail flow models, you assumed that HAND letters would exhibit no address deficiencies. If you cannot confirm, please explain.
- E. In your response to Parts (K) and (L) of Interrogatory MMA/USPS-T22-25, you state that the primary cost distinctions that exist between QBRM and HAND letters are the costs required to apply a barcode in the RBCS operation to the HAND letter. Please provide all of the other secondary cost distinctions that you know of, if they exist.

RESPONSE:

- (A) Confirmed.
- (B) Not necessarily. The data found in Docket No. R2000-1 USPS LR-I-192 do not appear to be calculated at that level of detail. However, even if the percentage of address deficiencies were higher for single-piece letters, these mail pieces are more likely to be processed using systems, such as Optical Character Readers (OCR) and Remote Encoding Centers (REC),

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RESPONSE TO KE/USPS-T22-21 (CONTINUED)

that can correct addressing problems. In addition, it should be pointed out that data collected in Docket No. R2000-1 showed that the percentage of First-Class presort letters that were returned and forwarded, which could be a reflection of the percentage of address deficiencies, was higher than the percentage of First-Class single-piece letters that were returned and forwarded. Please see Docket No. R2000-1, Tr. 7/3158-3159.

(C) Confirmed.

(D) Not confirmed. The data used in the handwritten reply mail model included handwritten-specific data from Docket No. R97-1, USPS LR-H-130. Consequently, the impact of address deficiencies in handwritten mail pieces would be included in the model. As stated in the response to KE/USPS-T22-21(B), handwritten reply mail pieces are likely to be processed using systems that can correct the address deficiency. In addition, CRA adjustment factors are applied to model costs to compensate for the fact that some tasks are not modeled.

(E) The cost difference between a QBRM mail piece and a handwritten reply mail piece is driven by the fact that the handwritten reply mail piece must undergo additional processing steps so that a barcode can be applied to that mail piece. Once both mail pieces are barcoded, it is possible there could be additional minor cost differences. However, it is not possible to determine the extent of those differences, if any exist, given that input data specific to both mail types are not available.

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KE/USPS-T22-23 Please refer to your response to Part C of Interrogatory KE/USPS-T14-8 that was originally directed to USPS witness Thomas A. Bozzo. There you indicate that the issue of more QBRM letters being rejected in the outgoing BCS primary than HAND letters in the RBCS has been resolved. Please also refer to revised pages 12, 14, 16 and 40B of USPS-LR-J-60 where you provide the mail flows for HAND, QBRM, BMM and Single Piece machinable letters, respectively.

- A. For HAND letters, please explain why 8.601 of 10.000 letters will flow from the outgoing ISS, after being resolved by the RCR, to the outgoing OSS, rather than to another automated sort as you show BMM letters do.
- B. Please confirm that for HAND letters, you show that 97.88% of the letters will be successfully barcoded (91.02% being barcoded to 9- or 11-digits and 6.86% being barcoded to 5-digits) and sorted in the RBCS, and then sent to an automated operation for additional processing. If no, please provide the correct percentage and explain.
- C. Please confirm that for BMM letters, you show that 99.62% of the letters will be successfully barcoded (98.58% being barcoded to 9- or 11-digits and 1.04% being barcoded to 5-digits) and sorted in the RBCS, and then sent to an automated operation for additional processing. . If no, please provide the correct percentage and explain.
- D. Please confirm that for Single Piece machinable letters, you show that 99.56% of the letters will be successfully barcoded (98.68% being barcoded to 9- or 11-digits and 0.88% being barcoded to 5-digits) and sorted in the RBCS, and then sent to an automated operation for additional processing. If no, please provide the correct percentage and explain.
- E. Please confirm that 100% of QBRM letters are prebarcoded and able to bypass the RBCS. If no, please provide the correct percentage and explain.
- F. Please confirm you show that 95.10% of QBRM letters will be successfully sorted in the outgoing BCS primary, and then sent to an automated operation for additional processing. If no, please provide the correct percentage and explain.
- G. Assuming your answer to Part F is yes, please explain why you did not confirm the original question posed to USPS witness Bozzo in Part B of Interrogatory KE/USPS-T14-8, which asked the same thing.
- H. Is it reasonable to expect that 2.12 % of handwritten addressed letters would be rejected by postal automation equipment in the RBCS, requiring manually processing, but that, if those same letters have prebarcodes and printed addresses that are pre-approved pursuant to USPS requirements, 4.9% of

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RESPONSE TO KE/USPS-T22-23 (CONTINUED)

such letters would be rejected in the outgoing BCS primary, requiring manual processing? Please explain your answer

- I. Is it reasonable to expect that 0.38 % of BMM letters would be rejected by postal automation equipment in the RBCS, requiring manual processing, but that, if those same letters have prebarcodes and printed addresses that are pre-approved pursuant to USPS requirements, 4.9% of such letters would be rejected in the outgoing BCS primary, requiring manual processing? Please explain your answer.
- J. Is it reasonable to expect that 0.44% of Single Piece machinable letters would be rejected by postal automation equipment in the RBCS, requiring manual processing, but that, if those same letters have prebarcodes and printed addresses that are pre-approved pursuant to USPS requirements, 4.9% of such letters would be rejected in the outgoing BCS primary, requiring manual processing? Please explain your answer.
- K. Please explain how your revisions using the new methodology filed on November 5, 2001, as further updated on November 15, 2001, resolved the issue.
- L. Please confirm that after HAND letters are barcoded by the Postal Service in the RBCS, processing of HAND and QBRM letters will be virtually identical, with little change in the mail processing costs until the letters are delivered. If you cannot confirm, please explain.

RESPONSE:

- (A) Please see the response to KE/USPS-T39-1 for a description regarding how handwritten mail pieces are processed, including the fact that the images are lifted on the Advanced Facer Cancellor System Input Sub System (AFCS-ISS). In addition, please see Attachment 1 of that same interrogatory response to view a simplified mail flow diagram.

Bulk Metered Mail (BMM) letters are first processed on the Multi Line Optical Character Reader Input Sub System (MLOCR-ISS). Unlike the AFCS-ISS, the MLOCR-ISS has the ability to read machine printed addresses and apply barcodes to those mail pieces without having to forward an image to the Remote Computer Read (RCR) system.

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RESPONSE TO KE/USPS-T22-23 (CONTINUED)

Consequently, the BMM letters cost model showed that 8.747 mail pieces were barcoded directly by the MLOCR-ISS and routed to automation operations. Please note that 969 mail pieces were not barcoded by the MLOCR-ISS and had to subsequently be processed on an Output Sub System (OSS). Like the MLOCR-ISS, the OSS has the ability to apply barcodes directly to the mail piece based on the results achieved using the Remote Bar Coding System (RBCS).

In contrast, the AFCS-ISS cannot apply barcodes directly to mail pieces. The AFCS-ISS lifts handwritten images and routes them to the RCR system. Even if the RCR system can finalize that mail piece, those mail pieces must be processed on a OSS so that the RBCS result can be retrieved from the Decision Storage Unit (DSU) and a barcode corresponding to that result can be applied to the mail piece.

- (B) It can be confirmed that 91.02% of these mail pieces were "successfully" barcoded. The "5-Digit" sort in the cost model refers to the fact that the mail pieces are sorted to the ZIP Code level before being forwarded to manual incoming secondary processing. This operation processes mail pieces that contain both 5-digit and 9-digit barcodes. A "successful" barcode are those in which a "Finest Depth Of Sort" result was possible. Such a result would typically require an 11-digit barcode.
- (C) It can be confirmed that 98.58% of these mail pieces were "successfully" barcoded for the reasons specified in the response to KE/USPS-T22-23(B).
- (D) Not confirmed. This model represents the costs for a single-piece machinable letter with a machine printed address. Please see the response to Presiding Officer's Information Request No. 4, Question 9(b). It can be confirmed that 98.68% of these mail pieces were "successfully" barcoded for the reasons specified in the response to KE/USPS-T22-23(B).

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RESPONSE TO KE/USPS-T22-23 (CONTINUED)

- (E) In general, this can be confirmed unless the AFCS-ISS is unable to read and interpret the Facer Identification Mark (FIM). Please see the response to KE/USPS-T39-1 for a description regarding how Qualified Business Reply Mail (QBRM) mail pieces are processed. In addition, please see Attachment 1 of that same interrogatory response to view a simplified mail flow diagram.
- (F) Not confirmed. The QBRM cost study no longer includes subsequent processing steps.
- (G) The responses to KE/USPS-T22-23(F) and KE/USPS-T14-8(b) have not been confirmed because they concern subsequent processing steps. As stated in the response to MMA/USPS-T22-25(K), the methodology was revised to exclude the costs for mail processing tasks in subsequent steps, including those related to the processing of rejects.
- (H)(I)(J) The actions described in parts (H) through (J) seek to use the cost model for a purpose other than that intended. Most cost studies involve narrowly defined benchmark - rate category comparisons. For example, automation presort letter cost models by rate category are used to de-average a CRA mail processing unit cost estimate. Those results are then compared to a Bulk Metered Mail (BMM) letter benchmark.

There are limitations when it comes to the data that can be used for cost models. Many data inputs represent "average" figures. In addition some of the data inputs would likely change if large volumes of mail migrated from one mail type (e.g., single-piece) to another. The cost models in USPS LR-J-60 were not constructed to evaluate such migration.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

RESPONSE TO KE/USPS-T22-23 (CONTINUED)

- (K) On 11/05/01, a revised QBRM cost methodology was adopted which was similar to that used in Docket No. R97-1. This methodology was changed to address concerns expressed by the MMA. The QBRM cost study was subsequently revised on 11/15/01 to correct an error in the handwritten reply mail cost model. In my opinion, these changes addressed the original concerns.
- (L) Not confirmed. Please see the response to KE/USPS-T22-33(B).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

KE/USPS-T22-24 Please refer to your responses to Part C of Interrogatory KE/USPS-T14-6 and Part C of Interrogatory KE/USPS-T14-7 that was originally directed to USPS witness Thomas A. Bozzo. There you indicate that the issue of more QBRM letters being rejected by postal automation equipment than HAND and BMM letters has been resolved.

- A. Is it your position that removing all postal operations after the RBCS in your HAND model and all postal operations after the outgoing BCS primary in your QBRM model resolved the problem where initially you showed that more QBRM letters would be rejected than HAND letters? If no, please explain.
- B. Assuming your answer to Part A is yes, please provide the mail flows and resulting model rejection totals for HAND and QBRM letters if the letters were processed through the incoming secondary sort to demonstrate that your revisions have resolved the problem.

RESPONSE:

- (A) Yes. A more limited analysis similar to that found in the initial Docket No. R97-1 was adopted on 11/5/01. In Docket No. R97-1, it should be noted that witness Bentley (BUG-T-1) voiced no disagreement with the cost methodology that was used to support the original QBRM worksharing related savings estimate (USPS-T-23). A more limited analysis focuses on the cost differences associated with applying a barcode to a handwritten reply mail piece. I feel that this revised cost study more closely estimates the QBRM worksharing related savings.
- (B) Mail flows can be found in the response to KE/USPS-T39-1, Attachment 1. It is not possible to set up detailed cost models that contain data specific to handwritten reply mail letters and QBRM letters as those data are not available.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY

KE/USPS-T22-28 Please refer to your response to Part F of Interrogatory KE/USPS-T22-6. There you answered "No" to the hypothetical question posed by KeySpan Energy, but your explanation does not seem to relate to your answer.

- A. If it could be demonstrated that, after the *outgoing* primary operation, more QBRM letters than handwritten letters can be processed successfully on automation, would you agree that eliminating all other operations from the cost savings analysis, as you did, is inappropriate because it understates QBRM cost savings? Please explain your answer.
- B. Please confirm that, if it could be demonstrated that after the *incoming* primary operation more QBRM letters than handwritten letters can be processed successfully on automation, then eliminating the incoming secondary operation from the analysis of QBRM cost savings would be inappropriate because it would understate QBRM cost savings. Please explain your answer.

RESPONSE:

- (A) No. All things considered, I think the appropriate basis for this analysis is to estimate the costs required to apply a barcode to a handwritten reply mail piece. Such an analysis is appropriate because the only cost difference between a QBRM mail piece and a handwritten reply mail piece that can be estimated using the data available are the costs associated with barcoding the handwritten mail piece. In addition, cost model inputs specific to QBRM mail pieces and handwritten reply mail pieces are not available. In the case of the handwritten reply mail piece, that data will never be available because it represents a hypothetical situation where QBRM customers would use a mailing alternative, were the QBRM mail piece not available.
- (B) Please see the response to KE/USPS-T22-28(A).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY REDIRECTED FROM
WITNESS KINGSLEY**

KE/USPS-T-39-1 On page 11 of your Direct Testimony you claim that firm holdout or post office box addressed letters that have a unique 9-digit zip code require two passes in the sector/segment operation as part of the incoming secondary sort.

- A. Please describe the flow of QBRM letters from the time they reach the 010 mail preparation operation until they reach the firm holdout or post office box.
- B. Please describe the flow of these same letters if the addresses were hand addressed, there was no prebarcode, and the requirement for pre-approval of mail design by the Postal Service was waived.

Response:

(A)(B) Simplified mail flow diagrams for both QBRM letters and handwritten reply mail letters can be found in Attachment 1. Both types of mail are "loose," mixed in hampers, and enter a given postal facility as "collection mail." These hampers are dumped into conveyor/culling systems that ultimately feed the Advanced Facer Canceler System Input Sub System (AFCS-ISS). The AFCS-ISS culls, cancels (if required), and sorts collection mail based on the type of address.

Prebarcoded reply mail pieces contain Facer Identification Marks (FIM) that the AFCS-ISS can read. A mail piece containing either FIM A (courtesy reply mail) or C (qualified business reply mail) is sorted to bin 1 or bin 2, depending on the specific orientation of that mail piece. Mail pieces from bins 1 and 2 are then routed to an automation outgoing primary operation that is often referred to as a "FIM" program in many plants. The automation outgoing primary operation is typically performed on a Delivery Bar Code Sorter, or DBCS (96 percent according to USPS LR-J-60, page 49).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY REDIRECTED FROM
WITNESS KINGSLEY**

RESPONSE TO KE/USPS-T39-1 (CONTINUED)

Handwritten mail pieces pass through an "enricher module" on the AFCS-ISS. This module determines whether addresses are machine printed or handwritten. Handwritten mail pieces are cancelled and sorted to either bin 3 or 4, based on the orientation of the mail piece. Before this mail is cancelled and sorted, however, an ID tag is applied to the back of the mail piece and an "image" is "lifted" by the AFCS-ISS. This information is immediately routed to the Remote Computer Read (RCR) system. If the RCR system cannot resolve the image, it routes the image to a Remote Encoding Center (REC) where Data Conversion Operators (DCO) will key in address information until a result is achieved. Handwritten mail pieces are staged and processed later in an outgoing Output Sub System (OSS) operation after the RBCS system has had a chance to finalize that mail. The OSS reads the ID tag, queries the Decision Storage Unit (DSU) for the result, and applies a POSTNET barcode to the mail piece based on that result. The outgoing OSS operation is typically performed on a DBCS (63 percent according to USPS LR-J-60, page 49).

At this point, both the QBRM letter and the handwritten letter will be barcoded and will proceed through one or more steps until the mail pieces are isolated based on the 5-digit ZIP Code associated with the post office box. This generally occurs in the incoming Sectional Center Facility (SCF) or incoming primary

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WITNESS KINGSLEY**

RESPONSE TO KE/USPS-T39-1 (CONTINUED)

operation. These 5-digit groupings of mail are then routed to their respective "incoming secondary" operations.

For the QBRM mail piece, the incoming secondary operation will often be in the form of a Business Reply Mail Accounting System (BRMAS) operation that is performed on either an MPBCS or a DBCS. The term "BRMAS" actually refers to the software that is used. Most large BRMAS operations, such as the one at the Washington Processing and Distribution Center (P&DC), are multiple-pass operations, similar to the multiple-pass incoming secondary operations used to sort letters and cards in Delivery Point Sequence (DPS). The QBRM mail piece will be sorted to the "phantom box" number (related to the permit number) in one or more passes in the BRMAS operation.

The handwritten reply mail piece will be routed to an incoming secondary box section program performed on either an MPBCS or a DBCS. Incoming secondary box section programs are generally two pass programs where box section mail pieces are sorted into "sector segment" sequence. The sector segment operation minimizes the casing time because the mail is sorted in the order that the clerk cases the mail into each box section.

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WITNESS KINGSLEY**

RESPONSE TO KE/USPS-T39-1 (CONTINUED)

operation. These 5-digit groupings of mail are then routed to their respective "incoming secondary" operations.

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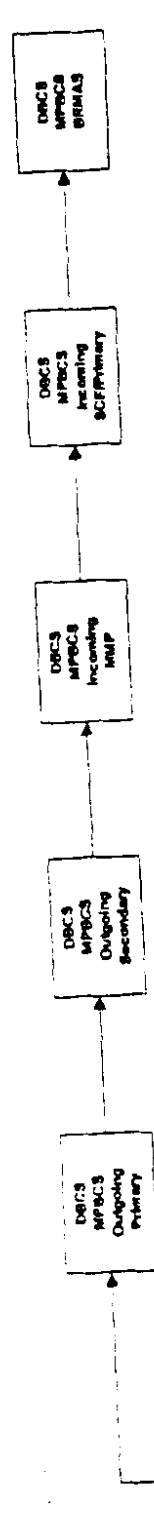
**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
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WITNESS KINGSLEY**

RESPONSE TO KE/USPS-T39-1 (CONTINUED)

The mail flows found in Attachment 1 are general in nature. Mail volume dictates mail flow. The "sort plan" software that instructs a given machine how to sort the mail is the mechanism that is used to control mail flow. Sort plans can be structured to minimize the average number of handlings per piece. The Density Analysis System (DAS) is used by field staff to regularly evaluate sort plans by operation and determine whether changes need to be made. When the mail volumes processed in a given operation on a given machine change over time, the sort plans can also be changed to minimize the amount of piece handlings.

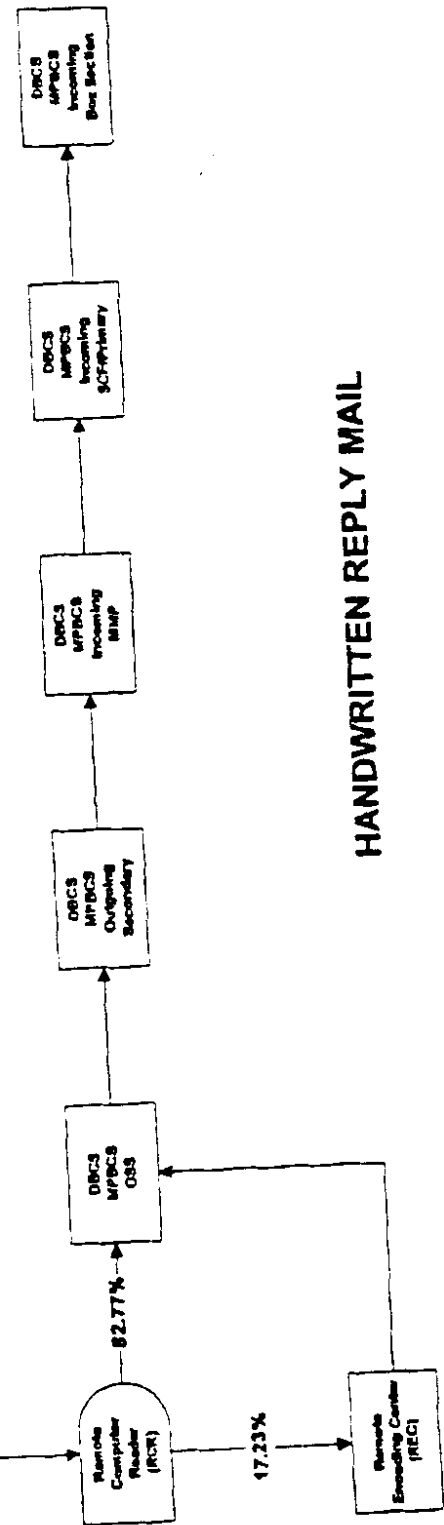
Consequently, a high volume post office box mail recipient would likely have their mail finalized in the same number of automation piece handlings, whether the mail piece entered a given facility as a prebarcoded reply mail piece or handwritten reply mail piece. The only difference would be the extra RBCS-related processing steps required to apply a barcode to the handwritten mail piece.

QUALIFIED BUSINESS REPLY MAIL



COLLECTION MAIL

BINS 3/4



HANDWRITTEN REPLY MAIL

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF KEYSpan ENERGY
REDIRECTED FROM WITNESS KINGSLEY

KE/USPS-T39-14 Please refer to your descriptions of the equipment used in the RBCS on pages 5 and 6 of your Direct Testimony, the mail flow densities provided on pages 46 and 52 of Library Reference USPS-LR-J-60, and USPS witness Campbell's answer to Interrogatory KE/USPS-T29-50(F) in Docket No. R2000-1.

- A. Please confirm that MLOCs (44 or 60 bins) that are currently used in the outgoing ISS operation provide for fewer separations than MPBCs (96 bins) and DBCs (174 bins, on average). If no, please explain.
- B. Please confirm that USPS witness Miller shows that 26.36% of the letters processed in the outgoing ISS operation can be sorted such that the letters bypass the outgoing secondary and incoming primary operations, and go directly to the incoming secondary. If no, please explain.
- C. Please confirm that USPS witness Miller shows that 6.59% of the letters processed in the outgoing BCS primary can be sorted such that the letters bypass the outgoing secondary and incoming primary operations, and go directly to the incoming secondary. If no, please explain.
- D. Why would the letters processed in the outgoing ISS operation be sorted to a finer degree than letters processed in a BCS outgoing primary operation?
- E. Please confirm that USPS witness Miller shows that 34.00% of the letters processed in the outgoing OSS operation can be sorted such that the letters bypass the outgoing secondary and incoming primary operations, and go directly to the incoming secondary. If no, please explain.
- F. Why would the letters processed in the outgoing OSS operation be sorted to a finer degree than letters processed in the BCS outgoing primary operation?
- G. Please confirm that USPS witness Millers shows that the marginal productivities for the outgoing ISS, outgoing OSS and outgoing BCS primary operations are 8,142, 10,240, and 6,559, respectively. If no, please explain.
- H. Why would the letters processed in the outgoing ISS and OSS operations be sorted to a finer degree and with much greater productivity than letters processed in the BCS outgoing primary operation?

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REDIRECTED FROM WITNESS KINGSLEY

RESPONSE TO KE/USPS-T39-14 (CONTINUED)

- (A) This can be confirmed at sites using Multi Line Optical Character Reader Input Sub Systems (MLOCR-ISS). Sites that use Delivery Bar Code Sorters (DBCS) that have been retrofitted with Optical Character Reader (OCR) and/or Input Sub System (ISS) capabilities would have a greater depth of sort.
- (B) This can be confirmed based on the presort letters/cards density table found in USPS LR-J-60 on page 52.
- (C) This can be confirmed based on the presort letters/cards density table found in USPS LR-J-60 on page 52.
- (D) The outgoing ISS operation and the automation outgoing primary operation are used to perform different tasks. The outgoing ISS operation is used to either barcode a mail piece or lift the image for a mail piece. In general, the purpose of the automation outgoing primary operation is to sort FIM reply mail. Consequently, it should not be expected that both operations would have identical density values.
- (E) This can be confirmed based on the presort letters/cards density table found in USPS LR-J-60 on page 52.
- (F) The outgoing OSS operation and the automation outgoing primary operation are used to perform different tasks. The outgoing OSS operation is used to barcode a mail piece that has been resolved by RBCS. In general, the purpose of the automation outgoing primary operation is to sort FIM reply

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REDIRECTED FROM WITNESS KINGSLEY

RESPONSE TO KE/USPS-T39-14 (CONTINUED)

mail. Consequently, it should not be expected that both operations would have identical density values.

- (G) This can be confirmed based on the productivity table found in USPS LR-J-60 on page 46.
- (H) In regard to the level of sortation, please see the responses to KE/USPS-T39-14(D) and (F). In regard to the productivity differences, these operations are all distinct and are used to accomplish different tasks. In addition, different machines are used to accomplish these tasks. The DBCS is a single-sided four-tiered machine that contains an average of 174 bins. The MPBCS is a two-sided single-tiered machine that contains 96 bins. The MLOCR-ISS is a single-sided single-tiered machine that contains 60 bins. Despite the differences between these machines, each machine is staffed with two mail processing clerks. Given these facts, I would not expect the productivities to be identical.

Individual statistics by operation cannot be scrutinized in an isolated fashion. A system perspective must be used. For example, a DBCS that contained fewer bins would likely maintain higher productivities due to the reduced walking and sweeping time requirements. However, the amount of mail that would have to be rehandled in downstream operations would increase.

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

MMA/USPS-T22-1 On page iv of your Direct Testimony you indicate that in Docket R2000-1 you testified as the Postal Service's expert witness on First-Class Mail cost savings resulting from worksharing operations performed by mailers.

- A. 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.
- B. Since you testified in Docket No. R2000-1, please indicate what workshare mailer facilities you have visited in order to get a better understanding of worksharing operations that First-Class mailers perform. Please provide the dates and places of such visits, what you saw, and copies of any notes that you took or handouts that were provided to you.
- C. If you have observed workshare mailers' operations first hand, please confirm that, depending upon the volumes of workshared letters mailed, worksharing operations can include the following:
 - 1. Traying the letters
 - a. Unloading and distributing empty trays provided by USPS to appropriate workstations;
 - 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 ("DAR") labels;
 - f. Preparing and applying ACT tags;
 - g. Postage Verification; and
 - h. Presorting the trays
 - 2. Palletizing the trays
 - a. Unloading and distributing empty pallets provided by USPS to appropriate workstations;
 - b. Stacking Trays onto pallets;
 - c. Shrinkwrapping pallets to secure trays during transport by USPS;
 - d. Labeling pallets; and
 - e. Presorting the pallets.
 - 3. Loading mail onto trucks
 - a. Moving pallets;
 - b. Meeting USPS scheduling requirements; and
 - c. Presorting the trucks with presorted pallets.

~~RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO~~
~~INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION~~

RESPONSE TO MMA/USPS-T22-1 (CONTINUED)

- D. If you have not observed workshare mailers' operations first hand, please confirm 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 USPS to appropriate workstations;
 - 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 ("DAR") labels;
 - f. Preparing and applying ACT tags;
 - g. Postage Verification; and
 - h. Presorting the trays
 2. Palletizing the trays
 - a. Unloading and distributing empty pallets provided by USPS to appropriate workstations;
 - b. Stacking Trays onto pallets;
 - c. Shrinkwrapping pallets to secure trays during transport by USPS;
 - d. Labeling pallets; and
 - e. Presorting the pallets.
 3. Loading mail onto trucks
 - a. Moving pallets;
 - b. Meeting USPS scheduling requirements; and
 - c. Presorting the trucks with presorted pallets.
- E. Do you agree that in Docket No. R2000-1, your derivation of workshare cost savings did not include the cost savings to the USPS of the additional worksharing activities, listed in Part C of this interrogatory, that mailers perform? If you do not agree, please fully explain your answer.
- F. Are you aware that First-Class workshare mailers are required to sort and load pallets of letters onto trucks, as specified by the Postal Service, so that the trucks can by pass local and intermediate postal facilities and go directly to an airport or Hub and Spoke ("HASP") facility? Please explain your answer.
- G. If you agree that mailers who comply with Postal Service requirements to presort trucks that routinely bypass local and intermediate postal facilities, would not such transportation cost savings be considered worksharing?

~~RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO~~
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RESPONSE TO MMA/USPS-T22-1 (CONTINUED)

- H. Can BMM be prepared in such a manner that the trucks carrying the mail can bypass the routes *normally* taken by those trucks? Please explain your answer.

RESPONSE:

Page iv of my direct testimony does not use the term "expert." However, I was the Postal Service cost witness that estimated the worksharing related savings for the First-Class Mail presort letters and cards rate categories in Docket No. R2000-1.

- (A) Not confirmed. I can't recall, absent a citation, whether I was asked that specific question. I did not testify as such in my direct testimony as the purpose of that testimony was to development estimates of worksharing related savings captured by the Postal Service when mailers choose to presort and/or prebarcode their letter and card mailings. In order to calculate those savings, it was not necessary to be familiar with mailer operations.
- (B) In this docket, the purpose of my testimony is to again develop estimates of worksharing related savings captured by the Postal Service when mailers choose to presort and/or prebarcode their letter and card mailings. Consequently, I attempt to observe field operations at as many postal facilities as I can, schedule permitting. During recent field observations at postal facilities, I also had the opportunity to tour two mailer facilities. In both instances, management at each facility conducted a general tour. I did not receive any handouts and took no notes in either instance. As an industrial engineer, I found the tours to be both interesting and informative. However, I did not have the expressed intention of developing a "better understanding" of mailer operations in the context of how it would affect my testimony and cost studies for the reason provided in my response to MMA/USPS-T22-1(A).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
RESPONSE TO MMA/USPS-T22-1 (CONTINUED)

On Monday August 27, 2001, I toured a large mailing concern in Denver, Colorado. This organization submits their mailings to the nearby Denver Processing and Distribution Center (P&DC). My recollection from the tour is that roughly 70% of the mail volume in that facility is collected from local firms and is presorted and/or prebarcoded. The residual mail that cannot be presorted and/or prebarcoded is entered as First-Class Mail single-piece mail at the Denver facility. The remaining 30% of the mail volume processed at this facility is mail "manufactured" at that facility. At one point, the manager and I discussed possible reasons why some mailers do not engage in worksharing. One reason that he specified was the lack of awareness of employees responsible for the mail generated at those facilities. When I mentioned that I had seen trays of Bulk Metered Mail (BMM) letters submitted directly to the Denver P&DC, he stated that presort bureaus cannot solicit the Postal Service for names of businesses that are not currently worksharing. Another reason that he specified was the structure of an organization. He used a particular telecommunications firm as an example. Apparently, this firm has very decentralized operations throughout the region. The lack of a centralized mailing operation seems to act as a barrier, in this instance, to the adoption of worksharing.

On Tuesday August 28, 2001, I toured a large mailing concern in Louisville, Colorado. Specifically, I was given a general tour of the Business Reply Mail (BRM) operations. The BRM received by this facility is currently processed at Valmont Station in Boulder, Colorado. The employees who escorted me through the facility were familiar with the ratemaking process. In discussing that process, they mentioned that they had assisted the MMA cost analyst and counsel in developing their Docket No. R2000-1 testimony.

~~RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION~~

RESPONSE TO MMA/USPS-T22-1 (CONTINUED)

- (C) The tours of mailer facilities that I have participated in have been general in nature. I did not attempt to identify and analyze every possible task performed at every possible facility. Consequently, I cannot confirm this statement.
- (D) No response is required.
- (E) I do not agree. The Commission approved benchmark for First-Class Mail letters has been Bulk Metered Mail (BMM) letters in each of the past three dockets (PRC Op. R2000-1 at [5089], PRC Op. R97-1 at [5089], and PRC Op. MC95-1 at [4302]). BMM letters are generally regarded to be "clean," machinable mail pieces that are entered directly into originating postal facilities in trays with the mail pieces faced in the same direction. They are not palletized and are not loaded onto trucks. Consequently, if BMM letters are used as the benchmark for the First-Class Mail presort letters rate categories, the fact that employees at mailer facilities may, or may not, tray mail, palletize mail, and/or load mail into trucks at those facilities has no impact on the savings estimates. As stated previously, the purpose of my testimony is to develop estimates of worksharing related savings captured by the Postal Service when mailers choose to presort and/or prebarcode their letter and card mailings. The purpose of my testimony does not include analyzing mailer operations and the costs of those operations.
- (F) The concept of "pallet sortation" is not one with which I am familiar. I am not aware of any postal operations or MODS operation numbers related to pallet sorting. Consequently, any cost savings related to such activities

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

RESPONSE TO MMA/USPS-T22-1 (CONTINUED)

would not have been included in my worksharing related savings estimates. However, it is my understanding that there are no formal requirements to which all mailers must adhere as described. Agreements between mailers and nearby postal facilities are typically made at the local level, often at the request of mailers to improve service. For example, the Postal Service and a mailer may enter into an agreement where the customer can enter a mailing after the normal critical entry time if that mailer were to palletize and shrink wrap that mail to facilitate the cross-docking process.

(G) The concept of "truck presortation" is not one with which I am familiar. I am not aware of any postal operations or MODS operation numbers related to truck sorting. Consequently, any cost savings related to such activities would not have been included in my worksharing related savings estimates. However, transportation costs have historically been included in the cost analyses supporting dropship discounts (please see USPS-T-23). Given that there are no First-Class Mail dropship discounts, such an analysis has not been conducted.

(H) As stated in the response to (E), BMM letters are generally "clean," machinable mail pieces that are entered directly into originating postal facilities in trays with the mail pieces faced in the same direction. Consequently, I do not understand the question as it has been presented.

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

MMA/USPS-T22-4 On page 5 of your Direct Testimony you discuss management plans to boost the percentage of letters that can be barcoded in the Remote Computer Read System (RCR) to 93.2% and reference the Decision Analysis Request ("DAR") entitled "Letter Recognition Enhancement Program" a redacted version of which has been filed as Library Reference USPS LR-J-62.

- A. Please provide the RCR final percentage rates for the latest fiscal year available, similar to that which you provided in Docket No. R2000-1. See Docket No. R2000-1, Library Reference USPS LR-I-62, page I-41.
- B. Please explain the reasons why, in FY 1999, 50% of the letters could not be read and barcoded by the RCR.
- C. Please explain how the Postal Service intends to increase the percentage rate from the 69% it expects to achieve in FY 2001 to the 93.2% it expects to achieve in FY 2003.
- D. Please explain the reasons why, in FY 2003, 6.8% of the letters will not be read and barcoded by the RCR.
- E. Please provide copies of the following documents
 1. The 1988 Corporate Automation Plan
 2. The DARs and any other documents that discuss the six RCR enhancement programs undertaken since 1996.
- F. For each fiscal year since implementation of the RCR program, please provide a table comparing the RCR percentage that the USPS expected to achieve for that period with the actual RCR percentage achieved during such period. Please provide references to appropriate source documents and copies of such documents.

RESPONSE:

The initial statement in this interrogatory is incorrect. My testimony does not state that the RCR finalization percentage will increase to 92.3% in the test year.

As I stated on page 5 at 21-24:

In May 2001, the Board of Governors again approved a Decision Analysis Request (DAR) for the Letter Recognition Enhancement Program that will boost the aggregate MLOCR-ISS/RCR finalization rate to 92.3%.

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

RESPONSE TO MMA/USPS-T22-4 (CONTINUED)

This rate is the combined finalization rate for the MLOCR-ISS/RCR system and is not the finalization rate for the RCR system itself. The models used in the cost studies (USPS LR-J-60) have been changed to accommodate an aggregate rate.

(A) The following RCR data are from the Corporate Information System (CIS):

<u>FY</u>	<u>AP</u>	<u>RCR</u>	<u>FY</u>	<u>AP</u>	<u>RCR</u>	<u>FY</u>	<u>AP</u>	<u>RCR</u>
96	1	N/A	97	1	N/A	98	1	30.8%
96	2	N/A	97	2	N/A	98	2	33.2%
96	3	N/A	97	3	N/A	98	3	33.4%
96	4	N/A	97	4	N/A	98	4	26.6%
96	5	N/A	97	5	N/A	98	5	33.6%
96	6	N/A	97	6	N/A	98	6	33.4%
96	7	N/A	97	7	N/A	98	7	34.3%
96	8	N/A	97	8	N/A	98	8	33.9%
96	9	N/A	97	9	N/A	98	9	34.2%
96	10	N/A	97	10	N/A	98	10	34.1%
96	11	N/A	97	11	N/A	98	11	33.6%
96	12	N/A	97	12	N/A	98	12	33.3%
96	13	N/A	97	13	N/A	98	13	35.0%

<u>FY</u>	<u>AP</u>	<u>RCR</u>	<u>FY</u>	<u>AP</u>	<u>RCR</u>	<u>FY</u>	<u>AP</u>	<u>RCR</u>
99	1	39.0%	00	1	52.0%	01	1	63.7%
99	2	41.1%	00	2	52.2%	01	2	66.4%
99	3	44.1%	00	3	56.7%	01	3	66.7%
99	4	47.5%	00	4	61.4%	01	4	68.4%
99	5	49.9%	00	5	61.0%	01	5	67.2%
99	6	50.3%	00	6	61.0%	01	6	67.9%
99	7	50.4%	00	7	62.4%	01	7	68.0%
99	8	50.9%	00	8	62.8%	01	8	68.8%
99	9	51.3%	00	9	62.8%	01	9	68.9%
99	10	51.4%	00	10	62.8%	01	10	69.0%
99	11	50.3%	00	11	61.6%	01	11	68.4%
99	12	50.0%	00	12	61.5%	01	12	68.4%
99	13	50.7%	00	13	61.8%	01	13	68.9%

(B) Redirected to the Postal Service.

(C) Redirected to the Postal Service.

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

RESPONSE TO MMA/USPS-T22-4 (CONTINUED)

(D) Redirected to the Postal Service.

(E1) Please see USPS LR-J-156.

(E2) In October, 1991. The Postal Service Board of Governors approved a Decision Analysis Request (DAR) for the developmental efforts required to integrate "Remote Computer Reading" into the Remote Bar Coding System (RBCS) technology (USPS LR-J-157, pages 1-31). It was estimated at that time that the image recognition algorithms contained in RCR could "read" 25% - 50% of those mail pieces in the RBCS image mailstream.

In November 1992, a "bridge" DAR was approved by the Governors for 22 additional RBCS sites, including funds for the RCR system (USPS LR-J-157, pages 14-31). This DAR was a "bridge" in that it kept the program moving forward while the Postal Service awaited the results from the arbitration decision regarding the use of contract labor for Remote Encoding Sites (RES). These facilities were later to be called Remote Encoding Centers (REC).

In August 1994, the Governors approved the DAR for Phase II of the RBCS program (USPS LR-J-157, pages 53-113). This phase included the funds to deploy RBCS and the RCR system to 120 sites. This figure included the 22 sites from the "bridge" DAR described above. The Phase I RBCS program included 25 sites, but did not include funds for RCR. The Phase II DAR estimated that RCR would reduce the REC workload by 25%.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
RESPONSE TO MMA/USPS-T22-4 (CONTINUED)**

In October 1994, the Governors approved a DAR for 29 RCR systems (USPS LR-J-157, pages 32-52). The 29 systems were to be used as follows: 25 would be deployed to the Phase I RBCS sites, three would be used for training purposes, and one would be used by engineering for further research and development. This DAR estimated that RCR would reduce the REC workload by 25%.

In July 1995, the Governors approved the DAR for Phase III of the RBCS program (USPS LR-J-157, pages 114-157). This phase included the funds to deploy RBCS and the RCR system to 104 sites. This DAR also estimated that RCR would reduce the REC workload by 25%.

In February 1998, the Governors approved a DAR for the "Handwriting Recognition Upgrade" program (USPS LR-J-157, pages 158-170). This DAR estimated that the program would improve the RCR finalization rate for handwritten mail pieces to 50%.

In January 1999, the Governors approved a DAR for the "RCR 2000" project that was designed to improve the finalization rate for handwritten and machine printed mail pieces 22 percentage points and eight percentage points, respectively (Docket No. R2000-1, USPS LR-I-164). The aggregate finalization rate was 69.03%.

In March 2000, the Governors approved a DAR for the "Recognition Improvement Program" (USPS LR-J-157, pages 171-184). This DAR was based on the system MLOCRISS/RCR finalization rate, rather than focusing solely on the RCR finalization rate. This DAR estimated that the system finalization rate would improve to 85.2%.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO MMA/USPS-T22-4 (CONTINUED)

In May 2001, the Governors approved a DAR for the "Letter Recognition Enhancement Program" (USPS LR-J-62). This DAR estimated that the system finalization rate would improve an additional eight percentage points to 93.2%.

- (F) To the best of my knowledge, such an analysis has not been conducted. However, in Docket No. R2000-1, my cost models (USPS-T-24) relied on an RCR finalization rate of 69.03% in test year 2001. As the response to (A) clearly indicates, the actual RCR finalization rate by AP 13 FY 2001 was 68.9%, a figure nearly identical to that forecast in the RCR 2000 DAR (Docket No. R2000-1, USPS LR-I-164). In addition, through my conversations with employees in both finance and engineering who have been involved with the RCR enhancements, this system is generally regarded to be one of the Postal Service's best investments when it comes to approaching or meeting performance expectations.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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MMA/USPS-T22-5 Please refer to footnote 16 on page 7 of your Direct Testimony where you indicate that cost savings due to additional automation technology may or may not be offset by increases in wage rates for processing metered letters.

- A. Please describe in detail the "cases" in which you claim that increased wage rates do not appear to have offset the impact that letter recognition enhancement programs have had on worksharing related savings.
- B. Have you tested your conclusion that cost differences between prebarcoded, machine printed, and handwritten letters are likely to decrease over time? If yes, please provide the results of this analysis. If no, please explain why not.
- C. Please provide separate unit mail CRA processing costs for First-Class single-piece and metered letters for each year from FY 1998 until TY 2003.
- D. Please provide separate unit mail CRA processing costs for First-Class single-piece and metered letters, adjusted for wage rate increases, for each year from FY 1998 until TY 2003.

RESPONSE:

- (A) The most obvious example is the QBRM cost study discussed in Section IV of my testimony. The wage rates over time have increased while the savings have decreased. This is not surprising given the fact that some of the Decision Analysis Requests (DAR) contained in USPS LR-J-157 covered investments in image recognition technology that specifically targeted handwritten mail pieces.

It is difficult, however, to look at specific figures in each rate case and compare them as the methodologies and cost models themselves have changed over time. However, an analyst can use the current model and change the MLOCR-ISS/RCR finalization rates and wage rates to evaluate how letter recognition enhancements have reduced the estimated savings over time.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
RESPONSE TO MMA/USPS-T22-5 (CONTINUED)**

A similar analysis can be conducted using the BMM letters and nonautomation presort machinable cost models and automation presort cost models. Finalization rates and wage rates can be changed to evaluate how these costs have also changed over time.

- (B) Please see Docket No. R97-1, Tr. 33/17479.
- (C) Redirected to witness Smith.
- (D) Redirected to witness Smith.

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

MMA/USPS-T22-6 On page 7 of your Direct Testimony you state that postal automation technology "could also result in worksharing related savings estimates that shrink over time, if the impact of these changes are not offset by increased wage rates."

- A. Have you tested your conclusion that worksharing cost savings are likely to shrink over time? If yes, please provide the results of this analysis. If no, please explain why not.
- B. In Docket No. R2000-1, in its response to Order 1289, the Postal Service provided Attachment A, page 2, which included time series unit costs in constant dollars for First-Class single-piece and presort. Please confirm the following data from the table. If you cannot confirm, please provide the correct costs and explain.

**Comparison of First-Class Single Piece and Presort Unit Processing
And In-Office City Carrier Costs For Letter-Shaped Mail
(Constant 1989 Cents)**

YEAR	NONPRESORT	PRESORT	DIFFERENCE
1989	10.36	5.46	4.90
1990	9.71	5.36	4.35
1991	9.51	5.28	4.23
1992	8.99	5.07	3.92
1993	8.86	5.02	3.84
1994	9.09	5.01	4.08
1995	9.46	4.37	5.08
1996	9.55	3.98	5.57
1997	9.08	3.48	5.60
1998	8.66	3.45	5.21
1999	8.30	3.39	4.91

- C. Please update the table shown in Part B to include FY 2000 and cost projections through TY 2003. Please provide support for your answer.

RESPONSE:

- (A) Please see the response to MMA/USPS-T22-5(A). In addition, I did not come to the "conclusion" that the savings would decrease over time. As the citation above clearly indicates, I merely mentioned that it "could" happen.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE OF MMA/USPS-T22-6 (CONTINUED)

(B) Redirected to the United States Postal Service.

(C) Redirected to the United States Postal Service.

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

MMA/USPS-T22-8 On page 10 of your Direct Testimony you describe how model-based mail processing unit costs are required when isolated CRA mail processing unit costs are unavailable.

- A. Why has the Postal Service not modified its CRA system to separately obtain actual costs for the various rate categories within presorted First Class?
- B. Please describe how the CRA cost pools that you have selected to constitute mail processing costs reflect the cost operations that you attempt to cost out in your model-based mail flow cost models.
- C. In your development of CRA unit costs for bulk metered mail letters (page 8 of USPS LR-J-60), please indicate which cost pools include the following operations.
1. Distributing empty trays to the appropriate workstations;
 2. Removing old labels and printing and inserting new labels;
 3. Sleeving trays;
 4. Banding trays;
 5. Labeling trays;
 6. Sorting trays;
 7. Distributing empty pallets to the appropriate workstations;
 8. Placing trays on pallets;
 9. Shrinkwrapping the pallets;
 10. Labeling the pallets;
 11. Sorting the pallets;
 12. Transporting the pallets with an office; and
 13. Loading the pallets onto trucks.
- D. In your development of model-based unit costs for bulk metered mail letters (pages 15 and 16 of USPS LR-J-60), please indicate which operations include the following operations.
1. Distributing empty trays to the appropriate workstations;
 2. Removing old labels and printing and inserting new labels;
 3. Sleeving trays;
 4. Banding trays;
 5. Labeling trays;
 6. Sorting trays;
 7. Distributing empty pallets to the appropriate workstations;
 8. Placing trays on pallets;
 9. Shrinkwrapping the pallets;
 10. Labeling the pallets;
 11. Sorting the pallets;
 12. Transporting the pallets with an office; and
 13. Loading the pallets onto trucks.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO MMA/USPS-T22-8 (CONTINUED)

- (A) Redirected to the United States Postal Service.
- (B) Due to the complexity and variation that exists among field operations, the cost models are simplified representations of the mail processing network. The tasks that have been included in the cost models represent piece and package distribution activities for MODS operation numbers mapped to the cost pools that have been classified as "worksharing related proportional."
- (C) The response to these questions uses the cost pools numbers found in USPS LR-J-60, page 8.
- (C1) 7, 8, 9, 12, 18, 21, 23-25, 27, 37-40, 43, 48, 51
- (C2) Please see response to (C1).
- (C3) 24, 25, 27
- (C4) Please see response to (C3).
- (C5) Please see response to (C1).
- (C6) 22, 24-27, 47
- (C7) First-Class Mail letters and cards are transported between operations using trays and rolling stock. Pallets are not an integral part of the letter and card mail processing network, despite the fact that First-Class mailers do, on occasion, enter palletized letter and card mailings. To the extent that employees process empty pallets submitted by mailers, those costs would be found in cost pools 26 and 47.

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

RESPONSE TO MMA/USPS-T22-8 (CONTINUED)

(C8) (C9) (C10) (C11)

First-Class Mail letters and cards are transported between operations using trays and rolling stock. Pallets are not an integral part of the letter and card mail processing network, despite the fact that First-Class mailers do, on occasion, enter palletized letter and card mailings. Consequently, postal employees do not engage in activities related to the palletization of First-Class Mail letters and cards.

(C12) 26, 47

(C13) Please see response to (C12).

(D1) Outgoing/Incoming RBCS: ISS/RCR, OSS, and LMLM.

Outgoing Primary: Automation and Manual.

Outgoing Secondary: Automation and Manual.

Incoming MMP: Automation AADC and Manual ADC.

Incoming SCF/Primary: Automation and Manual.

5-Digit Barcode Sort

Incoming Secondaries: Auto Carrier Route, Auto 3-Pass DPS, Auto 2-Pass DPS, Manual Finalized at Plant, Manual Finalized at Delivery Unit, Box Section Sort, and Box Section DPS Other.

(D2) Please see response to (D1).

(D3) These tasks have not been modeled.

(D4) These tasks have not been modeled.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO MMA/USPS-T22-8 (CONTINUED)

(D5) Please see response to (D1).

(D6) These tasks have not been modeled.

(D7) First-Class Mail letters and cards are transported between operations using trays and rolling stock. Pallets are not an integral part of the letter and card mail processing network, despite the fact that First-Class mailers do, on occasion, enter palletized letter and card mailings. The tasks performed by postal employees who process these empty pallets have not been modeled.

(D8) (D9) (D10) (D11)

These tasks have not been modeled. Please see the response to MMA/USPS-T22-8(C8)(C9)(C10)(C11).

(D12) These tasks have not been modeled.

(D13) These tasks have not been modeled.

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

MMA/USPS-T22-9 On page 2 of your Direct Testimony you refer to Miller WP1 from Docket No. R2000-1 as your source of mail densities. On page 12 of your Direct Testimony you note that the exact same densities from Docket No. R2000-1 are used in this case.

- A. Please confirm that the data in Docket No. R2000-1 was collected towards the end of FY 1999? If you cannot confirm, please explain.
- B. In its endeavor to use the best and latest equipment, won't the Postal Service achieve more separations in the primary and secondary sortations as time passes? Please explain your answer.
- C. Please justify your use of the same density percentages for the test year in this case on data collected for the year you indicate in Part A of this interrogatory.

RESPONSE:

(A) Confirmed.

(B)(C) The current workhorse for letter and card mail processing operations is the Delivery Bar Code Sorter (DBCS). Phase I Deployments of this machine initially began in 1992. The DBCS was originally intended for use in Delivery Point Sequencing (DPS) operations. Consequently, the number of bins required for each DBCS were estimated using the number of carriers and delivery points for the ZIP Code(s) that would be processed on that machine. Following initial DBCS deployments, many sites also began using the DBCS for operations "upstream" from the DPS incoming secondary operations. However, facilities do not typically use all the bins on their largest machines. Facilities have DBCS machines of varying sizes in their plants and typically want to have the flexibility to process a given sort plan on any of those machines. In addition, most facilities had already received the DBCS expansions they requested at the time that survey was conducted. Therefore, an update to that field study is not likely to produce significantly different results.

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

MMA/USPS-T22-10 On page 17 of your Direct Testimony, you discuss the derivation of your CRA adjustment factors.

- A. Please confirm the following data that are used to compute your CRA adjustment factors. If you cannot confirm, please correct the figures.
- B. Please confirm that the data above indicate that actual CRA costs for First-Class metered letters are 53.8% higher than your model-based costs for First-Class metered letters. If you cannot confirm, please explain.
- C. Please confirm that the data above indicate that actual CRA costs for First-Class nonautomation letters are 53.6% higher than your model-based costs for First-Class nonautomation letters. If you cannot confirm, please explain.
- D. Please confirm that the data above indicate that actual CRA costs for First-Class automation letters are 21.1% lower than your model-based costs for First-Class automation letters. If you cannot confirm, please explain.
- E. Please confirm that the data above indicate that actual CRA costs for Standard nonautomation letters are 50.0% higher than your model-based costs for Standard nonautomation letters. If you cannot confirm, please explain.
- F. Please confirm that the data above indicate that actual CRA costs for Standard nonautomation letters are 10.1% lower than your model-based costs for Standard automation letters. If you cannot confirm, please explain.
- G. Do you believe that your mail flow cost model as designed tend to understate non-automation letter processing, and overstate automation letter processing? Please explain your answer.

RESPONSE:

- (A) Please see the responses below.
- (B) It can be confirmed that the CRA proportional adjustment factor that was calculated using the BMM letters cost models is 1.538. This is yet another indication that the BMM letters mail processing unit cost estimate may be overstated as discussed in USPS-T-22, page 20 at 8-9.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO MMA/USPS-T22-10 (CONTINUED)

(C)(D) It can be confirmed that the CRA proportional adjustment factors for First-Class Mail nonautomation presort letters and automation presort letters are 1.536 and 0.797, respectively. (Please see the revisions filed on 11/05/01). However, the IOCS methodology used to separate the nonautomation presort letters and automation presort letters costs in this docket is the "Base Year 1999" methodology from Docket No. R2000-1. This methodology was subsequently relied upon by the Commission. Had the "Base Year 1998" methodology from Docket No. R2001-1 been used as an alternative, both CRA proportional adjustment factors would have moved closer to 1.000. This may be an indication that the Base Year 1998 methodology resulted in more accurate estimates for nonautomation presort letters and automation presort letters mail processing unit costs. Had the Base Year 1998 methodology been used, the worksharing related savings estimates for the First-Class presort letters rate categories would have decreased.

(E)(F) It can be confirmed that the CRA proportional adjustment factors for Standard nonautomation presort letters and automation presort letters are 1.500 and 0.809, respectively. Please see the response to (C) and (D) for a discussion of the IOCS methodology used to separate mail processing unit costs for nonautomation presort letters and automation presort letters.

(G) No. Please see the response to (C) and (D) for a discussion of the IOCS methodology used to separate mail processing unit costs for nonautomation presort letters and automation presort letters.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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MMA/USPS-T22-11 On page 17 you indicate that you derived unit worksharing related savings by rate category in the same manner as in Docket No. R2001-1.

- A. Please confirm that in the last case, you did not agree that your methodology, of subtracting a rate category's unit workshare related cost from the benchmark costs, inherently assumes that all other exogenous factors affect costs similarly, in order to isolate differences due to worksharing. If you cannot confirm, please explain.
- B. Do you agree that your methodology inherently assumes that all other exogenous factors affect costs similarly in order to isolate differences due to worksharing? If you do not agree, then please explain how the exogenous factors affect your results and how you can claim that the derived cost differences, as shown on USPS LR-J-60, page 1, represent cost differences due to worksharing.

RESPONSE:

(A)(B) The worksharing related savings estimates for each rate category are calculated as indicated in USPS-T-22, page 21 at 21-23. This is the same methodology I used in Docket No. R2000-1. If the point of these questions is something beyond the response given in the previous two sentences, I do not understand them as they are currently phrased.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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MMA/USPS-T22-12 On page 18 of your Direct Testimony you discuss the existence of bulk metered mail ("BMM") and MODS operation 020.

- A. In your study of mail densities referred to on page 52 of Library Reference USPS LR-J-60, from where did the letters entering MODS operation 020 originate.
- B. Is the MODS operation 020 considered a mail preparation operation? Please explain your answer.
- C. In your development of CRA unit costs for BMM letters (page 8 of Library Reference USPS LR-J-60), please indicate which cost pool includes MODS operation 020.
- D. In your development of model-based unit costs for BMM letters (pages 15 and 16 of Library Reference USPS LR-J-60), please indicate which operation includes the costs associated with MODS operation 020.

RESPONSE:

The page referenced in my testimony actually discusses MODS operation 020B defined as "mail preparation - metered bypass." Metered bypass mail is referred to as such because it enters facility in trays and can "bypass" the 020 operation. Consequently, the costs related to MODS operation 020B are minimal. MODS operation 020 is defined as "mail preparation - metered" and typically includes tasks related to the sorting, unpackaging and traying of metered mail packages.

- (A) The density table in USPS LR-J-60, page 52 is for piece distribution operations and is not associated with either MODS operations 020 or 020B.
- (B) Yes, according to the MODS definition described above.
- (C) Costs associated with MODS operations 020 and 020B are "mapped" to the "1CANCMMP" cost pool which has been defined as "worksharing related fixed" using the Commission's Docket No. R2000-1 classification.

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RESPONSE TO MMA/USPS-T22-12 (CONTINUED)

- (D) The tasks performed in MODS operations 020 and 020B were not modeled and were therefore classified as "worksharing related fixed" cost pools. In addition, the BMM letters benchmark relied upon to calculate worksharing related savings estimates for the First-Class presort letters rate categories is CRA-derived. Cost models were not used to estimate BMM letters costs. However, the metered mail cost model found in USPS LR-J-60, pages 15 and 16 was used to develop a proportional CRA adjustment factor. That factor was, in turn, used in the Qualified Business Reply Mail (QBRM) cost study found in USPS LR-J-60 on page 10, and the nonstandard surcharge cost study found in USPS LR-J-60 on page 43.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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MMA/USPS-T22-13 On page 18 of your Direct Testimony you describe your e-mail survey to find out more about the existence of BMM.

- A. Of the 96 responses that you received from offices that had an 020B operation, how many indicated that the mail entering that operation came directly from trays given to them by customers?
- B. Please provide a summary of the answers provided by those offices that received BMM in trays from postal customers.
- C. Of the BMM that was received in trays directly from postal customers please answer the following questions.
 - 1. What was the average size for each mailing, i.e., the number of pieces and the number of trays.
 - 2. How was the BMM accepted by the Postal Service, i.e., at a window, a dock, or a BMEU?
 - 3. How did the mailers obtain the trays that were used to present the mail?
- D. Please describe the various procedures employed by the Postal Service in accepting First-Class mail at BMEU, a dock and a window. In your answer, please indicate any limitations or restrictions upon mailers' ability to tender BMM at a BMEU, a dock, or a window.
- E. Please provide copies of your emails to the 158 In-Plant Support managers and copies of all responses, including followup or clarifying communications, if any.
- F. Please identify the 158 plants to which your email survey was sent.
- G. Please state how many additional plants there are in the USPS system and explain how you chose the plants to include in your survey.

RESPONSE:

- (A) 96.
- (B) Please see USPS LR-J-155.
- (C) (1) The goal of the survey found in USPS LR-J-155 was to find out about the 020B operation and determine whether Bulk Metered Mail (BMM) letters existed. The requested data were not collected in that survey.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO MMA/USPS-T22-13 (CONTINUED)

- (2) Based on the responses, it appears that BMM letters were accepted at either the BMEU or the dock.
- (3) A steady stream of letter trays typically flows from Postal Service facilities to mailers, and back.
- (D) Please see the response to Docket No. R2000-1 MMA/USPS-T24-2(a)(d); Tr. 21/8902.
- (E) Emails and notes regarding followup phone conversations were not kept, but were consolidated into the spreadsheet contained in USPS LR-J-155.
- (F) The number of plants surveyed was actually 180. A list of these plants can be found in USPS LR-J-155, page 3.
- (G) Due to time constraints, I used a distribution list I had assembled which consisted of the field Managers, In-Plant Support. The In-Plant Support department is typically where surveys, equipment requirements calls, and planning projects are completed. Rather than funneling the survey through the Plant Managers, which could take longer, I sent the survey directly to the Managers, In-Plant Support. There are 270 Processing and Distribution Centers (P&DC) and Processing and Distribution Facilities (P&DF). In addition, there are several Customer Service Facilities (CSF). The P&DFs and CSFs do not typically have Managers, In-Plant Support. As such, the survey was basically distributed to the largest plants.

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

MMA/USPS-T22-14 On pages 18 and 19 of your Direct Testimony, you describe how some postal sites had made agreements with local delivery units where employees at those facilities would tray up metered mail collected at that facility. Whose employees would tray up the metered mail, postal employees or customer employees?

RESPONSE:

Postal employees.

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

MMA/USPS-T22-15 On page 19 of your Direct Testimony, you state that you visited three USPS facilities and observed the operations where BMM letters were entered in full trays by business customers.

- A. Please provide all notes or memoranda you produced in connection with such field observations.
- B. Please indicate for each of the three facilities you visited:
1. the date of your visit;
 2. the location of the facility;
 3. the duration of your observations;
 4. the number of business customers who entered BMM letters during your visit;
 5. the total number of full trays that each business customer entered;
 6. the location within the facility (e.g., window, loading dock, BMEU) where such trays were delivered to USPS representatives
 7. conversations, if any, you had with business customers who entered BMM in full trays to determine why they were not taking advantage of Workshare discounts

RESPONSE:

- (A) The purpose in performing field observations was to determine whether BMM letters exist. In many instances, these observations occurred when I was in facilities for some other purpose. Consequently, I did not always take notes. The following documents have been provided: notes from the 7/18/00 Margaret L. Sellers P&DC field observations (Attachment 1), notes from the 8/21/00 Denver P&DC field observations (Attachment 2), a copy of the placard used to label All Purpose Containers (APC) full of BMM letters at the Denver facility (Attachment 3), copies of some sample BMM letters from the Denver facility (Attachment 4), postage statements for a presort bureau's "residual" mail entered at the Denver facility at First-Class single-piece rates (Attachment 5), and notes from the Raleigh P&DC field observations (Attachment 6).

- (B1) Please see the table below.
- (B2) Please see the table below.
- (B3) Please see the table below.

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

RESPONSE TO MMA/USPS-T22-15 (CONTINUED)

<u>Date</u>	<u>Facility</u>	<u>Time</u>
07/18/00	Margaret L. Sellers P&DC, San Diego, CA	4-7pm
08/21/00	Denver P&DC, Denver, CO	4-7pm
03/01/01	Baltimore P&DC, Baltimore, MD	4-7pm
03/15/01	Chicago P&DC, Chicago, IL	4-7pm
08/27/01	Denver P&DC, Denver, CO	4-7pm
10/09/01	Raleigh P&DC, Raleigh, NC	4-7pm
10/10/01	Greensboro P&DC, Greensboro, NC	4-7pm
10/11/01	Columbia P&DC, Columbia, SC	4-7pm

(B4) These data were not collected during my field observations.

(B5) These data were not collected during my field observations.

(B6) During my field observations, I observed two BMM letters points of entry:

(a) the BMEU, and (b) the dock. I did not attempt to observe whether
mailers submitted BMM letters to window service clerks.

(B7) I had no such conversations with mailer representatives.

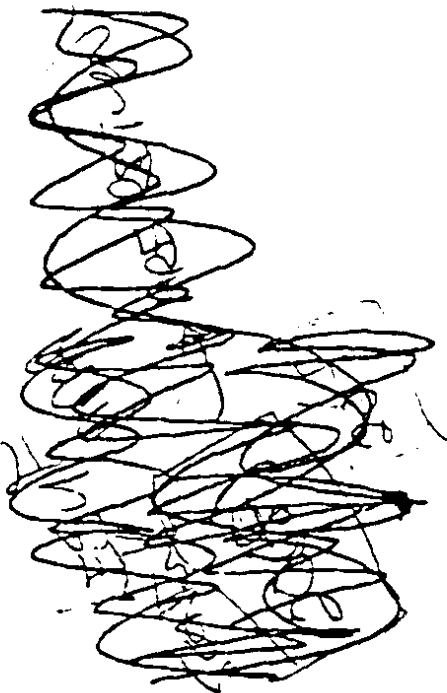
RESPONSE TO MMA/USPS-T02-15(A)
ATTACHMENT 1, PAGE 1 OF 1

①

SD BMEU (838) 674-0417

7/18/00

FULL PAID METERED MAIL
BACK DOCK +
COLLECTIONS FROM DU'S
COULD BE ENTERED ANYWHERE



RESPONSE TO MMA/WPS-T22-15CA)

(1)

ATTACHMENT 2, PAGE 1 OF 2

DENVER F&DL

8/21/00

CLERKS BRING MAIL FROM [REDACTED]

MONA TEBEAU: SOME PEOPLE JUST DON'T
LIKE TO PREPARE

[REDACTED] RESORT HOUSE (RESIDUAL)
4-12K SING
PC DAILY
530-6PM AT NIGHT MAIL IS ENTERED
CLERK VERIFIES AT [REDACTED]

[REDACTED] 815-915 PM
MLOCK MAILER
BILLS, FOOD STAMPS, JURY SUMMONS

[REDACTED] PERMIT SINGLE PIECE

[REDACTED]

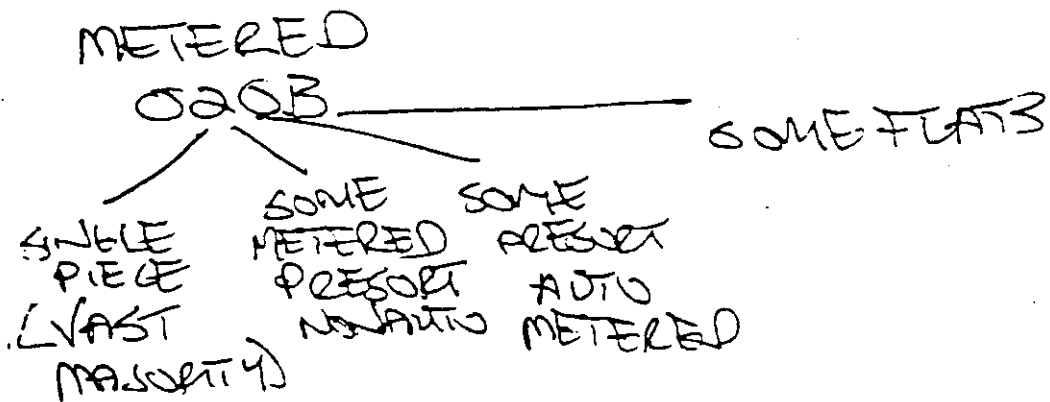
[REDACTED]

BAY 1 ON DOCK. COURIERS BRING TRAY
OF SINGLE PIECE METREO MAIL. <BMN
LOTS OF SMALL BANKS. BIT 5-6.
2-3 APC'S. TRAYED + FACED. NOT SLEVEN
OR STRAPPED. LOTS OF BANK STATEMENT
ON FIRST OF MONTH.

BNEU ACCEPTS: SIDA UNTIL 5PM
FCM UNTIL 10PM

RESPONSE TO MMA/USPS-T22-15(A) ATTACHMENT 2, PAGE 2 OF 2

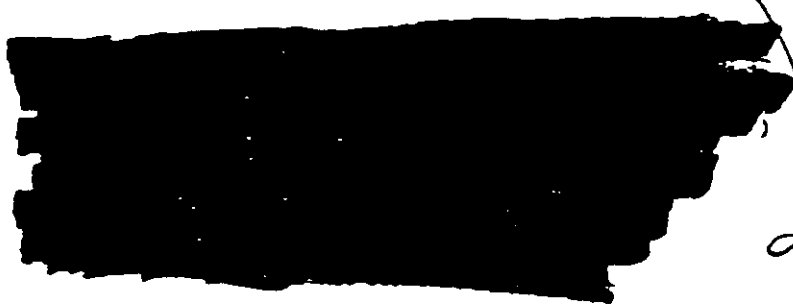
(2)



020 BET. NO 020. BUNDLES UNBUNDLED
 MAIL PIECES ARE UNBUNDLED AND CANCELED.
 AFCS CANCELS DESPITE METER MARKS.

S.O.P. - AGREEMENTS WITH DUS. MOST
 WILL BREAK BUNDLES FROM COLLECTION BOXES
 AND WILL FACE AND TRAY.

AT SCALE



ALL
BMM

ENTERED AT DU



TO: P&DC (ONLY)

RESPONSE TO MMA/USPS-T23-1574A
ATTACHMENT 3, PAGE 1 OF 4

1ST CLASS (ONLY)

(CIRCLE ONLY ONE - DO NOT MIX)

LOOSE UNCANCELLED LETTERS

TRAYED METERED / CANCELLED LETTERS

TUBBED UNCANCELLED FLATS

TUBBED METERED / CANCELLED FLATS

OFFICE DEPARTURE:

DATE:

DISPATCH TIME:

INITIALS:

P&DC ARRIVAL:

DATE:

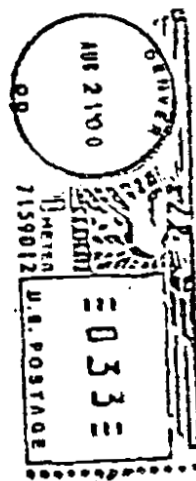
TIME:

INITIALS:

FROM GMF FINANCE STA 80217

RESPONSE TO MMA/USPS-T22-15(C4)
ATTACHMENT 4, PAGE 1 OF 3

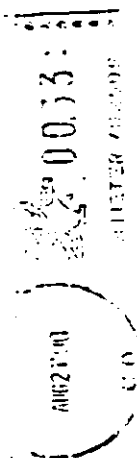
FIRST
CLASS



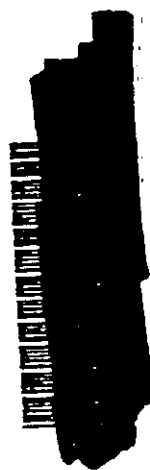
ADDRESS SERVICE REQUESTED



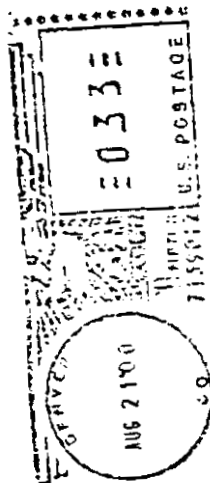
RESPONSE TO MMA/USPS-T22-15CA)
ATTACHMENT 4, PAGE 2 OF 3



PERSONAL AND CONFIDENTIAL



RESPONSE TO MMA/USPS-T22-15(A)
ATTACHMENT 4, PAGE 3 OF 3



FIRST
CLASS



RESPONSE TO MMA/USPS-T22-15(A) ATTACHMENT 5, PAGE 1 OF 5

0.000	0	\$	0.000
0.000	0	\$	0.000
0.000	0	\$	0.000

Part	Pieces	Postage		

			Postage (Part C)	\$ 5,377.680
A	0	\$0.000	Postage All Parts	\$ 5,377.680
B	0	\$0.000	Special Service Total Fees	\$ 0.00
C	16,296	\$5,377.680	Verif. Postage (Screen 1)	\$ 0.00
D	0	\$0.000		

Total Postage				\$ 5,377.68

Do you want to see Special Fees Screen (Y/N)

600 Workscreen

Permit System

meter

Permit

Proc Cat 1 Letter 10t PC 16,296 Class 1

08/01/00

Part C Status Profit Pc Wt 0.0313 \$0.00

	Rates	Pieces	Postage

Single-Piece	0.000	0	\$ 0.000
	0.330	16,296	\$ 5,377.680
	0.000	0	\$ 0.000
	0.000	0	\$ 0.000
	0.000	0	\$ 0.000
	0.000	0	\$ 0.000
	0.000	0	\$ 0.000
	0.000	0	\$ 0.000
	0.000	0	\$ 0.000
	0.000	0	\$ 0.000

Part	Pieces	Postage		

			Postage (Part C)	\$ 5,377.680
A	0	\$0.000	Postage All Parts	\$ 5,377.680
B	0	\$0.000	Special Service Total Fees	\$ 0.00
C	16,296	\$5,377.680	Verif. Postage (Screen 1)	\$ 0.00
D	0	\$0.000		

Total Postage				\$ 5,377.68

Do you want to see Special Fees Screen (Y/N)

RESPONSE TO MMA/USPS-T23-15-CAJ ATTACHMENT 5, PAGE 2 OF 5

DUPLICATE POSTAL SERVICE PERMIT SYSTEM TRANS# 200021420420700M0
 3600-F 3607 WEIGHING AND DISPATCH CERTIFICATE

STATION OR UNIT:
 FINANCE NUMBER:

COMPANY PERMIT USED:
 PERMIT:

DATE OF MAILING 08/01/00	CLASS FIRST	PROC CAT LETTERS	TYPE SINGLE PIECE
NO. SACKS 0	NO. TRAYS 42	NO. PALLETS 0	NO. OTHER 0
WEIGHT OF SINGLE PIECE (LBS) 0.0313	TOTAL PIECES 16.296	TOTAL POUNDS 510.0648	

MAILED: PERMIT NO. NAME: ENTERED IN SYSTEM 08/01/00 20:42:07 NBRVP: ERRORS: 0.00%	POSTAGE: PART A PART B PART C PART D \$5,377.6800 ADDITIONAL POSTAGE: SPECIAL SERVICES OTHER FEES VERIFICATION TOTAL POSTAGE: \$5,377.68
---	---

ROUND STAMP REQUIRED
 TIME ____ AM / PM

ROUND STAMP REQUIRED
 TIME ____ AM / PM

SIGNATURE OF WEIGHER

RECEIVED FOR PROCESSING BY

REMAINING ON DEPOSIT:

REMAINDER SINGLE PIECE

CLK INIT: SAG

RESPONSE TO MMA/USPS-T22-15CA) ATTACHMENT 5, PAGE 3 OF 5

600 Workscreen	Per [REDACTED]	2,364	Class 1	09/14/00
meter	Prod Cat Letter 101 PC	0.0313		
Part C	Status Profit			
----- Rates ----- Pieces ----- Postage -----				
Single-Piece	0.000	0	\$	0.000
	0.330	2,364	\$	780.120
	0.000	0	\$	0.000
	0.000	0	\$	0.000
	0.000	0	\$	0.000
	0.000	0	\$	0.000
	0.000	0	\$	0.000
	0.000	0	\$	0.000
	0.000	0	\$	0.000

Postage (Part C)			\$	780.120
Part	Pieces	Postage		
A	0	\$0.000	Postage All Parts	\$ 780.120
B	0	\$0.000	Special Service Total Fees	\$ 0.00
C	2,364	\$780.120	Verif. Postage (Screen 1)	\$ 0.00
D	0	\$0.000		
			Total Postage	\$ 780.12

677 Enter 1 for screen 1, A for ABE, or press RETURN to continue

RESPONSE TO MMA/LSPS-T22-15CA) ATTACHMENT 5, PAGE 4 OF 5

DUPLICATE
3600-P

POSTAL SERVICE PERMIT SYSTEM TRANS# 200022721055800MO
3607 WEIGHING AND DISPATCH CERTIFICATE

STATION OR UNIT:
FINANCE NUMBER :

COMPANY PERMIT USED:
PERMIT

DATE OF MAILING
08/14/00

CLASS
FIRST

PROC CAT
LETTERS

TYPE
SINGLE PIECE

NO. SACKS
0

NO. TRAYS
7

NO. PALLETS
0

NO. OTHER
0

WEIGHT OF SINGLE PIECE (LBS)
0.0313

TOTAL PIECES
2,364

TOTAL POUNDS
73.9932

MAILED:
PERMIT NO.
NAME:

POSTAGE:

PART A
PART B
PART C
PART D

\$780.1200

ENTERED IN SYSTEM
08/14/00 21:05:58

ADDITIONAL POSTAGE:

NERVP:
ERRORS: 0.00%

SPECIAL SERVICES OTHER FEES
VERIFICATION

TOTAL POSTAGE:

\$780.12

ROUND STAMP REQUIRED
TIME ____ AM / PM

ROUND STAMP REQUIRED
TIME ____ AM / PM

SIGNATURE OF WEIGHER

RECEIVED FOR PROCESSING BY

REMAINING ON DEPOSIT:

COMMENTS: SINGLEPIECE

CLK INIT: SAE

Dormit System

08/16/00

Part C

Status Profit	Pc	Wt	0.0313
---------------	----	----	--------

- Rates - - - - - Pieces - - - - - Postage - - - - -

Single-Piece

[illegible]

Postage (Part C)	\$	1,491.600
------------------	----	-----------

Part	Prices	Postage		
A	0	\$0.000	Postage All Parts	\$ 1,491.600
B	0	\$0.000	Special Service Total Fees	\$ 0.00
C	4.520	\$1.491.600	Verif. Postage (Screen 1)	\$ 0.00
D	0	\$0.000		
			Total Postage	\$ 1,491.60

0677 Enter 1 for screen 1. A for ABE, or press RETURN to continue

DUPLICATE
3600-P

POSTAL SERVICE PERMIT SYSTEM TRANS# 200022919450700M0:
3607 WEIGHING AND DISPATCH CERTIFICATE

STATION OR UNIT
FINANCE NUMBER

COMPANY PERMIT USED, AND
PERMIT NO. [REDACTED]

DATE OF MAILING	CLASS	PROC CAT	TYPE
08/16/00	FIRST	LETTERS	SINGLE PIECE

NO. SACKS	NO. TRAYS	NO. PALLETS	NO. OTHER
0	13	0	0

WEIGHT OF SINGLE PIECE (LBS)	TOTAL PIECES	TOTAL POUNDS
0.0310	4,520	141.4760

MAILED:
PERMIT NO.
NAME:

POSTAGE:

PART A	
PART B	
PART C	\$1,491.6000
PART D	

ENTERED IN SYSTEM
08/16/00 19:45:07

ADDITIONAL POSTAGE:

NRVP :
ERRORS: 0.00%

SPECIAL SERVICES OTHER FEES
VERIFICATION

TOTAL POSTAGE: \$1.491.60

10F.

3P

ATTACHMENT 4

15 (A)

100

USPS

100

100

100

100

100

100

100

100

100

DENNIS: OSS IN IPS W/ MINT.
BACKGROUND

5517

RALEIGH PDC



10/9/01

①

AFCS REJECTS: FOUND 4 LOW ASPECT
RATIO MAILPIECES THAT "TUMBLED"
ON TWO MACHINES.

BACK DOCK: 1 1/2 APC'S 88MM LETTERS
FROM IBM

BUNDLE BREAKAGE A PROBLEM ON
SPBS, ESPECIALLY FOR PERIODICALS.
LOOSE PIECES CAN DAMAGE "BRUSHES"
THAT MOVE TRAYS BEFORE MAIL PIECE
IS DETECTED. MACHINE HAS BEEN DOWN
FOR 2-3 HRS ON A FEW OCCASIONS AS
A RESOU.

WEIGHT OF BUNDLES AND THE NUMBER OF
TIMES DUMPED AFFECTS BREAKAGE FREQUENT

THIN PLASTIC WITH NO STRAPS BREAKS
EASILY BUT CAN DEPEND ON THE GRADE
OF PLASTIC USED. THICK PLASTIC WITH
DOUBLE STRAPS IS BEST.

BROKEN PACKAGES ARE SET IN FURTHER
BY SPBS REVER AND ARE LATER LOADED
ON TO FMC'S. IS THIS O33. HE'S NOT
SURE.

NORFOLK PDC HAS THE "BIGGEST PRIORITY"

RESPONSE TO MMA/USPS-T22-15 CAJ
ATTACHMENT G, PAGE 2 OF 2

(2)

OPERATION HE'S EVER SEEN." HE
THINKS DUE TO [REDACTED] AND ALSO THINK
ROANOKE PD MAY ALSO HAVE A
LARGE PRIORITY OPERATION.

AF3M100: REQUIRES A LOT ON MANT.
HE DOESN'T THINK MH STAFF COMP.
CAN ADEQUATELY PREP 3 MACHINES.

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

MMA/USPS-T22-16 On page 19 you discuss two sources of mailer supplied
BMM.

- A. One source appears to be mailers that, as you say, "for whatever reason are not currently engaged in worksharing activities." You also note that "It was difficult to discern why some mailers engaged in worksharing while others did not."
1. Do you agree you do not quite understand why such mailers do not prepare their mail in such a manner as to qualify for workshare discounts, or why such mailers do not use the services of a presort bureau to reduce postage? If you do not agree, please explain.
 2. Does such mail meet the physical requirements for First-Class automation letter discounts? Please explain your answer.
 3. Do you agree that the chances of such mailers being able to take advantage of presort discounts are likely to be higher today than it was, say 10 years ago? If not, please explain.
- B. A second source of BMM letters is presort houses that fail to reach the Postal Service in time to enter their mail.
1. Do you agree that such mailers are likely to reduce the amount of mail that is delivered late to post office to the extent possible? If not please explain.
 2. Does such mail meet the physical requirements for First-Class automation letter discounts? Please explain your answer.
 3. Do you agree that the chances of such mailers being able to take advantage of presort discounts are likely to be higher today than it was, say 10 years ago? If not, please explain.
- C. Can you think of any other likely sources of BMM? If so, please explain.
- D. How much customer-trayed BMM is likely to be provided to the Postal Service for the test year in this case? Please support your answer.

RESPONSE:

- (A1) I have not conducted an in-depth study to determine why mailers do, or do not, engage in worksharing as that is outside the scope of my testimony. However, as indicted in my responses to MMA/USPS-T22-1(B) and

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
RESPONSE TO MMA/USPS-T22-16 (CONTINUED)

MMA/USPS-T22-15(A), I have been given some indication as to why mailers do not engage in worksharing activities.

- (A2) The portion of my testimony that is referenced in this interrogatory discusses Bulk Metered Mail (BMM) letters. BMM letters are not prebarcoded; therefore, they would not qualify for First-Class mail automation presort letter discounts.
- (A3) I have not studied this issue so have no basis for forming such a conclusion.
- (B1) No. Had a given presort bureau not collected mail from local firms, that mail likely would have undergone normal collection procedures and would have entered the postal facility at an earlier hour.
- (B2) Please see my response to (A2).
- (B3) Please see my response to (A3).
- (C) No.
- (D) Redirected to the United States Postal Service.

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

5521

MMA/USPS-T22-18 Please confirm that presorted First-Class mail can only be tendered to the Postal Service at a BMEU, a dock, a Detached Mail Unit, or the mailer's own facility in the case of mail that is plant loaded. If you cannot confirm, please explain.

- A. Do you agree that workshare mailers have no need for window service?
- B. Do you agree that workshare mailers pay the same as single piece mailers for window service?
- C. Do you agree that under the Postal Service's cost methodology, the cost for providing window service to First-Class mailers is approximately 1.5 cents per piece? (See Library Reference USPS LR-J-58).
- D. Please confirm that you made no adjustment to your derivation of workshare cost savings to reflect the fact the workshare mailers, by definition, do not require window service. If no, please explain.
- E. What is the rationale for charging First-Class workshare letters, which make up more than 50 percent of the subclass, the full cost of the Postal Service to provide window service that it cannot and does not use?
- F. Are costs incurred for the Postal Service to collect single piece First-Class letters considered volume variable by the Postal Service?
- G. If your answer to Part F is yes, please provide the average unit cost for collecting First-Class single piece letters.
- H. Please confirm that you made no adjustment to your derivation of workshare cost savings to reflect the fact the workshare mailers, by definition, do not incur collection costs that single piece letters do. If no, please explain.
- I. Please confirm that you know that BMM is accepted in trays at windows of post offices. If no, please explain.
- J. What is the rationale for charging First-Class workshare letters, which make up more than 50% of the subclass, the full cost of the Postal Service to collect raw mail that it cannot and does not use?

RESPONSE:

(A)(B) No. I have not studied this issue so have no basis for forming such conclusions.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
RESPONSE TO MMA/USPS-T22-18 (CONTINUED)

- (C) No. This figure seems to have been calculated using data in USPS LR-J-58, Table 1. Table 1 includes costs for First-Class Mail single-piece mail pieces only. These figures do not appear to represent all First-Class Mail pieces.
- (D) It can be confirmed that I included no window service costs in the calculations found in USPS LR-J-60. However, as stated in my response to (A) and (B), I have not studied this issue so have no basis for forming a conclusion that, in all instances, presort mailers would not incur window service costs. In addition, it should be pointed out that the Commission stated the following in the previous docket (PRC Op. R2000-1 at [5092]):

The Commission does not agree with MMA's claim that the savings from inclusion of automation compatible reply envelopes, compliance with Move Update programs, and avoided window service should be considered in setting worksharing discounts.

Therefore, no window service adjustments were made in my cost studies.

- (E) As stated in my response to (A) and (B), I have not studied window service costs.
- (F) It is my understanding that collection costs are volume variable, as defined by the Postal Service.
- (G) It is my understanding that these data are not available.
- (H) It can be confirmed that I included no collection costs in the calculations found in USPS LR-J-60.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
RESPONSE TO MMA/USPS-T22-18 (CONTINUED)

- (I) Not confirmed. Please see the response to MMA/USPS-T22-15(B6).
- (J) It is my understanding that collection costs are not assigned to presort letters or cards. Consequently, the rates that presort letter and card mailers are charged would not cover collection costs.

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

MMA/USPS-T22-20 Please refer to Library Reference USPS LR-J-117 and page 7 of your Direct Testimony. In the library reference, USPS witness Schenk found that the unit delivery cost for an average First-Class single piece letter is 6.037 cents. You estimate the unit delivery cost for metered mail is 4.016 cents. You also note that postal technology now and in the future tends to reduce cost differences that might exist between prebarcoded, machine printed, and handwritten.

- A. Why is the unit delivery cost for all First-Class letter-shaped single piece mail not a better proxy for metered mail?
- B. What is the average weight for all single piece letter-shaped mail?
- C. What is the average weight for all metered letter-shaped mail?
- D. What percent of metered letters is not barcoded?
- E. What percent of all First-Class single piece letters is not barcoded?
- F. Please explain why the unit delivery cost for all single piece letter mail is approximately 50% higher than for metered mail?

RESPONSE:

- (A) Please see the response to MMA/USPS-T22-19(B).
- (B) Redirected to the United States Postal Service.
- (C) Redirected to the United States Postal Service.
- (D) Redirected to the United States Postal Service.
- (E) Redirected to the United States Postal Service.
- (F) To the best of my knowledge, an in depth study has not been conducted to explore why this cost difference exists between First-Class single-piece letters and nonautomation machinable mixed AADC presort letters (which is the proxy used for BMM letters). It is possible that the cost differences

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
RESPONSE TO MMA/USPS-T22-20 (CONTINUED)**

are due to the fact that single-piece letters must pass through Delivery Units on both the *originating* and *destinating* end, while nonautomation presort letters, in general, only pass through DUs on the *destinating* end. In addition, the percentage of single-piece letters that are machinable and/or processed in Delivery Point Sequence (DPS) could be lower.

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

MMA/USPS-T22-22 Please refer to Library Reference USPS LR-J-60, page 8, where you show CRA costs, by cost pool, for First-Class metered mail, nonautomation letters, and automation letters.

- A. Please explain each of the following cost pools and your reason for concluding that such costs are not related to worksharing.
1. MODS 12 FSM/
 2. MODS 12 FSM/1000
 3. MODS 13 SPBS OTH
 4. MODS 13 1Sacks_M
 5. MODS 14 Manf
 6. MODS 17 1Sacks_H
 7. MODS 17 1Scan
 8. MODS 18 Busreply
 9. MODS 18 Registry
 10. MODS 18 Rewrap
 11. MODS 18 1Eqmt
 12. MODS 19 Intl
 13. MODS 48 LD49
 14. NonMODS Misc
- B. Please explain why some automation cost pools, for example MODS 18 EXPRESS that you discuss in your Direct Testimony, have a positive, fine cost associated with them, when logic dictates that such costs are probably reported in error.
- C. Please confirm that some workshare mailers are required by the Postal Service to sort trays onto pallets and pallets onto specific trucks. If you cannot confirm, please explain.
- D. Do you agree that the density of sort for trays and pallets will affect the amount of platform operations associated with mail? Please explain your answer.
- E. Please justify your decision to treat platform costs as workshare-related but fixed, in view of your answers to parts C and D.
- F. Please fully explain each -of the following cost pools and your reason for concluding that such costs are related to worksharing but not related to the degree of presort.
1. MODS 17 1Cancmmp
 2. MODS 17 Opbulk
 3. MODS 17 Oppref
 4. MODS 17 Pouching

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

MMA/USPS-T22-22 (CONTINUED)

- 5. MODS 49 LD49
- 6. NonMODS Allied

- G. Please confirm that the chances of a piece of mail requiring re-wrap service is directly related to the number of times that piece is processed on postal machinery. If you cannot confirm, please explain.

RESPONSE:

- (A) The MODS operation numbers and descriptions for the tasks "mapped" to each of these cost pools can be found in USPS LR-J-55. For item number 13, the incorrect terminology was used. This item was originally referred to as "MODS 48 LD 49." It is actually "MODS 49 LDC 49." This cost pool has not been classified as "non-worksharing related fixed." It has been classified as "worksharing related fixed."

After careful review, these cost pools were classified as "non-worksharing related fixed" because the tasks associated with these cost pools are not affected by whether First-Class mailers presort and/or prebarcode their letter and card mailings. In addition, the Commission relied upon these cost pool classifications in Docket No. R2000-1 (please see PRC-LR-12).

- (B) I agree with the statements made in response to CSA/USPS-T26-24 in Docket No. R2000-1; Tr. 13/5128-5129.
- (C) Please see response to MMA/USPS-T22-1(F) and (G) in regard to pallet sorting. Tray sorting operations are typically performed in opening units and "cutting" operations. Therefore, issues related to the sorting of trays would not typically affect platform costs.

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- (D) No. Pallet sorting is not an activity performed by postal employees. Tray sorting is an activity performed by postal employees. However, the employees performing those tasks are typically charging their hours to MODS operation numbers that are mapped to other cost pools.
- (E) In Docket No. R2000-1, I classified the "1PLATFORM" cost pool as "non-worksharing related fixed." I used this classification for three reasons. First, platform costs are largely driven by whether mailings are entered at the destinating facility. If a mailing is not entered at the destinating facility, it will incur platform costs at both an originating and a destinating facility. If a mailing is entered at the destinating facility, it will only incur costs at one facility. The point of entry is not necessarily correlated to the presort level of a given mailing. For example, a 5-digit mailing that is entered at the originating facility could incur greater platform costs than a 3-digit mailing entered at the destinating facility.

Second, the BMM letters estimate actually represents the costs for all metered letters, including metered packages. Metered packages would incur dock costs related to unloading collection mail from trucks that would not normally be incurred by BMM letters.

Third, had I classified this cost pool as "worksharing related fixed," it would have created a situation for Standard letters where there were platform costs included in both the dropship savings as well as the savings related to the presortation and prebarcoding of letters. In Docket No. R2000-1, the Commission solved this problem by classifying platform costs as "worksharing related fixed" for First-Class letters and "non-worksharing related fixed" for Standard letters.

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While I don't agree that all platform costs are worksharing related, it is not possible to disaggregate these costs. Consequently, I have adopted the Commission's classification in this docket. However, it is likely this classification results in overstated worksharing related savings estimates.

- (F) The MODS operation numbers and descriptions for the tasks mapped to each of these cost pools can be found in USPS LR-J-55. In Docket No. R2000-1, I classified the "1CANCMMMP" cost pool as "non-worksharing related fixed." In addition, the value of this cost pool was set to zero to reflect the fact that BMM letters are entered in full trays. This methodology was consistent with that relied upon by the Commission in Docket No. R97-1. However, as the Commission pointed out in Docket No. R2000-1, there are costs in these cost pools for both nonautomation and automation presort letters. Consequently, the Commission modified the value of the cost pool and classified it as "worksharing related fixed." In this docket, I did not modify this cost pool due to the absence of any data to support such a modification. However, I adopted the Commission's cost pool classification. In looking at the data, the values for the "1CANCMMMP" cost pool for BMM letters, nonautomation presort letters, and automation presort letters are 0.688, 0.099, and 0.050 cents, respectively. (Please see the revisions filed on 11/05/01.) The tasks mapped to the "1CANCMMMP" cost pool include 020 meter belt costs, 020B meter bypass costs, and cancellation costs. The only costs that should accumulate in this cost pool for both BMM letters and presort letters are those related to the meter bypass operation. In general, this operation consists of tasks performed by mailhandlers who weigh this mail into the MODS system. The magnitude of the BMM letters "1CANCMMMP" cost pool is likely high because these costs are really the costs for all metered letters, due to the fact that IOCS cannot truly isolate BMM letters

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costs. Metered letters in general would also undergo package sorting, unpackaging, and tray operations. This cost pool alone is responsible for nearly 0.500 cents of the worksharing related savings estimates for all rate categories that use BMM letters as a benchmark. Consequently, this is one reason why I feel that the BMM letters costs, and the worksharing related savings estimates, are likely overstated.

In Docket No. R2000-1, I classified the "OPPREF," "OPBULK," and "POUCHING" cost pools as "worksharing related proportional" for nonautomation presort letters. I used this classification because package sorting tasks are mapped to these cost pools. Nonautomation presort mailings can include packages. Consequently, package sorting activities were included in the cost models.

The automation presort and BMM letter mailings, however, are not entered in packages. Therefore, I used a "worksharing related fixed" classification, in order to maintain the cost relationships with respect to the nonautomation presort letters category. These classifications were subsequently relied upon by the Commission. Consequently, I have used them again in this docket.

The sum of these cost pools for BMM letters, nonautomation presort letters, and automation presort letters are 1.047, 1.499, and 0.413 cents, respectively. (Please see the revisions filed on 11/05/01.) Given the fact that nonautomation presort letters can be packaged, it is reasonable that those costs exceed those for both BMM letters and automation presort letters. The magnitude of the BMM letters cost pool is likely high because these costs are really the costs for all metered letters, due to the fact that IOCS cannot truly isolate BMM letters costs. This cost pool alone is responsible for nearly 0.500 cents of the worksharing related savings

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estimates for the automation presort rate categories that use BMM letters as a benchmark. Consequently, this is one reason why I feel that the BMM letters costs, and the automation presort worksharing related savings estimates, are likely overstated.

The "LD49" cost pool includes those tasks performed at Computerized Forwarding System (CFS) units. In Docket No. R2000-1, I classified this cost pool as "worksharing related fixed." The Commission subsequently relied upon that same classification. Consequently, I have again used that classification in this docket.

The "ALLIED" cost pool represents platform tasks at Non-MODS facilities. Consequently, I have used the "worksharing related fixed" classification for the same reasons discussed in my response to MMA/USPS-T22-22(E).

It is interesting to look at the dis-aggregated cost savings estimates contained in Attachment 1. The total savings are identical to those found in USPS LR-J-60. (Please see revisions filed on 11/05/01.) The results vary by rate category, but roughly 30-40 percent of the total worksharing related savings estimates are based on the difference in the "worksharing related fixed" costs between BMM letters and automation presort letters. As stated above, these cost pools contain costs related to cancellations, package sorting, platform operations and other non-piece distribution tasks that likely result in overstated worksharing related savings estimates for the reasons listed above.

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- (G) Not confirmed. If one or more mail piece characteristics for a given letter are going to cause it to be damaged, it would likely be damaged when it is processed on the first piece of mail processing equipment.

If this question pertains to the "REWRAP" cost pool, the tasks mapped to this cost pool do not concern First-Class presort letters (please see USPS LR-J-55, page 27).

DIS-AGGREGATED WORKSHARING RELATED SAVINGS ESTIMATES FOR AUTOMATION PRESORT LETTERS RATE CATEGORIES

BENCHMARK RATE CATEGORY	WORKSHARING PROPORTIONAL MAIL PROC UNIT COST	CONTRIBUTION TO SAVINGS ESTIMATE	% SAVINGS	WORKSHARING FIXED MAIL PROC UNIT COST	CONTRIBUTION TO SAVINGS ESTIMATE	% SAVINGS	DELIVERY UNIT COST	CONTRIBUTION TO SAVINGS ESTIMATE	% SAVINGS	TOTAL SAVINGS	% SAVINGS
Bulk Metered Mail (BMM) Letters	6.447	...	...	3.316	...	...	4.068	...	...	...	...
Automation Mixed AADC Letters	3.411	3.036	59.85%	1.180	2.136	42.10%	4.165	-0.099	-1.95%	5.073	100.00%
Automation AADC Letters	2.685	3.782	63.25%	1.180	2.136	35.90%	4.016	0.050	0.84%	5.946	100.00%
Automation 3 Digit Presort Letters	2.404	4.043	84.53%	1.160	2.136	34.08%	3.980	0.066	1.37%	6.284	100.00%
Automation 5 Digit Presort Letters	1.453	4.994	87.46%	1.160	2.136	28.86%	3.785	0.271	3.66%	7.401	100.00%

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MMA/USPS-T22-24 Please refer to Library Reference USPS LR-J-60, particularly pages 15 and 16, and USPS witness Kingsley's testimony on pages 9 and 10. Ms. Kingsley's testimony describes several factors that would make a letter non-machinable, requiring manual processing through the Postal mailstream.

- A. Please confirm that for purposes of estimating metered letters costs, you assumed that 100% of the letters would not be culled out or rejected by the mail prep operation and sent directly to the RBCS for processing. If you cannot confirm, please explain.
- B. Please indicate what Postal requirements, if any, regulate single piece metered letters to make sure that they are not culled out or rejected by the mail prep operation?
- C. Please confirm that according to USPS witness Kingsley, the following factors can make an otherwise machinable letter, non-machinable. If you cannot confirm, please explain.
1. aspect ratio of less than 1.3 or more than 2.5;
 2. closure device;
 3. non-square corners;
 4. rigid or odd-shaped contents;
 5. stiffness;
 6. flimsiness;
 7. misplacement of address;
 8. self mailer whose folded edge not parallel to longest dimension;
 9. booklet whose spine is not the longest edge; and
 10. unreadable or improper address.
- D. Why is it that the metered mail letter processing mail flow that you use to derive its unit processing cost fails to include metered mail letters that might not be machinable because of any of these factors?
- E. 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, in the absence of the discount? Please explain your answer.

RESPONSE:

- (A) Confirmed. However, this model was intended to estimate the costs for Bulk Metered Mail (BMM) letters as they have been defined in the response to MMA/USPS-T22-1(E). Consequently, it is reasonable to assume that these mail pieces would all be machinable.

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In addition, this model was developed for two reasons. First, it was used for cost comparison purposes. Second, it was used as a means to develop a proxy First-Class single-piece CRA adjustment factor which was subsequently relied upon in both the Qualified Business Reply Mail (QBRM) cost study and the nonstandard surcharge (as it is currently defined) cost study.

The BMM letters cost estimate that is relied upon to measure worksharing related savings is actually CRA-derived. As I stated in my testimony (USPS-T-22, page 20 at 7-9), the BMM letters cost estimate actually represents the costs for all metered letters, many of which are entered as metered bundles. Consequently, it is likely overstated. The point you raise regarding the fact that this cost estimate could also include the costs for nonmachinable metered mail pieces is yet another reason why it is likely that the BMM letters cost estimate is overstated.

- (B) To the best of my knowledge, there are none. Depending on how metered letters are processed in a given facility, nonmachinable metered mail pieces would be isolated using either culling mechanisms, such as the Dual Pass Rough Cull system, or by manual means.
- (C) Confirmed.
- (D) Please see the response to MMA/USPS-T22-24(A).
- (E) No. BMM letters would not be prebarcoded while automation presort letters would be prebarcoded.

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MMA/USPS-T22-25 Please refer to Library Reference USPS LR-J-60, particularly pages 11 through 16. There you show the model cost derivations for QBRM and metered mail letters.

- A. Please confirm that for handwritten-addressed (HAND) letters, you assume that 130 of 10,000 originating letters (1.3%) cannot be successfully barcoded by the Postal Service in the RBCS (109 pieces) or processed in the outgoing primary automation operation (20 pieces), and will require manual processing in the outgoing primary operation. If you cannot confirm, please explain. (Note that the numbers do not add up because of rounding).
- B. Please confirm that for HAND letters you assume that an additional 145 of 10,000 originating letters (1.45%) are successfully barcoded in the RBCS but are rejected from the outgoing primary automation sort. Such pieces therefore will require manual processing in the outgoing secondary operation. If you cannot confirm, please explain.
- C. Please confirm that for HAND letters you assume that a total of 274 of 10,000 originating letters (2.74%) will be processed manually by the Postal Service from the originating office until it reaches the destination office. If you cannot confirm, please explain.
- D. Please confirm that for metered mail letters, you assume that 41 of 10,000 originating letters (.41%) cannot be successfully barcoded by the Postal Service in the RBCS (26 pieces) or processed in the outgoing primary automation operation (16 pieces), and will require manual processing in the outgoing primary operation. If you cannot confirm, please explain. (Note that the numbers do not add up because of rounding).
- E. Please confirm that for metered mail letters you assume that an additional 113 of 10,000 originating letters (1.13%) are successfully barcoded in the RBCS but are rejected from the outgoing primary automation sort. Such pieces therefore will require manual processing in the outgoing secondary operation. If you cannot confirm, please explain.
- F. Please confirm that for metered mail letters you assume that a total of 155 of 10,000 originating letters (1.55%) will be processed manually by the Postal Service from the originating office until it reaches the destination office.
- G. Please confirm that QBRM letters are prebarcoded and pre-approved by the Postal Service to make sure that they are automation-compatible. If you cannot confirm, please explain.

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- H. Please confirm that for QBRM letters, you assume that 490 of 10,000 originating letters (4.9%) cannot be successfully processed by the Postal Service in the outgoing primary automation operation and will require manual processing in the outgoing primary operation. *If you cannot confirm, please explain.*
- I. Please confirm that for QBRM letters, you assume that an additional 30 of 10,000 originating letters (.3%) cannot be successfully processed by the Postal Service in the outgoing secondary auto operation and will require manual processing in the outgoing secondary operation. *If you cannot confirm, please explain.*
- J. Please confirm that for QBRM letters you assume that a total of 520 of 10,000 originating letters (5.2%) will be processed manually by the Postal Service from the originating office until it reaches the destination office.
- K. Please explain why you assume that the number of QBRM letters that are processed manually throughout the Postal mailstream is almost twice the number for HAND letters, in view of the much stricter requirements that QBRM must meet.
- L. Please explain why you assume that the number of QBRM letters that are processed manually throughout the Postal mailstream is more than three times the number for metered letters, in view of the much stricter requirements that QBRM must meet.
- M. Please confirm that on page 11 of her Direct Testimony, USPS witness Kingsley states that 8.9% of all First-Class letters are not barcoded. *If you cannot confirm, please explain.*

RESPONSE:

- (A) It can be confirmed that 130 of the mail pieces in the handwritten letters cost model are processed in the manual outgoing primary operation. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.
- (B) Not confirmed. *There are no mail pieces in the handwritten letters cost model that are rejected in the automation outgoing primary operation and routed to the manual outgoing secondary operation.*

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- (C) Confirmed. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.
- (D) It can be confirmed that 41 of the mail pieces in the Bulk Metered Mail (BMM) letters cost model are processed in the manual outgoing primary operation. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.
- (E) Not confirmed. There are no mail pieces in the Bulk Metered Mail (BMM) letters cost model that are rejected in the automation outgoing primary operation and routed to the manual outgoing secondary operation.
- (F) Confirmed. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.
- (G) It can be confirmed that mail pieces are QBRM-eligible if they meet the standards specified in Domestic Mail Manual (DMM) section E150.
- (H) It can be confirmed that 490 of the mail pieces in the QBRM letters cost model are rejected in the automation outgoing primary operation and are then processed in the manual outgoing primary operation. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.

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- (I) It can be confirmed that 30 mail pieces in the QBRM letters cost model are rejected in the automation outgoing secondary operation and are then processed in the manual outgoing secondary operation. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.
- (J) Confirmed. However, this figure is not the result of an "assumption." It is the result of acceptance rate and density table data that "flow" the mail pieces through the cost models.
- (K)(L) These figures occur as a result of the fact that average data are used in the models; the data in these models are not figures specific to handwritten, metered, or QBRM mail pieces. These models were developed primarily to de-average a given CRA mail processing unit cost category (e.g., First-Class Mail automation presort letters) into costs by rate category. Given this fact, the use of average data is inconsequential as these data are used to develop all rate category models. What is important is the resulting cost relationships between the rate categories. Consequently, an attempt to use these models, as they are currently constructed, may not represent the best methodology for estimating the QBRM cost avoidance. In order to rectify this problem, I have revised the QBRM cost study using a cost methodology similar to that used in Docket No. R97-1 (please see the revisions filed on 11/05/01).

The primary cost distinctions that exist between a QBRM mail piece and a handwritten reply mail piece are the costs required to apply a barcode to the

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handwritten reply mail piece. Given this fact, I have revised the handwritten cost model to include only those costs related to the outgoing

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MMA/USPS-T22-26 Please refer to Library Reference USPS LR-J-60, particularly pages 15 and 16, and USPS witness Kingsley's testimony on pages 9 and 10. Ms. Kingsley's testimony describes several factors that would make a letter non-machinable, requiring manual processing throughout the Postal mailstream.

- A. Please confirm that for purposes of estimating metered mail letters costs, you assumed that 100% of the letters would not be culled out or rejected by the mail prep operation and sent directly to the RBCS for processing. If you cannot confirm, please explain.
- B. Please indicate what postal requirements, if any, regulate single piece metered letters to make sure that they are not culled out or rejected by the mail prep operation.
- C. Please confirm that according to the direct testimony of witness Kingsley (USPS-T-39 at 9-10), the following factors can make an otherwise machinable letter non-machinable. If you cannot confirm, please explain why not.
1. aspect ratio of less than 1.3 or greater than 2.5
 2. closure device
 3. non-square corners
 4. rigid or odd-shaped contents
 5. stiffness
 6. flimsiness
 7. misplacement of address
 8. self mailer whose folded edge not parallel to longest dimension
 9. booklet whose spine is not the longest edge and
 10. unreadable or improper address
- D. Why is it that the letter mail processing mail flow that you use to derive the unit processing cost for metered mail fails to include metered mail letters that might not be machinable for any of the reasons described in part C?
- E. By using BMM as the benchmark from which to measure Automation cost savings do you implicitly assume that BMM would be designed to meet automation requirements in the same manner as Automation letters, in the absence of a discount? If your answer is yes, please explain why you think that BMM mailers would take the same care in designing their mail pieces as First-Class automation mailers are required to take. If your answer is no, please explain what steps you believe BMM mailers take in designing their mail pieces to meet the Postal Service's automation requirements.
- F. By using BMM as the benchmark from which to measure Automation cost savings, you implicitly assume that, in the absence of a discount, BMM addresses would be as complete and up-to-date to meet all applicable USPS move update requirements as Automation letters in fact are? If your answer is

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yes, please explain why you think that BMM mailers would take the same care in maintaining complete, accurate and current addresses as First-Class automation mailers are required to take. If your answer is no, please explain what steps you believe BMM mailers take in maintaining their address lists to meet the Postal Service's worksharing requirements, state the basis for your belief, and provide all documents you review in providing a response to this interrogatory.

RESPONSE:

- (A) Please see response to MMA/USPS-T22-24(A).
- (B) Please see response to MMA/USPS-T22-24(B).
- (C) Please see response to MMA/USPS-T22-24(C).
- (D) Please see response to MMA/USPS-T22-24(D).
- (E) Please see response to MMA/USPS-T22-24(E).
- (F) No such "assumption" has been made. To the extent that there are address quality differences that result in cost differences between the benchmark and presort letters rate categories, those cost differences are included in the worksharing related savings estimates.

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MMA/USPS-T22-27 Please refer to your model cost derivations where you include a post office box sort as part of the incoming secondary and to Library Reference USPS LR-J-117, file worksheet "Delivery Volumes."

- A. Please define exactly what "post office box sort" means and whether or not this includes depositing the letters into a post office box or a sack or tray for caller service.
- B. For Automation letters, did you assume that 13% of the letters are addressed to a post office box, as found by USPS witness Schenk? If no, please explain.
- C. For metered letters did you assume that 33% of the letters are addressed to a post office box, as found by USPS witness Schenk for First-Class single piece letters. If no, please explain.

RESPONSE:

- (A) These costs represent the tasks performed by the customer service (function 4) clerks who case post office box mail directly into the box section.
- (B) No. The methodology used to estimate these costs is described on page 14 at 25.
- (C) No. The methodology used to estimate these costs is described on page 14 at 25.

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MMA/USPS-T22-29 Please refer to page 8 of your Direct Testimony, where you state "[my] analysis relies upon shape-specific CRA mail processing unit costs, which are reported by cost pool in the In-Office Cost System (IOCS)."

- A. Please provide a complete definition of the 1CANCMP and LD79 cost pools.
- B. If workshare mail is plant loaded in a First-Class mailer's facility, does the mail bypass the operations for which costs are included in the 1CANCMP Cost Pool? If not, please explain your answer fully.
- C. Please state which cost pool includes costs associated with having USPS personnel accept First-Class workshare mail when such mail is plant loaded at the mailer's facility.
- D. Please state which cost pool includes costs associated with having USPS personnel accept First-Class bulk metered mail when such mail is delivered to a USPS window or loading dock.
- E. For the Base Year and the most recent 12 months for which information is available, how many First-Class automation mailers has the USPS made arrangements with to have their high volume automation mail plant loaded?
- F. For the Base Year and the most recent 12 months for which information is available, how many geographically distinct First-Class mailer facilities are covered by plant loading arrangements?
- G. Please provide all documents describing the policies and criteria used by the USPS in deciding which First-Class mailers should plant load their automation mail.
- H. When did the Postal Service first begin having First-Class mailers plant load their automation mail?
- I. For each year since the Postal Service began having First-Class automation mailers plant load their mail, please provide the total number of First-Class mail letters that were plant loaded. Please provide the sources for your answer.
- J. Please provide all studies or other documents which describe and/or quantify the cost savings and other benefits that the USPS derives from having First-Class mailers plant load their mail.

RESPONSE:

- (A) The operations mapped to these cost pools can be found in USPS LR-J-55, pages 24 and I-27.

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RESPONSE TO MMA/USPS-T22-29 (CONTINUED)

- (B) Presort letters and cards would generally not incur any costs mapped to the "1CANCMMP" cost pool unless that mail is being weighed into the MODS system as "meter bypass" mail (MODS operation 020B).
- (C) Acceptance and verification costs are found in cost pool "LD79."
- (D) The answer to this question depends on where this mail enters the facility. If BMM letters are entered directly at the dock, these costs would be included in the "1PLATFORM" or "ALLIED" cost pools. If BMM letters are entered at the BMEU, these costs would be included in the "LD79" cost pool.
- (E) Redirected to the United States Postal Service.
- (F) Redirected to the United States Postal Service.
- (G) Redirected to the United States Postal Service.
- (H) Redirected to the United States Postal Service.
- (I) Redirected to the United States Postal Service.
- (J) Redirected to the United States Postal Service.

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MMA/USPS-T22-31 Please refer to Library Reference USPS LR-J-60, particularly your model cost derivations for automation and nonautomation First-Class and Standard letters.

- A. Please confirm that your mail flow models for each of the corresponding presort levels, mixed AADC, AADC, 3-Digit, and 5-Digit, are nearly identical, with the only change being a small difference in the Accept/Finalization rates. If you cannot confirm, please explain.
- B. Please confirm that your cost models for each of the corresponding automation presort levels, mixed AADC, AADC, 3-Digit, and 5-Digit, are nearly identical, with the only change (aside from that discussed in part A) being a small difference in the premium pay factor. If you cannot confirm, please explain.
- C. Please confirm that you used identical productivities for First-Class and Standard Mail letters in your analysis. If you cannot confirm, please explain.
- D. Please confirm the results from your cost models shown in the table below for automation and nonautomation letters. If you cannot confirm, please explain and provide the corrected results.

Comparison of First-Class and Standard Mail Model Unit Costs

Rate Category	First-Class Model Costs	Standard Model Costs	Difference
Automation Mixed AADC	4.280	4.173	0.106
Automation AADC	3.368	3.286	0.082
Automation 3-Digit	3.017	2.942	0.074
Automation 5-Digit	1.823	1.778	0.045
Nonautomation Nonmachinable Mixed AADC	17.756	17.110	0.646
Nonautomation Nonmachinable AADC	12.236	12.078	0.158
Nonautomation Machinable Mixed AADC	4.192	4.097	0.095
Nonautomation Machinable AADC	4.192	4.097	0.095
Nonautomation Nonmachinable 3-Digit	10.254	10.295	(0.041)
Nonautomation Nonmachinable 5-Digit	5.709	5.888	(0.179)
Nonautomation Machinable 3-Digit	3.933	3.843	0.090
Nonautomation Machinable 5-Digit	3.933	3.843	0.090

- E. Please confirm that, except for nonautomation nonmachinable 3-Digit and 5-Digit letters, First-Class letters have a slightly higher unit mail processing cost than Standard Mail letters that can, for the most part, be tied to the premium pay factor. If you cannot confirm, please explain.

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- F. Please confirm that for nonautomation nonmachinable 3-Digit and 5-Digit letters, First-Class costs less than Standard Mail because its lower package sorting costs more than offset the impact of the premium pay factor. If you cannot confirm, please explain.
- G. Please confirm the results from your cost models shown in the table below for automation and nonautomation letters mail packaging sorting costs. If you cannot confirm, please explain.

Comparison of First-Class and Standard Mail Package Sorting Costs

Rate Category	First-Class Pkg Sort Cost	Standard Pkg Sort Cost	Difference
Nonautomation Nonmachinable Mixed AADC	2.311	2.129	0.182
Nonautomation Nonmachinable AADC	1.980	2.129	(0.149)
Nonautomation 3-Digit	0.593	0.927	(0.334)
Nonautomation 5-Digit	0.593	0.927	(0.334)

- H. Please describe and define package sorting costs, explain why package sorting costs are only incurred by nonmachinable letters (as opposed to machinable letters), and explain why the package sorting cost per piece is so high?
- I. Why are package sorting costs for Standard Mail higher than those for First-Class Mail for the AADC, 3-Digit, and 5-Digit presort levels, but lower than the costs of First-Class Mail for the Mixed AADC presort level?
- J. Please explain why the average weight for a Standard Mail letter, which is 64% higher than the average weight for a First-Class letter, has no effect on the unit costs derived from your mail flow models.

RESPONSE:

(A)(B) In general, First-Class Mail letters and Standard Mail letters are processed using the same MODS operation numbers. Consequently, it is not always possible to collect data by class using postal data collection systems. In Docket No. R97-1, separate data were collected as part of USPS LR-H-130. This library reference include accept rates related to the Remote Bar Coding System (RBCS). Some accept rates from that library reference are relied upon in my nonautomation presort letters cost models. Consequently, the volumes processed in a given operation in the First-Class nonautomation cost models are not identical to those processed in the corresponding Standard nonautomation cost models.

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RESPONSE TO MMA/USPS-T22-31 (CONTINUED)

The volumes processed in a given operation in the First-Class automation cost models, however, are identical to those processed in the corresponding automation Standard cost models.

The premium pay factors for First-Class Mail and Standard Mail differ, reflecting the fact that First-Class Mail tends to be processed during the premium pay time periods (Tours I and III) while Standard Mail is not (Tour II). These factors have an effect on both the nonautomation presort letters and automation presort letters costs.

- (C) Confirmed.
- (D) Confirmed as of 11/09/01.
- (E) It can be confirmed that, all else equal, the First-Class Mail premium pay factor is higher than the Standard Mail premium factor. Consequently, the First-Class presort letters model costs are higher than the corresponding Standard presort letters model costs.
- (F) It can be confirmed that when the accept rates, premium pay factors and package sorting costs are all taken into consideration, the model costs estimates for the First-Class nonautomation nonmachinable 3-digit and 5-digit presort letters categories are less than the cost estimates for the corresponding Standard presort letters categories.
- (G) Confirmed.

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RESPONSE TO MMA/USPS-T22-31 (CONTINUED)

- (H) The package sorting costs represent those tasks performed by mailhandlers that pertain to package sorting based on the package presort level. These costs do not apply to machinable ("upgradable" letters as they are currently defined) because machinable letters must be entered in full trays with no packaging. The package sorting costs are being revised.
- (I) As stated in my response to (H), the package sorting costs are being revised.
- (J) As stated in my response to (A) and (B), disaggregated data are not available by class. Along that same vein, disaggregated data are not available for mail pieces of varying weights. CRA adjustment factors are applied to the model costs to compensate for the fact that disaggregated data are not available.

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MMA/USPS-T22-32 Please refer to Library Reference USPS LR-J-60, particularly your CRA costs for automation First-Class and Standard letters on pages 8 and 60.

- A. Please confirm the CRA cost results as shown in the table below for automation letters. If you cannot confirm, please explain.

(Please see the table on the next page.)

- B. Please confirm the base year percentages for volume presorted by level shown in the table below. If you cannot confirm, please explain and provide the correct percentage.

**Comparison of First-Class and Standard Mail Automation Letters
Base Year Volume Percentages By Presort Level**

Rate Category	Base Year % FCM Auto Letters	Base Year % STD Auto Letters	Difference
Automation Mixed AADC	6.14%	7.35%	(1.21%)
Automation AADC	6.57%	8.97%	(2.40%)
Automation 3-Digit	53.49%	48.67%	4.82%
Automation 5-Digit	31.17%	35.01%	(3.84%)
Automation Carrier Route	2.63%	-----	2.63%
Total	100.00%	100.00%	0.00%

- C. Please confirm that your model derived weighted average unit costs for First-Class Automation letters and Standard Automation letters are 2.683 cents and 2.656 cents, respectively, and that these derivations utilize the volume percentages shown in part B. If you cannot confirm, please explain and provide the correct average unit costs.
- D. Please explain why your model costs indicate that First-Class Automation letters cost slightly more to process than Standard Automation letters, but actual CRA costs indicate that Standard Automation letters cost more to process than First-Class Automation letters.

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RESPONSE TO MMA/USPS-T22-32 (CONTINUED)

Comparison of First-Class and Standard Mail Letter CRA Unit Costs

Source	Cost Pool Abbreviation	FCM Auto	Standard Auto	Difference
BMCS	NMO	0.000	0.013	(0.013)
BMCS	OTHR	0.000	0.106	(0.106)
BMCS	PLA	0.000	0.086	(0.086)
BMCS	PSM	0.000	0.002	(0.002)
BMCS	SPBS	0.000	0.014	(0.014)
BMCS	SSM	0.000	0.052	(0.052)
MODS 11	BCS/	0.211	0.225	(0.014)
MODS 11	BCS/DBCS	0.885	0.894	(0.009)
MODS 11	OCR/	0.097	0.123	(0.026)
MODS 12	FSM/	0.006	0.015	(0.010)
MODS 12	FSM/1000	0.002	0.003	(0.001)
MODS 12	LSM	0.000	0.000	0.000
MODS 13	MECPARC	0.001	0.000	0.001
MODS 13	SPBS OTH	0.005	0.022	(0.017)
MODS 13	SPBSPRIO	0.002	0.001	0.001
MODS 13	1SACKS M	0.015	0.021	(0.006)
MODS 14	MANF	0.003	0.004	(0.001)
MODS 14	MANL	0.190	0.239	(0.049)
MODS 14	MANP	0.001	0.003	(0.002)
MODS 14	PRIORITY	0.002	0.000	0.001
MODS 15	LD15	0.051	0.031	0.020
MODS 17	1BULK PR	0.006	0.006	0.000
MODS 17	1CANCMP	0.050	0.023	0.027
MODS 17	1OPBULK	0.057	0.186	(0.129)
MODS 17	1OPREF	0.225	0.217	(0.008)
MODS 17	1PLATFORM	0.290	0.339	(0.049)
MODS 17	1POUCHING	0.131	0.132	(0.001)
MODS 17	1SACKS H	0.043	0.051	(0.008)
MODS 17	1SCAN	0.018	0.011	0.017
MODS 18	BUSREPLY	0.001	0.000	0.001
MODS 18	EXPRESS	0.001	0.000	0.000
MODS 18	MAILGRAM	0.000	0.000	0.000
MODS 18	REGISTRY	0.001	0.001	0.000
MODS 18	REWRAP	0.002	0.001	0.001
MODS 18	1EEQMT	0.005	0.017	(0.012)
MODS 19	INTL	0.004	0.000	0.004
MODS 41	LD41	0.035	0.032	0.004
MODS 42	LD42	0.000	0.001	(0.001)
MODS 43	LD43	0.109	0.100	0.009
MODS 44	LD44	0.064	0.030	0.035
MODS 48	LD48 EXP	0.000	0.000	0.000
MODS 48	LD48 SSV	0.010	0.006	0.005
MODS 49	LD49	0.190	0.027	0.162
MODS 79	LD79	0.023	0.030	(0.006)
MODS 99	1SUPP F1	0.040	0.045	(0.005)
MODS 99	1SUPP F4	0.062	0.034	0.028
NONMODS	ALLIED	0.208	0.153	0.055
NONMODS	AUTOMECH	0.200	0.183	0.017
NONMODS	EXPRESS	0.000	0.000	0.000
NONMODS	MANF	0.002	0.003	(0.001)
NONMODS	MANL	0.294	0.292	0.002
NONMODS	MANP	0.001	0.002	(0.001)
NONMODS	MISC	0.080	0.039	0.041
NONMODS	REGISTRY	0.006	0.000	0.006
TOTAL		3.631	3.817	(0.186)

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RESPONSE TO MMA/USPS-T22-32 (CONTINUED)

- (A) Confirmed. Please note that this table includes the revised figures for USPS LR-J-60 that were filed on 11/05/01.
- (B) Confirmed.
- (C) Confirmed.
- (D) In general, First-Class Mail letters and Standard Mail letters are processed using the same MODS operation numbers. Consequently, it is not always possible to collect data by class using postal data collection systems. CRA adjustment factors are applied to the model costs to compensate for the fact that disaggregated data are not available.

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MMA/USPS-T22-33 Please consider two mailings of 600,000 pieces each and identical in all respects except the following: Mailing A is sent by one large First-Class presort mailer whereas Mailing B is sent by 1,000 BMM mailers. For purposes of this Interrogatory, please assume that the First-Class presort mailer conforms to all of the requirements that apply to design, preparation, and acceptance of Automation letters and that the BMM mailers all conform to the requirements that are applicable to BMM letters. Assume further that each tray of BMM letters contains 600 letters whose addresses are machine printed.

- A. Please confirm that the large First-Class presort mailer will have his mail accepted by a postal employee located at either a bulk mail entry unit or at the mailer's plant. If you cannot confirm, please explain.
- B. Please confirm that the BMM letters will be trayed and be accepted either by a postal employee during his collection route or by a window service clerk at a local post office. If you cannot confirm, please explain.
- C. Please confirm that in your CRA-derived unit costs for metered letters, you include no costs to reflect BMM letters accepted by (1) a postal employee during his collection route, or (2) a window service clerk at a local post office. If you do not confirm, please explain.
- D. Please confirm that in your CRA-derived unit costs for Automation letters, you include MODS 79 LD79 costs that reflect the letters being accepted by Postal employees. If no, please explain.
- E. Please confirm that your mail flow model-derived unit costs do not include any acceptance costs for either Automation letters or BMM letters. If no, please explain.
- F. Please estimate the cost for a Postal Service employee to accept one tray of BMM from 1,000 separate mailers (1) during his collection run, and (2) at the window of a postal facility. Please support your answer.
- G. Please confirm that the large First-Class presort mailer prepares his mail by performing all the steps and operations listed in Interrogatory MMA/USPS-T22-1C.
- H. Please estimate the total cost for the Postal Service to perform all of the same operations listed in Interrogatory MMA/USPS-T22-1C for the 1,000 BMM trays from the time the letters are accepted, sent through the mail prep operation and RBCS (where they are barcoded and sorted), and until the letters are re-trayed, palletized and packed into trucks. Please support your answer.

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RESPONSE TO MMA/USPS-T22-33 (CONTINUED)

- I. When the BMM is finally packed into outgoing trucks as described in Part E, will the letters be sorted to a greater degree, lesser degree or about the same degree as the letters that were prepared by the large presort mailer? Please support your answer.
- J. Please confirm that while the BMM letters are being processed in the outgoing RBCS, outgoing BCS primary and outgoing BCS secondary operations of the originating SCF, the nonlocal Automation letters mailed by the large presort mailer will either be stored near the dock waiting to be packed into trucks, or will bypass the SCF completely, going directly to a HASP or airport. If you cannot confirm, please explain.
- K. Please estimate the transportation costs for the (1) Automation letters and (2) the BMM letters? If you cannot estimate these costs, please state whether the transportation costs for the Automation letters would be higher, lower or the same as the BMM letters. Please explain all the reasons for your conclusion and support your explanation with appropriate record citations or copies of studies or any other documents you review in reaching your conclusion.
- L. Please confirm that neither your CRA-derived or your mail flow model-derived unit costs include transportation costs for Automation or BMM letters. If no, please explain.
- M. Please refer to the Undeliverable-As-Addressed Study filed as Library Reference USPS-LR-I-82 in Docket No. R2000-1 ("UAA Study"). Please confirm that according to pages 12 and 27 of the UAA Study, 3.09% of all First-Class letters are UAA and 87.67% of those UAA letters are sent by business. If you cannot confirm, please explain.
- N. Please confirm that BMM is mailed exclusively by businesses (as opposed to households). If you cannot confirm, please explain.
- O. Is it reasonable to conclude that on average, 2.7% of all BMM (3.09% x 87.67%) will be UAA? If no, please explain.
- P. Please estimate the UAA (mail processing and delivery) costs for (1) the 600,000 Automation letters and (2) the 600,000 BMM letters? If you cannot estimate these costs, please state whether the UAA costs for the Automation letters would higher, lower or the same as the BMM letters. Please explain all the reasons for your conclusion and support your explanation with appropriate record citations or copies of studies or any other documents you review in reaching your conclusion.

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RESPONSE TO MMA/USPS-T22-33 (CONTINUED)

Q. Please confirm that delivery unit costs that you obtained from USPS witness Schenk do not include any specific impact of UAA letters that have to be either forwarded or returned. If no, please explain.

RESPONSE:

- (A) Confirmed.
- (B) BMM letters do not typically incur "verification and acceptance costs." In my field observations, I have seen BMM letters enter facilities in the following ways: (1) the mail is submitted to employees at the back dock, (2) the mail is submitted to clerks at the BMEU, or (3) the mail is submitted with other collection mail. I have not personally observed BMM letters being submitted to window clerks.
- (C1) Transportation costs are not defined as "mail processing" and are not included in the CRA mail processing unit cost estimates. However, the mail processing costs incurred when BMEU employees or dock employees are given this mail would be included.
- (C2) Window service costs are also not defined as "mail processing" and are not included in the CRA mail processing unit cost estimates.
- (D) Confirmed.
- (E) It can be confirmed that the actual mail flow cost models do not include acceptance and verification costs.
- (F) I am not aware of any analyses that have been conducted to determine these costs.

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RESPONSE TO KE/USPS-T22-33 (CONTINUED)

- (G) I cannot confirm this statement. Please see the response to MMA/USPS-T22-1(C).
- (H) As stated in USPS-T-22 on page 19 at 27, a cost estimate for BMM letters is *difficult* to quantify. Consequently, the mail processing unit costs for all metered letters are used as a proxy. To the best of my knowledge, cost estimates at the level of detail requested are not available. In addition, please see the response to MMA/USPS-T22-1(E).
- (I) BMM letters are not "packed into outgoing trucks." They are routed directly to automation where they are processed and mixed with other letters.
- (J) Confirmed.
- (K) Redirected to the Postal Service.
- (L) Confirmed. In addition, please see the response to MMA/USPS-T22-1(G).
- (M) Confirmed.
- (N) It can be confirmed that BMM letters mailers would likely represent businesses.
- (O) Redirected to the Postal Service.
- (P) Redirected to the Postal Service.

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RESPONSE TO MMA/USPS-T22-33 (CONTINUED)

(Q) To the extent that UAA issues affect in-office delivery unit costs, I would imagine they are imbedded in witness Schenk's figures.

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MMA/USPS-T22-34 Please refer to your answer to POSTCOM/USPS-T24-1 where you explain that your mail flow models do not include missorts where mail pieces are initially routed to the incorrect delivery address.

- A. Please confirm that you believe that CRA adjustment factors that have been applied to the rate category models account for the fact that some tasks, such as missorting, have not actually been modeled. If no, please explain.
- B. Please confirm that other tasks not included in your cost models include:
 - 1. Mail preparation operations;
 - 2. Platform operations;
 - 3. Allied labor;
 - 4. Pouching;
 - 5. Package sorting;
 - 6. Tray sorting; and
 - 7. Sack sorting.
- C. Please list any other tasks, not included in part B, that your cost models do not reflect.
- D. Is it your position that the CRA adjustment factors that you have applied to the rate category cost models do account for the fact that some tasks have not actually been modeled. If no, please explain.
- E. Please confirm that, for First-Class Automation letters and Standard Automation letters, the unit mail processing costs derived by your cost models is greater than the CRA-derived unit mail processing costs. If you cannot confirm, please explain.
- F. Please confirm that for First-Class Automation letters and Standard Automation letters, application of your CRA adjustment factors reduces the model-derived unit costs in order to reconcile them to the CRA unit cost. If no, please explain.
- G. If you confirm part F of this interrogatory, please explain how the CRA adjustment factor, which reduces the model-derived unit cost, accounts for the fact that some tasks have not actually been modeled.

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RESPONSE TO MMA/USPS-T22-34 (CONTINUED)**

- (A) CRA adjustment factors are applied to account for the following: (1) the fact that average data are used, (2) the fact that all tasks are not modeled, and (3) the fact that the cost models are, by definition, a simplified representation of reality.
- (B) These tasks are not included in the cost models. With the exception of sack sorting, these tasks are included in the worksharing related savings estimates.
- (C) The cost models include piece and package distribution costs. Any costs not related to piece or package distribution would not be included.
- (D) CRA adjustment factors are applied to the model costs for the reasons specified in the response to MMA/USPS-T22-34(A). This form of "hybrid" cost methodology has been endorsed by the Commission since MC95-1.
- (E) Confirmed.
- (F) Confirmed.
- (G) CRA adjustment factors are applied for the reasons listed in response to MMA/USPS-T22-34(A) which includes, but is not limited to, the fact that some tasks are not actually modeled. In addition, CRA adjustment factors are obviously affected by the CRA mail processing unit cost estimates and involve analyses performed by multiple witnesses. Please see the response to MMA/USPS-T22-10(C) and (D).

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MMA/USPS-T22-35 Please refer to USPS-LR-J-60, page 16 where you model the mail flow for First-Class metered letters.

- A. Please confirm that you show that 890 of 10,000 letters, or 8.9% of the letters will be addressed and delivered to a post office box. If you cannot confirm, please explain.
- B. What is the source of this number?
- C. Please confirm that USPS witness Schenk imputed that 33% of First-Class single piece and 13% of workshare letters were addressed and delivered to a post office box. (Please refer to USPS-LR-J-117, worksheet "Delivery Volumes".)
- D. Please reconcile your 8.9% with the figures derived by USPS witness Schenk.
- E. Would metered mail letters exhibit the delivery address characteristics (of being addressed to a post office box) of a single piece letter or a workshare letter? Please explain your answer.

RESPONSE:

- (A) Confirmed.
- (B) Please see USPS LR-J-60, page 53.
- (C) Please see the response to MMA/USPS-T43-1(R) and MMA/USPS-T43-1(S).
- (D) The cost methodologies employed by witness Schenk and myself differ. The figure I used has been applied equally to all rate category cost models in a given cost study that are being used to de-average a CRA mail processing unit cost estimate. CRA adjustment factors should account for any variation that may result were the actual values for some data inputs to vary from those used in the models.

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RESPONSE TO MMA/USPS-T22-35 (CONTINUED)

- (E) To the extent that BMM letters are the most likely mail pieces to convert to worksharing, it stands to reason that they are more likely to be addressed similarly to worksharing letters.

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MMA/USPS-T22-36 Please refer to USPS-LR-J-60, pages 14 and 16 where you model the mail flow for First-Class of QBRM and metered letters.

- A. Please confirm that 100% of QBRM letters are pre-barcoded and that the design and printing of each envelope has been pre-approved by the Postal Service to conform with postal guidelines and requirements to ensure machinability. If no, please explain.
- B. Please confirm that none of the metered letters is pre-barcoded and none have been specifically designed to conform with postal guidelines or requirements to ensure machinability. If no, please explain.
- C. Please confirm that for QBRM, you assume that 4.9% of the letters will be rejected in the outgoing BCS primary operation, requiring manual processing throughout the mailstream from that point forward. If no, please explain.
- D. Please confirm that for metered letters you assume that .19% of the letters will be rejected in the outgoing ISS/RCR primary, .07% of the letters will be rejected in the outgoing OSS primary, and .16% will be rejected in the outgoing BCS primary, for a total of .42%. If no, please explain.
- E. Please explain how the percentage for QBRM letters that are rejected from automation in the outgoing primary can be more than 11 times that same percentage for metered letters.

RESPONSE:

- (A) Please see the response to KE/USPS-T22-10(A).
- (B) This can be confirmed for BMM letters.
- (C) Please see the response to KE/USPS-T22-10(C).
- (D) Not confirmed. Please see the revisions filed on 11/15/01.
- (E) Please see the revised cost methodology filed on 11/05/01 and the subsequent revisions filed on 11/15/01. The processing of rejects is no longer included in the QBRM analysis.

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MMA/USPS-T22-37 Please refer to USPS-LR-J-60, page 8 where you list the CRA cost pools for First-Class metered, automation letters.

- A. Does cost pool MODS 79 LD79 include costs associated with accepting workshare letters and verifying the postage paid? If no, please explain.
- B. Please confirm that you have included these costs as workshare-related but fixed, i.e., related to worksharing but not related to the degree of presort. If no, please explain.
- C. Please confirm that of all the cost pools that you deem are workshare related, the MODS 79 LD 79 costs are the only costs where automation costs are greater than the benchmark metered letter costs.
- D. What is the comparable cost pool for the following rate categories where the mail is accepted by the Postal Service and postage is verified? If such a cost pool exists, please quantify such costs under the Postal Service's costing methodology and the Commission's costing methodology. If no cost pools exist, please explain how the benchmark letters are accepted, with postage verified, without a cost being incurred by Postal Service.
 - 1. Metered letters, and
 - 2. Bulk metered letters.
- E. If you have included in your derivation of workshare cost savings the costs associated with either category listed in part B, please explain precisely where on page 8 of USPS-LR-J-60 those costs are shown? If you have not included those costs, please explain why such costs are not relevant?

RESPONSE:

- (A) Yes.
- (B) Confirmed.
- (C) Not confirmed. The "1BULKPR" cost pool for automation presort letters is also greater in value than that for BMM letters.
- (D1) To the extent that any costs were incurred by employees charging their time to acceptance and verification operations, the costs would also be

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RESPONSE TO MMA/USPS-T22-37 (CONTINUED)

found in the "LD79" and "BULKPR" cost pools.

(D2) Please see the response to MMA/USPS-T22-37(D1).

(E) It is assumed that this question actually refers to part D, and not part B. Please see the response to MMA/USPS-T22-33(B). The areas where I have seen BMM letters being submitted to the Postal Service involved employees who were charging their hours to MODS operations that have been mapped to worksharing related cost pools.

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MMA/USPS-T22-38 Please refer to page 8 of Library Reference USPS-LR-J-60 where you derive the unit cost for BMM letters.

- A. What proportion of BMM letters is prebarcoded by mailers because they consist of a courtesy reply envelope? Please support your answer.
- B. What proportion of metered letters is prebarcoded by mailers because they consist of a courtesy reply envelope? Please support your answer.
- C. Do you agree that it is more likely that single piece metered letters are more likely to be a courtesy reply enveloped than a BMM letter? Please explain your answer.
- D. In your derivation of workshare cost savings, do you assume that none of your benchmark letters are prebarcoded by mailers? If no, please explain how you isolate the impact of worksharing, which includes barcoding, when some of your benchmark letters are prebarcoded by mailers and reflected in the costs. If yes, please show how you have adjusted the benchmark BMM costs to remove the impact of prebarcoding by mailers.
- E. Please provide the proportion of letters that are prebarcoded by mailers for (1) metered letters and (2) BMM letters. Please provide the sources for your answers.
- F. Please confirm that in your model for metered letters, you assume that none of the letters is prebarcoded. If no, please explain.
- G. Please confirm that in your model, if you had assumed that some portion of the letters were prebarcoded, such letters would bypass the RBCS and go directly to the outgoing BCS primary. If no, please explain.
- H. Please confirm that in your model, if you had assumed that 10% of the letters had been prebarcoded by mailers, your derived unit metered letter would go up by .044 cents, or 1%. If you cannot confirm, please explain.
- I. Please confirm that in your model, for every 10% increase in the number of letters assumed to be prebarcoded, your derived unit metered letter cost increases by an additional .044 cents or 1%. If no, please explain.
- J. Please confirm that in your model, if you assume that 100% of letters were prebarcoded, your derived unit metered letter cost increases by an additional .437 cents or 10.4%. If no, please explain.

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RESPONSE TO MMA/USPS-T22-38 (CONTINUED)

K. Please justify the reasonableness of a cost model such as the one you present to the Commission for metered letters that results in increased costs when mailers provide a prebarcode on their outgoing letters.

RESPONSE:

Please note that the BMM letters cost sheet and mail flow model are not on page 8, but are on pages 15 and 16, respectively

- (A) Redirected to the Postal Service.
- (B) Redirected to the Postal Service.
- (C) I have not studied this issue and therefore have no basis for forming such an opinion.
- (D) No. The BMM letters cost estimate is the average unit cost for all metered mail letters. I made no such adjustments to reflect the possibility that some letters may be prebarcoded, just as I made no such adjustment to reflect the possibility that some letters may contain handwritten addresses.
- (E) Redirected to the Postal Service.
- (F) The cost models assume that the BMM letters have machine printed addresses and are not prebarcoded. I did not assume any mail pieces were prebarcoded. I also did not assume that any mail pieces contained handwritten addresses.
- (G) Confirmed.

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RESPONSE TO MMA/USPS-T22-38 (CONTINUED)

- (H) Not confirmed. Please see the revisions filed on 11/15/01.
- (I) Not confirmed. Please see the revisions filed on 11/15/01.
- (J) Not confirmed. Please see the revisions filed on 11/15/01.
- (K) The actions described in parts (H) through (J) seek to use the cost model for a purpose other than that intended. The BMM letters cost model is used solely to develop a CRA adjustment factor for use in the QBRM and nonstandard surcharge cost studies. The BMM letters cost model and the automation presort letters cost models are not interdependent in any way.

Most cost studies involve narrowly defined benchmark - rate category comparisons. For example, automation presort letter cost models by rate category are used to de-average a CRA mail processing unit cost estimate. Those results are then compared to a Bulk Metered Mail (BMM) letter benchmark.

There are many limitations when it comes to the data that can be used for cost models. Many data inputs represent "average" figures. In addition some of the data inputs would likely change if large volumes of mail migrated from one mail type (e.g., single-piece) to another. The cost models in USPS LR-J-60 were not constructed to evaluate such migration.

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MMA/USPS-T22-40 Please refer to pages 17-21 of USPS-LR-J-60 where you derive the unit cost estimate for non-automation machinable letters.

- A. Please confirm that for the machinable mixed AADC-AADC model, if you had assumed that all of the letters had been prebarcoded by the mailer, and thus were sent directly to the outgoing BCS primary operation (bypassing the outgoing RBCS), the unit cost increases by 10.5% from 4.192 cents to 4.630 cents. If you cannot confirm, please explain.
- B. Please confirm that for the machinable 3-Digit - 5-Digit model, if you had assumed that all of the letters had been prebarcoded by the mailer, and thus were sent directly to the incoming MMP Auto operation (bypassing the incoming RBCS), the unit cost decreases by 14.7% from 3.933 cents to 3.368 cents. If you cannot confirm, please explain.
- C. Please discuss the reasonableness of your models whereby allowing mailers to prebarcode *their outgoing mail* increases postal costs for mixed AADC or AADC letters, but reduces postal costs for 3-Digit or 5-Digit letters.

RESPONSE:

- (A) Not confirmed. Please see the revisions filed on 11/15/01.
- (B) Not confirmed. Please see the revisions filed on 11/15/01.
- (C) The actions described in parts (A) and (B) seek to use the cost model for a purpose other than that intended. The nonautomation presort letters cost models and automation presort letters cost models are not interdependent in any way.

Most cost studies involve narrowly defined benchmark - rate category comparisons. For example, automation presort letter cost models by rate category are used to de-average a CRA mail processing unit cost estimate. Those results are then compared to a Bulk Metered Mail (BMM) letter benchmark.

There are many limitations when it comes to the data that can be used for cost models. Many data inputs represent "average" figures. In addition some of the data inputs would likely change if large volumes of

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RESPONSE TO MMA/USPS-T22-40 (CONTINUED)

mail migrated from one mail type (e.g., single-piece) to another. The cost models in USPS LR-J-60 were not constructed to evaluate such migration.

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

- (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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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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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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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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- (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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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.

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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.

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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.

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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.

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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).

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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.

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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.

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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.

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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.

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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.

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MMA/USPS-T22-59 Please refer to your response to MMA/USPS-T29-14 where you discussed your understanding of the two methodologies used to estimate CRA costs for automation letters. There you discuss a cost "shift" from automation letters to nonautomation letters. Please explain how this shift ended up more than tripling Automation carrier route cost savings, from .348 cents to 1.145 cents, as shown respectively, in Library Reference USPS LR-I-162A and USPS LR-I-477 from Docket No. R2000-1.

RESPONSE:

It is my understanding that the IOCS automation-nonautomation methodology used in the last case did not affect the automation carrier route presort letters mail processing unit cost estimate or savings estimate because the costs for that rate category were CRA-derived.

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MMA/USPS-T22-60 Please refer to your response to Part A of interrogatory MMA/USPS-T22A where you were asked to show a crosswalk between the postal operations included in your simulated mail flow models and the CRA cost pools for which you have collected data.

- A. Please confirm that, on some occasions, the outgoing ISS consists of a retrofitted Advanced Facer Canceler System (AFCS-ISS). If you cannot confirm, please explain.
- B. Please confirm that on other occasions, the outgoing ISS consists of a retrofitted MLOCR (MLOCR-ISS) or a retrofitted DBCS (DIOSS). If you cannot confirm, please explain.
- C. If the outgoing ISS consists of an AFCS-ISS, what cost pool includes the costs of this operation?
- D. If the outgoing ISS consists of an MLOCR-ISS or DIOSS, what cost pool includes the costs of this operation?
- E. Please confirm that when deriving the CRA-based unit worksharing cost, you exclude mail preparation costs from the total costs that you deem to be worksharing-related and proportional. If you cannot confirm than please explain.
- F. Please confirm that, when deriving the model-based unit worksharing costs, you exclude mail preparation cost, but included outgoing ISS costs, even if this operation consists of an AFCS-ISS. If you cannot confirm, please explain.
- G. Please confirm that your CRA-based unit worksharing costs understate the outgoing ISS costs to the extent that this operation consists of an AFCS-ISS. If no, please explain.

RESPONSE:

- (A) It can be confirmed that the outgoing Input Sub System (ISS) for handwritten letters and cards is the Advanced Facer Canceler System Input Sub System (AFCS-ISS).
- (B) It can be confirmed that for metered mail and mail with machine printed addresses the ISS is either a Multi Line Optical Character Reader Input Sub System (MLOCR-ISS) or a Delivery Bar Code Sorter Input Output Sub System (DIOSS).

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- (C) The AFCS-ISS costs are mapped to the "1CANCMMP" cost pool.
- (D) The MLOCR-ISS and DIOSS costs are mapped to the "OCR/" cost pool.
- (E) It is unclear what is meant by the term "mail prep." If this interrogatory refers to tasks related to cancellation and mail preparation activities as defined in MODS operations 010C, 020, and 020B, then this statement can be confirmed. These costs are mapped to the "1CANCMMP" cost pool, which is classified as "worksharing related fixed."
- (F) Not confirmed. The only cost study in USPS LR-J-60 that would have involved the AFCS-ISS operation is the QBRM cost study. The AFCS-ISS operation was not included in that cost study because both QBRM mail pieces and handwritten reply mail pieces must be processed on the AFCS-ISS. The worksharing related savings estimates for the presort letters rate categories do contain costs for mail preparation tasks, as the "1CANCMMP" cost pool was classified as "worksharing related fixed."
- (G) Not confirmed. The CRA-based worksharing related cost estimates include the "1CANCMMP" cost pool, which contains costs for the AFCS-ISS operation.

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MMA/USPS-T22-61 Please refer to your response to Parts A and B of interrogatory MMA/USPS-T43-19 where you take as a given that BMM are to be considered the most likely pieces to convert to worksharing.

- A. Please provide all information, including record references and copies of other documents, that you relied on to reach this conclusion.
- B. Please confirm that an in-depth study of why BMM mailers do not engage in worksharing is "outside the scope" of your testimony and has never been performed by you or anyone that you know of. (See also your response to Part A(1) of interrogatory MMA/USPS-T22-6.
- C. Please fully explain whether you believe that the two examples of BMM letters that you discuss on page 19 of your testimony are likely to convert to worksharing. If so, please fully explain your answer.
- D. Do you believe that, if BMM mailers were likely to convert their mail to worksharing, such mailers would have been more likely to already have done so during the 20+ years that worksharing discounts have been in effect? Please explain your answer.

RESPONSE:

- (A) Please see the examples discussed in USPS-T-22, page 19 at 13-24. In addition, please see PRC Op. R2000-1 at [5089]. I would note that the Commission has expanded the definition concerning benchmarks to include not only the mail most likely to convert to worksharing, but the category current worksharing mail would most likely revert to if the discounts did not outweigh the costs incurred by mailers when performing worksharing activities.
- (B) I am not aware of any study that has been conducted where the singular goal was to determine why mailers do, or do not, engage in worksharing activities.
- (C) In the first example, it was my understanding that some government agencies that had not previously engaged in worksharing had pooled their resources to purchase an Optical Character Reader (OCR). Following that purchase, they began to prebarcode and/or presort their mailings. In

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RESPONSE TO MMA/USPS-T22-61 (CONTINUED)

the second instance, residual single-piece mail from a presort bureau could have been entered as a worksharing mailing had the presort bureau been able to prebarcode and/or presort that mail and still meet the critical entry time.

- (D) As stated in the response to MMA/USPS-T22-61(B), I am not aware of any studies that have been conducted where the singular goal was to determine why mailers do, or do not, engage in worksharing activities. However, I have been given some indication as to why some mailers may not engage in worksharing. Please see the response to MMA/USPS-T22-16(A1). In addition, an earlier interrogatory asked a similar question, but in the context of 10 years. Please see the responses to MMA/USPS-T22-16(A3) and (B3).

This question seems to imply that the mailing industry of today is identical to that of 20 years ago. I do not believe that it is identical. First, the processing methods and equipment used today are completely different. The Postal Service did not rely on barcoding technology 20 years ago to the extent it does now. Second, the mail mix is different. For example, I do not have a cell phone and personally receive at least one or two solicitations to purchase a cell phone each month. Twenty years ago, such solicitations would not have existed. Consequently, I would not take it as a given that all BMM letters have converted to worksharing.

For some technologically sophisticated firms, the technological sophistication of the mailroom can lag behind other operations. One of the sources of BMM that I observed in one of my recent field visits is a nationally known telecommunications firm (please see the response to MMA/USPS-T22-1B). I was informed that this firm had a number of mail-generating offices in the city served by the plant I visited, but that they did

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RESPONSE TO MMA/USPS-T22-61 (CONTINUED)

not yet coordinate and consolidate their mail to take advantage of worksharing discounts.

Finally, as stated in the response to MMA/USPS-T22-61(A), the Commission has expanded the definition concerning benchmarks to include not only the mail most likely to convert to worksharing, but the category current worksharing mail would most likely revert to if the discounts did not outweigh the costs incurred by mailers when performing worksharing activities.

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MMA/USPS-T22-62 Please refer to your response to part C of interrogatory MMA/USPS-T43-19 where you discuss the difference between delivery costs for BMM letters and metered letters. You note that the DPS percentage for BMM letters was developed by you in Library Reference USPS LR-J-60, but you did not develop a DPS percentage for metered letters.

- A. Please confirm that you used metered mail letters as a proxy to derive CRA BMM letters costs as shown on page 8 of Library Reference USPS LR-J-60.
- B. Please explain what changes you would make, if any, to your simulated mail flow model-derived BMM unit cost if it was used to estimate metered mail costs.
- C. Please confirm that, until you revised your prepared testimony for the first time on November 5, 2001, the title on page 15 of USPS LR-J-60 was "First-Class Mail Single-Piece Metered Letters." If you cannot confirm, please explain.
- D. Please confirm that, until you revised your prepared testimony for the first time on November 5, 2001, the mail flow model estimated the unit cost and DPS percentage for metered mail letters. If you cannot confirm, please explain.
- E. Please confirm that for BMM your model-derived unit cost (4.276 cents) is low by 34% compared to your CRA-derived unit cost (6.477 cents). If you cannot confirm, please explain.
- F. Assuming that you confirm part E, please explain why it is appropriate to use the DPS percentage from your BMM model, without any adjustment, as an accurate measure of the percent of BMM that will be DPSed in the test year.
- G. Please confirm that your use of the DPS percentage from your BMM model, to support your use of non-automation, mixed AADC delivery costs as a proxy for BMM, resulted in a reduction of automated cost savings of 1.86 cents. (Please see your response to interrogatory ABA&NAPM/USPS-T22-4).
- H. Please confirm that the amount of BMM processed by automation vs. manual operations, as simulated in your mail flow model, has no bearing on the fact that your model-derived cost is low. If you cannot confirm, please explain.
- I. Please confirm that the amount of BMM processed by automation vs. manual operations, as simulated in your mail flow model, has no bearing on the derived DPS percentage. If you cannot confirm, please explain.

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RESPONSE to MMA/USPS-T22-62:

Please note that the first three parts of this interrogatory have been changed from "E," "F," and "G" to "A," "B," and "C" in order to avoid any confusion with subsequent parts of the interrogatory that contained the same designation.

- (A) Confirmed. Please see USPS-T-22, Section III.C.1.a.ii. In addition, please see the responses to MMA/USPS-T22-22(E), 24(A), 33(H), and 56(B).
- (B) In order to develop a metered letter model cost, it would be necessary to determine the percentage of nonmachinable metered letters, the package sorting cost for metered letters, the costs for unpackaging and trayng metered letters, the productivity impacts related to the unpackaging of metered bundles if that task is performed directly at the feed stations of various equipment, and the mail characteristics for metered letters (percentage distribution of handwritten, machine printed, and prebarcoded mail pieces).
- (C) Confirmed. This title was incorrect. The 11/05/01 revisions corrected that error.
- (D) Not confirmed. The cost model has always represented Bulk Metered Mail (BMM) letters, as it did not model the tasks described in the response to MMA/USPS-T22-62(B).
- (E) It can be confirmed that the BMM letters model cost estimate is 34% lower than the sum of the CRA-derived mail processing unit cost estimates for the "worksharing related proportional" cost pools that represent all metered letters.
- (F) The cost model on pages 15 and 16 in USPS LR-J-60 represents BMM letters. Consequently, the DPS percentage from that model is the proper percentage to use.

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- (G) Not confirmed. Please see the response to MMA/USPS-T22-49(F).
- (H) Not confirmed. Had a CRA mail processing unit cost estimate for BMM letters been available, that cost would have likely been lower. Consequently, the BMM letters model cost estimate would have been closer to the CRA-derived mail processing unit cost estimate.
- (I) Not confirmed. Delivery Point Sequencing (DPS) can only be performed on letters and cards that contain 11-digit barcodes. Consequently, the amount of BMM letters processed in automation and manual operations has a direct bearing on the estimated DPS percentage.

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MMA/USPS-T22-63 Please refer to your response to interrogatory ABA&NAPM/USPS-T22-7 where you indicate that metered mail packages are unpackaged and trayed by Postal Service employees at some delivery units. You note that mail processed as such would not be considered BMM when deriving your CRA-based worksharing cost.

- A. Please confirm that your CRA-derived unit BMM worksharing cost uses metered mail CRA costs as a proxy for BMM. If no, please explain.
- B. Please indicate precisely which CRA cost pool, if any, includes the costs for postal employees to unpack and tray metered mail at postal delivery units.
- C. Assuming that your answer to part B is that such costs are not included in any CRA cost pool, please confirm that the mail preparation costs for single piece metered mail, as shown in MODS 17 1CANCMPP, are understated. If no, please explain.

RESPONSE:

- (A) Confirmed. Please see USPS-T-22, Section III.C.1.a.ii. In addition, please see the responses to MMA/USPS-T22-22(E), 24(A), 33(H), 56(B), and 62(A).
- (B) By definition, in-office Delivery Unit costs would be classified as "delivery" costs. Consequently, there is no mail processing cost pool representing this task.
- (C) Not confirmed. The CRA mail processing unit cost estimate for metered letters represents the costs for processing metered letters in the current mail processing environment.

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MMA/USPS-T22-66 Please refer to your response to Interrogatory MMA/USPS-T22-45. There you referred to your BMM questionnaire, particularly question 4, that asked how BMM was accepted.

- A. Please provide the specific answers for each respondent that answered this question.
- B. Please explain how BMM is accepted if such mail comes in from associated offices or is "collected."
- C. Did you obtain volumes associated with each of the BMM acceptance methods? If so, please provide those volume figures. If not, why not?
- D. Did you obtain BMM volumes as part of your survey? If so, please provide those volume figures. If not, why not?
- E. Please refer to page 4 of your Rebuttal Testimony, USPS-RT-15, in Docket No. R2000-1 where you testified that almost 51% of all metered mail bypassed MODS operation 020 and went directly to MODS operation 020B.
 1. Please confirm that metered mail trays either by postal employees or by mailers will make up the 51% of metered mail that bypasses the MODS 020 operation. If no, please fully explain.
 2. Do you believe that 51% is an appropriate estimate of the amount of metered mail that bypasses the MODS 020 operation in this case? If not, please explain and provide an appropriate estimate.
 3. Please confirm that neither you nor the Postal Service as an institution knows what portion of the metered mail that bypasses the MODS 020 operation is comprised of BMM that is brought to post offices in trays that have been prepared by mailers. If no, please explain and provide the portion comprised of BMM.
 4. Please confirm that neither you nor the Postal Service as an institution have ever studied, and therefore cannot provide an opinion, as to what portion of the metered mail that bypasses the MODS 020 operation is comprised of BMM. If no, please explain and provide what portion is comprised of BMM.
 5. Please confirm that it is possible, in fact probable, that, of the amount of metered mail that bypasses the MODS 020 operation, less than 10% is BMM. If you cannot confirm, please explain and provide the percentage of metered mail bypassing the MODS 020 operation that is BMM.

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RESPONSE TO MMA/USPS-T22-66 (CONTINUED)

6. Please confirm that it is possible, in fact probable, that the amount of metered mail that bypasses the MODS 020 operation that is comprised of BMM is less than 5%. If you cannot confirm, please explain.
7. Please explain any and all differences, in terms of (1) mail processing characteristics and (2) delivery cost characteristics, between BMM and other metered mail that is trayed by postal service employees such that it can bypass the MODS 020 operation.

RESPONSE:

- (A) These data are summarized in USPS LR-J-155.
- (B) In USPS LR-J-155, the use of the terms "collection" or "collected" referred to BMM letters that were submitted to a plant with collection mail. This entry method would cover those mailers that submitted trays of BMM letters to a nearby Delivery Unit, rather than submitting the mail directly to the plant. That mail would be brought to a plant with other collection mail from the Delivery Unit.
- (C) Please see the response to MMA/USPS-T22-13(C1).
- (D) Please see the response to MMA/USPS-T22-13(C1).
- (E1) It can be confirmed that this was true in FY 1999.
- (E2) The meter belt bypass volume for FY 2000 is nearly identical to that shown for FY1999 in Docket No. R2000-1 (please see Tr. 45/19649). The MODS meter belt volume, however, has increased. Consequently, the percentages have changed. The FY 2000 MODS volumes are as follows:

<u>MODS Op No.</u>	<u>Operation</u>	<u>Volume</u>	<u>Percent</u>
020B	Meter Belt Bypass	14,588,876.800	41.4%
020	Meter Belt	20,688,319.400	58.6%

- (E3) It can be confirmed that the exact percentage of 020B mail that is comprised of BMM letters is unknown.

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RESPONSE TO MMA/USPS-T22-66

- (E4) Confirmed. To the best of my knowledge, no studies have been conducted to determine the exact percentage.
- (E5) Not confirmed. I confirm in the response to MMA/USPS-T22-66(E4) that no studies have been conducted. I also confirm in the response to MMA/USPS-T22-66(E3) that the exact percentage is unknown.
- (E6) Please see the response to MMA/USPS-T22-66(E5).
- (E7) My understanding is that BMM letters are machinable, metered mail pieces that have "clean" machinable addresses. BMM letters are not prebarcoded and are already trayed when they enter postal facilities.

Metered letters, in general, are not trayed and are often bundled. They can contain machine printed addresses, handwritten addresses, or can be prebarcoded. Metered letters are not necessarily machinable. Some of the metered bundles described above are unpackaged, faced, and trayed by postal employees at Delivery Units according to local agreements made with the plant. In addition, please see the response to MMA/USPS-T22-62(B).

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MMA/USPS-T22-67 Please refer to your response to Interrogatory MMA/USPS-T22-46 which discusses the BMM mailings that you observed during your field observations to see if BMM existed.

- A. In Part A you indicate that the statements provided in Attachment 5 as part of your response to Interrogatory MMA/USPS-T22-15 originated from a presort bureau's residual mail, and that the mailer did not have access to either the RCR system or the RBCS. Please explain how mailers would have access to either the RCR system or RBCS, and how such mailers utilize access to such systems.
- B. In Part B you were asked how the postage was paid on these mailings. You stated that the postage statements are printouts from the PERMIT system. Was the postage paid by meter imprint or permit imprint?
- C. If your answer to Part B is permit imprint, please explain the relevance of this mailing to your use of BMM as the benchmark for measuring workshare cost savings.
- D. Please confirm that this mail would be provided to the Postal Service in the exact same manner, including being loaded by nonpostal employees as stated in your response to Part G, if that presort bureau went out of business. For purposes of this question, assume that the Automation discounts were so low that no other presort bureaus were available as an alternative. Please explain your answer.
- E. When the mail was unloaded from the trucks by postal personnel, as you mentioned in your response to Part G, was the mail packed in trays and loaded onto pallets or rolling stock?

RESPONSE:

- (A) It is my understanding that some mailers do have access to the Remote Bar Coding System (RBCS). I believe the Remote Computer Read (RCR) system is proprietary. I was simply stating a fact related to this specific presort bureau in my response to MMA/USPS-T22-15(A).
- (B) The mail pieces were metered by the presort bureau customers at the 3-digit automation presort letters rate. The bureau adjusted the postage paid by its clients based on whether it was able to prebarcode and/or

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RESPONSE TO MMA/USPS-T22-67 (CONTINUED)

presort that mail. It is my understanding that the postage the bureau paid to the Postal Service was paid using the PERMIT system.

- (C) In my testimony, I stated that the survey I conducted indicated that BMM letters, as defined by the Commission, entered postal facilities in two ways (please see USPS-T-22, page 19, at 3-6). I will leave it to the Commission to determine whether they feel this mail falls under the umbrella of "BMM letters." I would also point out, however, that if this mail had not been submitted to a presort bureau it is possible that it would have been entered at a postal facility as BMM letters using the methods described in USPS-T-22, page 19 at 7-12.
- (D) I don't understand this question as presented.
- (E) The mail was already trayed and loaded into rolling stock.

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B MMA/USPS-T22-68 Please refer to your response to Part B of Interrogatory MMA/USPS-T22-47. You were asked to define "normal collection procedures" for mail that originated through a business but was sent through a presort bureau. You failed to answer this question.

- A. Please confirm that you do not know how this mail, collected by a presort bureau from local firms, would have been entered into the Postal Service. If no, please explain.
- B. Please confirm that this mail would most likely not be brought in trays to the Postal Service for postage acceptance and verification. If you cannot confirm, please explain.
- C. Please confirm that if this mail had not been brought to the Postal Service in trays for postage acceptance and verification, it most likely would have been accepted by a window service clerk. If you cannot confirm, please explain.

RESPONSE:

- (A) Confirmed. I interpreted the original question as referring to postal collection procedures.
- (B) It can be confirmed that this mail would not require acceptance and verification. However, based on my response to MMA/USPS-T22-68(A), I cannot confirm that it would not be submitted to the Postal Service directly as BMM letters in trays.
- (C) Not confirmed. Please see my response to MMA/USPS-T22-33(B).

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MMA/USPS-T22-69 Please refer to your responses to Parts A, B, E and F of Interrogatory MMA/USPS-T22-49. There you were asked several questions regarding your derived BMM unit delivery cost used in your derivation of savings due to worksharing.

- A. You seem to conclude that using non-automation, machinable mixed AADC letters as a proxy for estimating BMM delivery costs is reasonable because it is the best data available. Is that a fair statement of your position? If not, please explain what your position is.
- B. Please explain the differences, if any, between BMM and non-automation, machinable mixed AADC letters, insofar as delivery cost incurrence is concerned.
- C. Please explain the differences, if any, between BMM and single piece metered letters, insofar as delivery cost incurrence is concerned.
- D. Please explain the differences, if any, between BMM and single piece First Class letters, insofar as delivery cost incurrence is concerned.
- E. Please explain the differences, if any, between BMM and single piece First Class machinable letters, insofar as delivery cost incurrence is concerned.
- F. Please explain how, if at all, the manner in which metered mail letters are provided to the Postal Service (bulk or single piece) will affect delivery costs.
- G. Please explain how, if at all, the manner in which machinable letters is provided to the Postal Service (bulk or single piece) will affect delivery costs.
- H. Please confirm that the test year after rates Automation letter volume is 47.023 billion pieces. If no, please provide the correct volume figure. (Please refer to your response to Part E where you erroneously confirmed the figure to be 47.743 billion, which includes automated flats.)
- I. Please confirm that your assumption concerning BMM delivery costs reduced potential workshare savings by $.0185 \times 47.023$ billion or \$870 million. If you do not agree, then please provide the correct amount, and explain the reason for such correction. (Please refer to your response to Part F where you failed to confirm a similar question because non-automation presort letters, which are not part of the automation letter volume, somehow was relevant to your answer. You also failed to provide the requested correct estimate of the amount of cost savings potentially affected by your proposed modification to estimating BMM costs).

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RESPONSE TO MMA/USPS-T22-69 (CONTINUED)

- (A) In absence of an actual BMM letters unit delivery cost, I use the delivery cost for nonautomation machinable mixed AADC letters, due to the similarities in mail piece characteristics and processing methods associated with both categories.
- (B) The Delivery Point Sequencing (DPS) percentages found in my cost models are the only aspect of my testimony that relates to delivery unit cost calculations. Please see the response to MMA/USPS-T22-19(B).
- (C) See the response to MMA/USPS-T22-69(B). In addition, a cost model has not been developed for First-Class single-piece metered letters. Consequently, a DPS percentage for all metered letters is not available.
- (D) See the response to MMA/USPS-T22-69(B). In addition, a cost model has not been developed for all First-Class single-piece letters. Consequently, a DPS percentage for that category is not available.
- (E) See the response to MMA/USPS-T22-69(B). In addition, a cost model has not been developed for all First-Class single-piece machinable letters. Consequently, a DPS percentage for that category is not available.
- (F) Please see the response to MMA/USPS-T22-69(B).
- (G) Please see the response to MMA/USPS-T22-69(B).
- (H) Please see the response to MMA/USPS-T22-49(E).
- (I) I can confirm that \$ 0.0185 multiplied by 4.023 billion is equal to \$870 million. I feel, however, that my response to MMA/USPS-T22-49(F)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO MMA/USPS-T22-69 (CONTINUED)

adequately answered this interrogatory in the context that this figure
should be viewed as worksharing related savings.

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MMA/USPS-T22-72 Please refer to your responses to Part H 4 and H 5 of Interrogatory MMA/USPS-T22-49. There you confirmed the questions posed to you, but adjusted the numbers to reflect revisions you had made in your testimony.

- A. In your response to Part H 4 you stated that, mathematically, the BMM unit costs would increase from 4.276 cents to 4.280 cents, had you assumed in your models that all 10,000 were prebarcoded and able to bypass the RBCS. The original question asked you to confirm that the resulting BMM unit cost would become 4.630 cents. Please confirm that by using your revised BMM model, if the entry point for all 10,000 pieces is "OUT PRIM AUTO" rather than "OUT ISS RCR", then the resulting BMM unit cost is 4.280 cents and not 4.630 cents. If you can confirm, please explain exactly how you computed the resulting unit cost of 4.280 cents.
- B. In your response to Part H 5 you stated that, mathematically, the BMM DPS percentage would decrease from 75.73% to 73.76%, had you assumed in your models that all 10,000 were prebarcoded and able to bypass the RBCS. The original question asked you to confirm that the resulting BMM DPS percentage would become 72.97%. Please confirm that by using your revised BMM model, if the entry point for all 10,000 pieces is "OUT PRIM AUTO" rather than "OUT ISS RCR", then the resulting BMM DPS percentage is 73.76% and not 72.97%. If you can confirm, please explain exactly how you computed the resulting DPS percentage of 73.76%.
- C. Please explain in detail how, if at all, your revisions affected operations not included as part of the RBCS.

RESPONSE:

- (A) Not confirmed. Prebarcoded mail pieces that are not FIM mail pieces isolated by the Advanced Facer Canceler System Input Sub System (AFCS-ISS) would be processed on the automation outgoing secondary operation, not the automation outgoing primary operation. This change would result in a model cost of 4.280 cents. However, the cost models are not intended for such analyses, as explained in the response to MMA/USPS-T22-38(K).
- (B) Not confirmed. Prebarcoded mail pieces that are not FIM mail pieces isolated by the Advanced Facer Canceler System Input Sub System (AFCS-ISS) would be processed on the automation outgoing secondary operation, not the automation outgoing primary operation. Such a

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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RESPONSE TO MMA/USPS-T22-72 (CONTINUED)

change, would result in a DPS percentage of 73.76 percent. However, the cost models are not intended for such analyses, as explained in the response to MMA/USPS-T22-38(K).

- (C) If mail pieces required RBCS processing, the revisions I made would affect the volumes of mail flowing to specific downstream operations, were such operations included in a given cost study.

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MMA/USPS-T22-73 Please refer to your response to Part H6 of Interrogatory MMA/USPS-T22-49. There you failed to confirm that applying the CRA proportional adjustment factor is unrelated to your model-derived DPS percentage. You explain that revisions to your model-derived unit costs affect both your CRA adjustment factors as well as the derived DPS percentages. *That was not the question posed to you.*

- A. Please confirm that, as shown in Column 11 on page 4 of Library Reference USPS-LR-J-60 (Revised 11/14/01), you apply the CRA adjustment factors to the model-derived unit costs *after* the model derived unit costs are computed.
- B. Please confirm that application of your CRA proportional adjustment factor to the model-derived unit costs is designed to compensate for the use of aggregated data and reconciles the model-derived unit costs to the CRA-derived unit cost. If you cannot confirm, please explain.
- C. Please explain precisely how, if at all, application of your CRA proportional adjustment factor to the model-derived unit costs impacts the model-derived DPS factor.
- D. Does application of your CRA proportional adjustment factor to the model-derived unit costs compensate, in any way, for the use of aggregate data or any other possible infirmity, on the derived DPS percentage? If yes, please explain your answer.
- E. Were the model-derived DPS percentages, which you provided to USPS witness Schenk, modified in any way, because of application of the CRA proportional adjustment factors, the model-derived unit costs were modified? If yes, please explain how the DPS percentages were so modified.

RESPONSE:

- (A) Confirmed.
- (B) It can be confirmed that this is one reason that CRA adjustment factors are applied. Please see the response to KE/USPS-T22-8(F).
- (C) The CRA proportional adjustment factors and DPS percentages are not completely independent because the specific values for both statistics in a given cost study are dependent on the data inputs used to develop that cost study.
- (D) The use of average data would affect both the CRA proportional adjustment factors as well as the DPS percentages in a given cost study.
- (E) No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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MMA/USPS-T22-74 Please refer to your response to Part H 1 of Interrogatory MMA/USPS-T22-49. There you refer to your response to Part O of Interrogatory MMA/USPS-T-22-43. That interrogatory only goes up to Part B. Please provide the proper reference for your answer.

RESPONSE:

The response to MMA/USPS-T22-49(H1) did not reference MMA/USPS-T22-43(O). The response stated:

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.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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MMA/USPS-T22-75 Please refer to your response to Part A of Interrogatory MMA/USPS-T22-54. Your general answer to the question is "not necessarily". By that do you mean to say generally yes, but that you can think of some exceptions? If that is not the case, please explain precisely what you mean by "not necessarily."

RESPONSE:

The response to MMA/USPS-T22-54(A) did not simply state "not necessarily." The response indicated that mailers are free to change their specific mail piece designs after making the decision to presort and/or prebarcoding their mailings. Postal Service equipment can accommodate a certain amount of variation in mail piece design (e.g., barcodes can be located in the lower right hand corner, below the address block, or above the address block). Consequently, a mailer would be free to change the design of their mail pieces, within limits.

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REDIRECTED FROM WITNESS SCHENK

MMA/USPS-T43-19 Please refer to your response to Part H of Interrogatory MMA/USPS-T43-8.

- A. Please confirm that BMM letters have no prerequisite requirements or regulations that require them to be machinable, yet the Postal Service estimates that DPS percentage for BMM letters is virtually the same as non-automation machinable letters, automation mixed AADC, automation AADC, and automation 3-Digit letters. If you cannot confirm, please explain.
- B. Please confirm that BMM letters have no prerequisite requirements or regulations that require the addresses to be complete, reliable, machine readable and up-to-date, yet the Postal Service estimates that the delivery cost for BMM letters is virtually the same as automation mixed AADC, automation AADC, and automation 3-Digit letters. If you cannot confirm, please explain.
- C. Please explain if, and to what extent, BMM letters and metered letters have different delivery characteristics in terms of (1) DPS percentage and (2) percent of letters delivered to a post office box. Please support your answer.

RESPONSE:

- (A) Confirmed. Bulk Metered Mail (BMM) letters do not have any specific machinability requirements listed in the Domestic Mail Manual (DMM), other than those that apply to all letters. Given that these mail pieces are considered to be those that are most likely to convert to worksharing, however, it has generally been understood that these mail pieces are machinable mail pieces.
- (B) Confirmed. Bulk Metered Mail (BMM) letters do not have any formal address readability requirements listed in the Domestic Mail Manual (DMM). Given that these mail pieces are considered to be those that are most likely to convert to worksharing, however, it has generally been understood that these mail pieces are "clean" that are not likely to cause problems when processed through the Remote Bar Coding System (RBCS).

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REDIRECTED FROM WITNESS SCHENK

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RESPONSE TO MMA/USPS-T43-19 (CONTINUED)

- (C) The DPS percentage for BMM letters can be found in USPS LR-J-60 on page 15. A DPS percentage for all metered letters has not been calculated because a cost model for all metered letters has not been developed.

The percentage of post office box addresses for all metered letters could be higher than that for BMM letters as some metered letters are Courtesy Reply Mail (CRM) pieces that are often addressed to a post office box. However, I am not aware of any analysis that has attempted to measure these percentages.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8 QUESTION 11**

Question 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.

PARTIAL RESPONSE:

In this docket, the nonautomation 3/5-digit presort letters worksharing related mail processing unit cost estimate can be found in USPS LR-J-60, page 56, cell E18. The figure cited above (8.257 cents), however, was taken from USPS LR-J-60 as filed on September 24, 2001. This library reference was subsequently revised on both November 5, 2001 and November 15, 2001. Consequently, the nonautomation 3/5-digit presort letters worksharing related mail processing unit cost estimate is now 8.386 cents.

Due to the passage of Public Law 106-384, this figure represents the aggregate costs for both Standard Mail Regular and Standard Mail Nonprofit nonautomation 3-digit/5-digit presort letters. In Docket No. R2000-1, separate costs were provided for both the Standard Mail Regular and Standard Mail Nonprofit rate categories. Consequently, the 8.386-cent figure is not directly comparable to any figure found in Docket No. R2000-1.

The Docket No. R2000-1 figure cited above (4.516 cents) was taken from USPS LR-I-162 and represents the nonautomation 3/5-digit presort letters worksharing related mail processing unit cost estimate for Standard Mail Nonprofit only. The unit cost estimate for the corresponding Standard Mail Regular rate category was 6.541 cents.

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TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8 QUESTION 11**

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PARTIAL RESPONSE TO POIR NO. QUESTION 11 (CONTINUED)

Furthermore, the Docket No. R2000-1 figures found in USPS LR-I-162 were estimates filed as part of the Postal Service's direct case. These figures relied on CRA mail processing unit cost estimates that were calculated using the "Base Year 98" methodology for separating nonautomation presort letters and automation presort letters costs. In response to Order No. 1294, the Postal Service also developed cost estimates that were calculated using the "Base Year 99" methodology for separating nonautomation presort letters and automation presort letters costs. These estimates can be found in USPS LR-I-467. The Base Year 99 methodology results in higher nonautomation presort letters unit cost estimates when compared to the Base Year 1998 methodology. In addition, the Postal Service relied upon the Base Year 99 methodology in developing its direct case in the instant proceeding.

In summary, the figures cited in question 11 are not directly comparable due to the fact that the Standard Mail costs have been aggregated in this docket. In addition, the worksharing related mail processing unit cost estimates for nonautomation 3/5-digit presort letters from Docket Nos. R2001-1 and R2000-1 can be obtained from USPS LR-J-60 and USPS LR-I-467, respectively. These estimates are shown below:

<u>Docket No.</u>	<u>Cost Estimate</u>	<u>Source</u>
R2001-1	8.386 Cents (All Std)	USPS LR-J-60 (Rev 11/15/01)
R2000-1	9.551 Cents (Std Reg)	USPS LR-I-467
R2000-1	5.164 Cents (Std NP)	USPS LR-I-467

For a discussion of potential rate design implications, see the response of witness Moeller to this question.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS MILLER TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 9, QUESTION 3**

3. Please show the derivation of the percentage of non-machinable letter mail used in Witness Moeller's rate design workpapers for Regular subclass and Nonprofit subclass. The figures for Regular subclass are contained in LR-J-132, File USPSLR132-WP1, page E, Lines 7 and 8 (Basic= 26.39% and 3/5-Digit= 25.02%). The figures for Nonprofit subclass are contained in LR-J-132, File USPSLR132-WP2, page E, Lines 7 and 8 (Basic= 37.82% and 3/5-Digit= 40.51%). Please include the source for each figure used in the derivation.

RESPONSE:

The percentage of non-machinable Standard Regular nonautomation basic presort letters (26.39 percent) was derived using data found in USPS LR-J-60 on page 87. The calculation was performed using the cell references shown below.

$$(F60+F64+F68+F72) / (E16+E19+E32+E35+E38+E41+E58+E62+E66+E70)$$

The percentage of non-machinable Standard Regular nonautomation 3/5 digit presort letters (25.02 percent) was derived using data found in USPS LR-J-60 on page 87. The calculation was performed using the cell references shown below.

$$(F51+F55) / (E10+E12+E25+E28+E49+E53)$$

The percentage of non-machinable Standard Nonprofit nonautomation basic presort letters (37.82 percent) was derived using data found in USPS LR-J-60 on page 86. The calculation was performed using the cell references shown below.

$$(F60+F64+F68+F72) / (E16+E19+E32+E35+E38+E41+E58+E62+E66+E70)$$

The percentage of non-machinable Standard Nonprofit nonautomation 3/5 digit presort letters (40.51 percent) was derived using data found in USPS LR-J-60 on page 86. The calculation was performed using the cell references shown below.

$$(F51+F55) / (E10+E12+E25+E28+E49+E53)$$

United States Postal Service

Joseph D. Moeller
(USPS-T-28)

RESPONSE OF U.S. POSTAL SERVICE WITNESS MOELLER TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 8, QUESTION 8

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.

RESPONSE:

The necessary revisions were filed on January 11, 2002. The revisions include a revised response to POIR #2, Question 6, as well as revised Exhibits USPS-28B and USPS-28E, and minor changes to the text of USPS-T-28, as I discussed when I appeared before the Commission on that date. See Tr. Vol. 9, pages 2497-98.

**RESPONSE OF WITNESS MOELLER TO PRESIDING OFFICER'S
INFORMATION REQUEST NO. 8**

Question 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.

PARTIAL RESPONSE:

Based on witness Miller's partial response, I add the following observations.

Since the cited costs are not directly comparable, as explained in witness Miller's response, the ramifications on rate design are unclear, if there are indeed ramifications. Please note that I address the issue of cost differentials with respect to 3-digit automation, and how they might vary depending on the benchmark used. (USPS-T-32 at 14, lines 4-14)

United States Postal Service

**Joseph D. Moeller
(USPS-T-32)**

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2, QUESTION 6

Revised 1/11/2001

6. Please provide workpapers, in support of Exhibits USPS-28A, USPS-28B and USPS-28C, that show for each mail category and special service the following statistics and their source: (a) mail volume, (b) postage, (c) fees, (d) total revenue, and (e) revenue per piece. The requested workpapers should have a similar structure as the workpapers submitted by Postal Service witness Mayes in support of her Exhibits USPS-32A, USPS-32B and USPS-32C in Docket No. R2000-1 (See response to POIR No. 1/3 in Docket No. R2000-1).

RESPONSE:

The attached pages include the revenue data incorporated into Exhibits USPS-28A, USPS-28B, and USPS-28C, in the same format and detail presented by witness Mayes in her response to POIR No. 1, Question 4, in Docket No. R2000-1. Pages 1-2 of the attachment correspond to Exhibit USPS-28A; pages 3-4 correspond to Exhibit USPS-28B; pages 5-6 correspond to the FY2002 figures presented in Exhibit USPS-28C; page 7-8 correspond to the FY2001 figures presented in USPS-28C. The volume figures are from the Before and After Rates volume forecasts (USPS-LR-J-125, Table 125-1, and Table 125-2), and USPS-LR-J-109, WP-3, WP-4, WP-7, WP-10.

AFTER RATES SUMMARY OF REVENUES
FISCAL YEAR 2003
(thousands)

MAIL SERVICE	Volume	Postage	Fees	Postage and Fees	Revenue per piece
First-Class Mail					
Letters - Single	46,865,402	21,661,130	217,223	21,878,353	0.466834
Automated and Carrier Route	47,742,776	14,511,388		14,511,388	0.303949
Non-Automated Presort	3,579,306	1,450,367		1,450,367	0.408209
Total Worksharing	51,322,082	15,961,755	28,991	15,990,746	0.311576
Total Letters/Flats/Parcels	98,187,484	37,622,885	246,215	37,869,100	0.385662
Stamped Cards	170,412	39,195	79	39,274	0.230464
Post Cards - Single	2,454,300	580,418	11,004	591,422	0.241003
Automated and Carrier Route Post Cards	2,426,214	441,848		441,848	0.182114
Non-Automated Presort Cards	216,053	45,607		45,607	0.211092
Total Worksharing Cards	2,642,267	467,455	1,482	468,937	0.185044
Total Cards	5,266,879	1,107,068	12,564	1,119,632	0.212588
Business Reply Fees		198,394	198,394	0	
Domestic Mail Fees		60,385	60,385	0	
Total First-Class	103,454,162	38,988,732	-	38,988,732	0.376870
	postage=	38,729,953			
Priority Mail					
Priority Mail (with pick up fee)	1,178,757	6,198,666	1,417	6,200,084	5.259850
Domestic Mail Fees		1,417	1,417	-	
Total Priority	1,178,757	6,200,084	-	6,200,084	5.259850
Express Mail	69,911	1,133,705		1,133,705	16.216333
Mailgrams	2,725	1,131	-	1,131	0.415000
Periodicals					
In-County	853,535	80,866	1,640	82,526	0.096687
Outside County					
Nonprofit	1,940,225	370,257	3,727	373,984	0.192753
Classroom	58,335	16,576	112	16,688	0.286074
Regular-Rate	7,110,414	2,107,270	13,658	2,120,928	0.298285
Domestic Mail Fees		19,137	19,137	-	
Total Periodicals	9,962,508	2,594,126	-	2,594,126	0.250389
	postage=	2,574,989			
Standard Mail - A					
Commercial					
Regular	47,296,188	11,022,943	19,537	11,042,480	0.233475
Enhanced Carrier Route	33,125,689	5,541,973	13,683	5,555,656	0.167714
Total Commercial	80,421,877	16,564,916	33,220	16,598,136	0.206388
Nonprofit					
Nonprofit	11,862,923	1,611,177	57,887	1,669,064	0.140459
Enhanced Carrier Route	3,236,397	309,444	15,766	325,210	0.100485
Total Nonprofit	15,119,320	1,920,621	73,653	1,994,274	0.131902
Bulk Mailing Fees		80,203	(80,203)		
Domestic Mail Fees		26,670	(26,670)		
Total Standard Mail	95,541,195	18,592,410	-	18,592,410	0.194601

AFTER RATES SUMMARY OF REVENUES - FISCAL YEAR 2003 (continued)

(thousands)

MAIL SERVICE				Postage and Fees		Revenue per piece	
Package Services				Postage	Fees		
Parcel Post				Volume			
Destination Entry	314 684						
Inter-BMC	34 918						
Intra-BMC	21 930						
Total Parcel Post	571 633						
Bound Printed Matter	588 687						
Special Rate	168 647						
Library Rate	27 047						
Domestic Mail Fees	1 835						
Special Handling	62						
Parcel Affirm Fees	9						
Package Services	1 145 772						
Total USPS Penalty Mail	353 464						
Free-for-the-Bund	48 859						
Total Domestic Mail	211 755 380						
International	1 205 553						
Terminal & Transit	0						
Fees etc	0						
Total	1 917 956						
Total All Mail	212 960 933						
Special Services	10 331						
Registry	98 550						
Certified Mail	596 629						
Insurance	143 868						
COO	3 100						
Delivery Confirmation	307 185						
Money Orders	229 607						
Return Receipts	221 638						
Stamped Cards	170 412						
Stamped Envelopes	400 000						
Box/Carrier Service	17 232						
Subscriptions	1 124 158						
Other	2 563 764						
Total	2 594 374						
Total Mail & Services	212 960 933						
Other Income	589 816						
Revenue Forgone	30 857						
Interest and Investment Income	(21 948)						
Total all items	212 960 933						
Money order revenues include interest of \$0.848 (this amount has been removed from "investment income" above)							

AFTER RATES SUMMARY OF REVENUES
FISCAL YEAR 2003
(thousands)

MAIL SERVICE	Volume	Postage	Fees	Postage and Fees	Revenue per piece
First-Class Mail					
Letters - Single	46,866,402	21,661,130	217,223	21,878,353	0.466834
Automated and Carrier Route	47,742,776	14,511,388		14,511,388	0.303949
Non-Automation Presort	3,579,306	1,450,367		1,450,367	0.405209
Total Worksharing	51,322,080	15,951,755	28,991	15,980,746	0.311576
Total Letters, Flats/Parcels	98,187,484	37,622,885	246,215	37,869,100	0.385682
Stamped Cards	170,412	39,195	79	39,274	0.230464
Post Cards - Single	2,454,000	580,418	11,004	591,422	0.241003
Automated and Carrier Route Post Cards	2,426,214	441,848		441,848	0.162114
Non-Automated Presort Cards	216,053	45,607		45,607	0.211092
Total Worksharing Cards	2,642,267	487,455	1,482	488,937	0.185044
Total Cards	5,266,679	1,107,068	12,564	1,119,632	0.212588
Business Reply Fees		198,394	(198,394)	0	
Domestic Mail Fees		60,385	(60,385)	0	
Total First Class	103,454,162	38,988,732	-	38,988,732	0.376870
		postage=			
		38,729,953			
Priority Mail					
Priority Mail with pick up fee	1,178,757	6,198,666	1,417	6,200,084	5.259850
Domestic Mail Fees		1,417	(1,417)	0	
Total Priority	1,178,757	6,200,084	-	6,200,084	5.259850
Express Mail	69,911	1,133,705		1,133,705	16.216333
Mailsgrams	2,725	1,131	-	1,131	0.415000
Periodicals					
In-County	853,535	80,886	1,640	82,526	0.096687
Outside County					
Nonprofit	1,940,225	370,257	3,727	373,984	0.192753
Classroom	58,335	16,576	112	16,688	0.286074
Regular-Rate	7,110,414	2,107,270	13,658	2,120,928	0.298285
Domestic Mail Fees		19,137	(19,137)	0	
Total Periodicals	9,962,508	2,594,126	-	2,594,126	0.260389
		postage=			
		2,574,989			
Standard Mail					
Commercial					
Regular	47,296,185	11,022,943	19,537	11,042,480	0.233475
Enhanced Carrier Route	33,125,689	5,541,973	13,683	5,555,656	0.167714
Total Commercial	80,421,874	16,564,916	33,220	16,598,136	0.206388
Nonprofit					
Nonprofit	11,882,923	1,611,177	57,887	1,669,064	0.140459
Enhanced Carrier Route	3,236,397	309,444	15,766	325,210	0.100485
Total Nonprofit	15,119,320	1,920,621	73,653	1,994,274	0.131902
Bulk Mailing Fees		80,203	(80,203)	0	
Domestic Mail Fees		26,670	(26,670)	0	
Total Standard Mail	95,541,195	18,592,410	-	18,592,410	0.194601

AFTER RATES SUMMARY OF REVENUES - FISCAL YEAR 2003 (continued)
(thousands)

MAIL SERVICE	Volume	Postage	Fees	Postage and Fees	Revenue per piece
Package Services					
Parcel Post					
Destination Entry	314 684				
Inter-BMC	34 918				
Intra-BMC	21 930				
Total Parcel Post	371 533	1,202 000	566	1,202 566	3.236775
Bound Printed Matter	598 657	694 880	874	695 754	1.162135
Special Rate	158 641	270 393	403	270 796	1.706970
Library Rate	27 047	49 911	61	49 972	1.847568
Domestic Mail Fees		1 835	1 835	0	
Special Handling		62	62	0	
Parcel Airlift Fees		9	(9)	0	
Package Services	1,145,778	2,219,090	-	2,219,090	1.936754
Total USPS Penalty Mail	353 484	0	-	0	0
Free-for-the-Blind	46 859	0	0	0	0
Total Domestic Mail	211,755,380	69,729,277	0	69,729,277	0.329292
International					
Postage	1,205,553	1,618,900	11,484	1,630,384	1.352395
Terminal & Transit	0	287,572	0	287,572	
Fees, etc.	0	11,484	(11,484)	0	
Total	1,205,553	1,917,956	0	1,917,956	1.590935
Total All Mail	212,960,933	71,647,233	0	71,647,233	0.336434
Special Services					
Registry	10 331	98 550	0	98 550	9.538959
Certified Mail	302,882	696,629	0	696,629	2.300001
Insurance	61,800	143,868	0	143,868	2.327979
CCD	3,100	17,700	0	17,700	5.709656
Delivery Confirmation	307,186	34,636	0	34,636	0.112761
Money Orders *	229,607	303,574	0	303,574	1.322144
Return Receipts	221,638	394,585	0	394,585	1.780309
Stamped Cards	170,412	3,408	0	3,408	0.019999
Stamped Envelopes	400,000	16,102	0	16,102	0.040256
Box/Cover Service	17,232	854,712	0	854,712	49.599184
Subtotal	1,724,168	2,563,764	0	2,563,764	1.486957
Other		30,610	0	30,610	n/a
Total	1,724,168	2,594,374	0	2,594,374	1.504711
Total Mail & Services	212,960,933	74,241,607	0	74,241,607	0.348616
Other Income		589,816	0	589,816	
Revenue Forgone		30,857	0	30,857	
Interest and Investment Income *		(21,948)	0	(21,948)	
Total all items	212,960,933	74,840,332	0	74,840,332	0.351428

* Money order revenues include interest of

\$ 50,848 (this amount has been removed from "investment income" above)

United States Postal Service

**Maura Robinson
(USPS-T-29)**

Revised: 2/15/2002

FURTHER REVISED RESPONSE OF
UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

POIR 4, Question 6

OCA/USPS-63-c requests Base Year and Test Year volume for letter shaped mail separated for manual processing. The response, filed on October 25, provides "Base Year volumes [that] include only the pieces assessed the Nonstandard Surcharge based on the current definition, and the Test Year After Rates volumes include an estimate of the additional pieces meeting the proposed nonmachineable definition." Please provide, by subclass, the volume of letter shaped mail separated for manual processing that does not satisfy these definitions. For example, First-Class letters greater than one ounce would seem to fall into this category. Also, please confirm that the requested information when added to the information provided in response to OCA/USPS-63-c provides the total volumes manually processed.

RESPONSE:

The Postal Service cannot estimate the total volume of First-Class Mail, letter-shaped pieces weighing over one ounce that would be manually processed in the test-year-after-rates. The description below outlines the available data on volumes subject to the proposed nonmachinable surcharge by rate category, shape, and weight¹.

Single-Piece Rate Category

For single-piece First-Class Mail weighing one ounce or less, the estimated volume in the test-year-after-rates that would pay the nonmachinable surcharge equals

- (i) the single-piece volume weighing one ounce or less that meets the current nonstandard definition

¹ All data in thousands of pieces.

Revised: 2/15/2002

FURTHER REVISED RESPONSE OF
UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

Response to POIR 4, Question 6 (page 2 of 5)

Single Piece Volume

Source:

415,041 current nonstandard	(a) = [USPS-T-29, Att. C at 1 col 2(e)] / [USPS-T-29, Att. C at 1 col 2(a)] * [USPS-T-29, Att. C at 1 col (3)(a)]
55,536 letter-shaped	(b) = (a) * GFY00 letter share from USPS-LR-J-112
319,880 flat-shaped	(c) = (a) * GFY00 flat share from USPS-LR-J-112
39,625 parcel-shaped	(d) = (a) * GFY00 parcel share from USPS-LR-J-112

(ii) the single-piece volume weighing one ounce or less that would pay the proposed nonmachinable surcharge because of the expansion of the definition (527,592 pieces = 942,633 total nonmachinable USPS-T29, Att. C at 1, col. (3)(e) less 415,041 nonstandard pieces in (i) above). All of the pieces that will pay the nonmachinable surcharge because of the expanded definition are letter-shaped. See proposed DMCS §232(c). The process used to derive the estimated single-piece volume is shown at USPS-T-29, Attachment F at 3. The Postal Service has no estimates of the volume of single-piece mail for which manual processing requests are made.

Therefore, the estimated total volume of single-piece First-Class Mail to which the proposed nonmachinable surcharge would apply is 942,633 (= 583,128 letter-shaped + 319,880 flat-shaped + 39,625 parcel-shaped). All of these pieces, by definition, weigh one ounce or less.

Because there is no rate element comparable to the current nonstandard surcharge for single-piece, First-Class Mail weighing more than one ounce, the Postal Service does not have data that allows it to count the pieces with physical characteristics similar to those of pieces weighing one ounce or less that are

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FURTHER REVISED RESPONSE OF
UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

Response to POIR 4, Question 6 (page 3 of 5)

subject to the nonstandard surcharge. The Postal Service also does not have data on the volume of First-Class Mail for which manual processing is requested.

Nonautomation Presort Rate Category

For Nonautomation Presort First-Class Mail weighing one ounce or less, the estimated volume in the test-year-after-rates that would pay the nonmachinable surcharge equals

- (i) the nonautomation presort volume weighing one ounce or less that meets the current nonstandard definition

Nonautomation Presort

Source:

37,900 current nonstandard

(a) = [USPS-T-29, Att. C at 1 col 2(j)] / USPS-T-29, Att. C at 1 col 2(f)] * [USPS-T-29, Att. C at 1 col (3)(f)]

12,745 letter-shaped

(b) = (a) * GFY00 letter share from USPS-LR-J-112

19,951 flat-shaped

(c) = (a) * GFY00 flat share from USPS-LR-J-112

5,203 parcel-shaped

(d) = (a) * GFY00 parcel share from USPS-LR-J-112

- (ii) the Nonautomation Presort volume weighing one ounce or less that would pay the proposed nonmachinable surcharge because of the expansion of the definition (837,240 pieces = 875,140 total nonmachinable USPS-T29 Att C at 1 col. (3)(j) less 39,700 nonstandard pieces in (i) above). All of the pieces that will pay the nonmachinable surcharge because of the expanded definition are letter-shaped. See proposed DMCS §232(c). The Postal Service has no estimate of the number of Nonautomation Presort pieces for which manual processing is requested. However, the mail characteristics data used to estimate the number of pieces of that are

Revised: 2/15/2002

FURTHER REVISED RESPONSE OF
UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

Response to POIR 4, Question 6 (page 4 of 5)

physically nonmachinable may be slightly overstated and therefore can be assumed to account, in part, for manual processing requests.²

Therefore, the estimated total volume of Nonautomation Presort, First-Class Mail to which the proposed nonmachinable surcharge would apply is **875,140** (= **849,986** letter-shaped + 19,951 flat-shaped + 5,203 parcel-shaped). All of these pieces, by definition, weigh one ounce or less.

Because there is no rate element comparable to the current nonstandard surcharge for Nonautomation Presort, First-Class Mail weighing more than one ounce, the Postal Service does not have data that allows it to count the pieces with physical characteristics similar to those of pieces weighing one ounce or less that are subject to the nonstandard surcharge. The Postal Service also does not have data on the volume of First-Class Mail for which manual processing is requested.

² The estimated 24.45 percent of Nonautomation Presort volume that is assumed to pay the proposed nonmachinable surcharge is based on the 1997 Mail Characteristic Study (Docket No. R97-1, USPS-LR-H-185; also reported in USPS-LR-J-60 at 50, see response to OCA/USPS-86(a)). This percentage is the share of all letter-shaped pieces, regardless of weight, that are physically nonmachinable. Therefore, it is possible that some proportion of the 24.45 nonmachinable percent of all letter-shaped pieces includes pieces weighing over one ounce. However, this percentage is likely to be very small. Of all letter-shaped Nonautomation Presort pieces, 95.6 percent weigh less than one ounce and, of the pieces weighing more than one ounce, many may be machinable.

Revised: 2/15/2002

FURTHER REVISED RESPONSE OF
UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

Response to POIR 4, Question 6 (page 5 of 5)

Automation Letters

By definition, all First-Class Mail Automation Letters are machinable.

Carrier Route Letters

By definition, all First-Class Mail Carrier Route Letters are machinable.

United States Postal Service

Leslie M. Schenk
(USPS-T-43)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK TO
PRESIDING OFFICER INFORMATION REQUEST NO. 8

Question 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.

RESPONSE:

(a) and (b). A revised LR-J-199, using the same distribution methods as the USPS version, will be filed in response to this question. Note that in the USPS version, the shape distribution of test year city carrier elemental load costs is based on the distribution of base year city carrier costs by shape, not on the distribution of base year rural carrier costs by shape, as stated above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK TO
PRESIDING OFFICER INFORMATION REQUEST NO. 8

Question 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.

RESPONSE:

The test year additional ounce cost for First-Class single piece mail is 13.88 cents (2,452,438,370/17,673,302,608), as shown in cell O28 of the revised version of USPS-LR-J-58 (to be filed shortly). As the following table shows, the revision does not have any substantial effect on the relationship between the test year additional ounce costs for First-Class presort and single-piece mail.

Test Year Additional Ounce Costs For First-Class Mail (in cents)		
	Original	Revised
Single-Piece	13.90	13.88
Presort	13.75	13.74

United States Postal Service

**Marc A. Smith
(USPS-T-15)**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS MILLER**

MMA/USPS-T22-7 On page 9 of your *Direct Testimony* you indicate why you have modified the classification of two cost pools, namely 1suppf1 and 1suppf4.

- A. Please confirm that these two cost pools, when combined, cost metered letters and automation letters .4428 and .1011 cents, respectively. If you cannot confirm, please explain.
- B. Please confirm that your data shows that, for these two cost pools, meter letters cost .3417 cents more than automation letters. If you cannot confirm, please explain.
- C. Please explain fully why metered letters cost on average more than 1/3 of a cent more than automation letters for these two cost pools.
- D. Please confirm that, in its Docket No. R2000-1 Opinion (PRC LR-18) the Commission found that the 1suppf1 and 1suppf4 cost pools combined were found to be .2926 cents for metered letters and .1217 cents for automation letters, indicating a "fixed" difference of .1709 cents. If you cannot confirm, please explain.
- E. In Library Reference USPS LR-J-84, p. 8, your analysis is duplicated using the PRC cost methodology. Please explain why the cost pools for 1suppf1 and 1suppf4 are each zero.

RESPONSE:

Parts A and B are answered by witness Miller.

- C. The overall cost difference (roughly 1/3 cents) between metered letters and automation letters on these two support cost pools reflects the combination of labor costs, premium pay and piggyback costs. However, since the premium pay factors are pretty close for First-Class single piece and presort, and since the piggyback factors are almost the same for both cost pools, the difference in cost is almost entirely due to the difference in labor costs.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS MILLER**

The labor costs per piece for these two cost pools for the categories of metered letters and automation letters are dependent on the distribution of labor cost in MODS mail processing and MODS window costs for the metered letters and automation letters categories. As explained by witness Van-Ty-Smith, USPS-T-13 at page 15, the distribution key used for these two cost pools is the subclass shares of volume-variable costs in the supported operations. The operations supported by the work associated with these two cost pools are MODS mail processing and MODS window service operations. Witness Van-Ty-Smith provides the calculation of these labor costs for these two support cost pools, for metered letters and automation letters, in USPS LR-J-55, parts II and III.

Parts D and E are answered by the Postal Service.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8,
QUESTION NO. 4**

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.

RESPONSE:

- a. A review of the calculation of Joint Supervision, Higher Level Supervision, and Administrative Clerks-General Office and Clerical costs for piggyback factors leads to the conclusion (as discussed below) that the calculation is

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8,
QUESTION NO. 4**

correct for the base year but incorrect for the test year. Correcting the test year piggyback factors would turn out to have a very small impact as demonstrated in USPS LR-J-214.¹

After some investigation, it turns out the reason components 694 and 294 are the same in the base year and the test year cost models is that these components are only used in the base year. These components are used to distribute accrued costs of Joint Supervision (678), Higher Level Supervision (30), and Administrative Clerks-General Office and Clerical (422) in the base year. In the base year, these supervision and administration cost components are as volume variable and receive the same distribution as the labor costs for the staff that is supervised and administered.² Component 694 is the labor cost for the staff supervised by the personnel in Joint Supervision. Component 294 is the labor cost for the staff supervised by the personnel in Higher Level Supervision. Likewise, component 294 is the labor cost for the staff administered by Administrative Clerks-General Office and Clerical.

There is no comparable distribution in the test year. Once these components (678, 30 and 422) are defined in the base year, they are rolled-forward using the routine rollforward effects: cost level, mail

¹ Spreadsheet Typbacks.xls is the same as the test year piggyback factors provided in USPS LR-J-210, spreadsheet POIR7-TY.xls, except the calculation of costs for Joint Supervision, Higher Level Supervision and Administrative Clerks-General Office and Clerical is corrected.

² See USPS LR-J-1 at pages 2-5 to 2-7 and 3-16 to 3-19.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8,
QUESTION NO. 4**

volume, nonvolume, additional workday, cost reductions and other programs. As such, there is no need in the rollforward to recalculate the underlying distribution in the test year and therefore no need to recalculate components 694 and 294.

The base year calculation of piggyback costs for Joint Supervision, Higher Level Supervision, and Administrative Clerks-General Office and Clerical costs, as done in USPS LR-J-46, parallels the development of these costs in the base year. For example the base year distribution of administrative clerks (422) is based on the distribution of the labor costs for the staff supported by this administrative work, which is component 294. The base year calculation of piggyback costs for administrative costs correctly uses component 294 in the same way as done in the base year cost development. As a result, the portion of component 294 associated with any function (e.g., mail processing) indicates the portion of administrative costs by function.

It is clearly incorrect to rely on components 694 and 294 for the calculation of test year piggyback factors, as I have done in USPS LR-J-52. Aside from the fact that these components are base year components, there is no comparable distribution of these supervision and administrative costs in the test year, as noted above. There are no test year distribution keys for these costs. Under the methods used in the rollforward, the test year distribution of these supervision and administrative costs across functions (e.g., mail processing, city carrier,

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etc.) is as determined in the base year. Thus the test year costs for each subclass for Joint Supervision, Higher Level Supervision, and Administrative Clerks-General Office and Clerical should be split across functions by using the base year labor shares for components 694 and 294.

For example, the distribution key for Administrative Clerks--General Office and Clerical, component 294, consists of the labor costs for over 40 components as shown in USPS LR-J-214, spreadsheet BY00Keys.xls. As shown by this spreadsheet, the accrued costs for the labor elements which compose this distribution key are \$40,210,145 for the base year. As shown in USPS LR-J-210, spreadsheet POIR7-BY.xls, sheet "Input-DK," cell D11, the portion that is First-Class single-piece is \$8,763,090. The portion of this amount that is mail processing labor is \$5,693,500 (also POIR7-BY.xls, sheet "MP Dep," cell AQ11). Thus, mail processing labor accounts for 64.97 percent of \$8,763,090 First-Class single piece distribution key labor costs. The base year Administrative Clerks--General Office and Clerical cost (cost segment 3.3) for First-Class single-piece is \$146,286. Applying the mail processing percentage of 64.97 percent to this gives us \$95,044, which is the same as Administrative Clerks--General Office and Clerical reported at page 3 of USPS LR-J-46.

If we apply the base year cost percentage by function (64.97 percent as calculated above) to the test year Administrative Clerks--General Office and Clerical cost (cost segment 3.3) for First-Class single-

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piece of \$148,365, then we obtain \$96,395.³ This is \$5,024 less than the \$101,419 shown on page 5 of USPS LR-J-52. The corresponding differences for Joint Supervision and Higher Level Supervision are \$2,039 and \$661, giving us a total of \$7,724. This is small compared to the test year First-Class single-piece mail processing labor cost of \$4,647,852. As a result, the impact of any potential change would be very small. (Please note that all dollar figures used above are in thousands.)

- b. The current calculation method (or distribution key) is correct for both the base year and test year. While it is true that the distribution key, component 525, does not include PESSA labor costs for segments 11 and 18 in its volume variable costs, the total accrued costs (class 200) for this component do include these labor costs. It is only the total accrued costs of this component that are used in the calculation of these three piggyback components (employee and labor relations, time and attendance supervisors, and time and attendance clerks).⁴

For example, the calculation of cost segment 3 time and attendance costs for each subclass for base year mail processing is done by multiplying the total mail processing related labor costs⁵ by the ratio of

³ This is the same as the general and administrative cost shown in USPS LR-J-214, spreadsheet Typbacks.xls, sheet "MP Dep," cell L11.

⁴ See for example pages 9 (line 43), 10 (line 102) and 15 (lines 217-219) of USPS LR-J-46 or pages 12 (line 41), 13 (line 99) and 18 (lines 214-216) of USPS LR-J-52.

⁵ Line 18 of the General Piggyback Matrix, p. 298 of USPS LR-J-52.

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total accrued cost segment 3 time and attendance clerks divided by total accrued labor costs as per component 525.⁶ Mail processing labor related costs for the base year are shown at page 4, column 17 of USPS LR-J-46. The ratio of total accrued cost segment 3 time and attendance clerks divided by total accrued labor costs as per component 525 is $222,638/44,335,250$ (in thousands) which is .00502.⁷ This produces the results by subclass shown on page 4 column 20 of USPS LR-J-46.

- c. The answer for this part involves the same explanation given in part b. The current calculation method (or distribution key) is correct for both the base year and test year. While it is true that the distribution key, component 526, does not include PESSA labor costs for segments 11 and 18 in its volume variable costs, the total accrued costs (class 200) for this component do include these labor costs. As was the case in part b, it is only the total accrued costs of this component that is used in the calculation of the cost segment 18 and 20 benefits for piggyback factors.⁸

⁶ This is all non-headquarters related labor costs except for Employee and Labor Relations supervisors, Time and Attendance Supervisors and Time and Attendance Clerks. See USPS LR-J-214, spreadsheet BY00Keys.xls.

⁷ This is the equivalent of using the ratio of component 477 to component 527 by subclass (see USPS LR-J-210, spreadsheet Poir7-by.xls, sheet "MP Dep," column S).

⁸ See for example pages 9 (line 49), 10 (line 115) and 18 (lines 220-222) of USPS LR-J-46 or pages 12 (line 49), 13 (line 112) and 18 (lines 217 and 221) of USPS LR-J-52.

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For example, the calculation of cost segment 20 Civil Service Retirement Interest costs for each subclass for base year mail processing is done by multiplying the total mail processing related labor costs⁹ by the ratio of total accrued cost for Civil Service Retirement Interest divided by total accrued labor costs as per component 526.¹⁰ Mail processing labor related costs for the base year are shown at page 4, column 21 of USPS LR-J-46. The ratio of total accrued cost for Civil Service Retirement Interest divided by total accrued labor costs as per component 526 is $1,567,757/45,834,089$ (in thousands) which is .03421.¹¹ This produces the results by subclass shown on page 4 column 23 of USPS LR-J-46.

⁹ Line 22 of the General Piggyback Matrix, p. 298 of USPS LR-J-52.

¹⁰ This is all labor costs except for cost segment 18 and 20 benefits. See USPS LR-J-214, spreadsheet BY00Keys.xls.

¹¹ This is the equivalent of using the ratio of component 1436 to component 433 by subclass (see USPS LR-J-210, spreadsheet Poir7-by.xls, sheet "MP Dep," column AC).

United States Postal Service

Altat H. Taufique
(USPS-T-34)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO PRESIDING OFFICER'S INFORMATION REQUEST NUMBER 9

Question 2, page 1 of 1

Question 2.

Rate Schedule 421 (Periodicals) in the Postal Service's Request contains several notes. (Attachment B, page 26)

- (a) Note six directs the user to multiply the "proportion of nonadvertising content by this factor and subtract from the applicable piece rate." Should the direction refer to percent instead of proportion, since the editorial discount is given as 0.00074? Please explain.
- (b) There is no indication on the rate schedule to which rates these notes apply. Please indicate the rates to which each note applies.

RESPONSE:

(a) In this context, the use of either proportion or percent reflects the same mathematical reality. One of the meanings provided for proportion in Webster's *New Collegiate Dictionary* is percentage. The use of percent may provide greater clarity.

(b) As discussed in my testimony at pages 4-5, I propose to delete rate schedule footnotes that relate to rate eligibility. The footnotes have proliferated to the point where they are no longer helpful to the reader. For instance, some rate schedules have as many as three footnotes after a single item; in other instances, a footnote that is applicable to the entire schedule is included after only a single rate cell. Also, many of the notes simply repeat information found in the body of the DMCS.

The Postal Service saw an opportunity to clean up the schedule notes by removing the superscript reference numbers, deleting redundant notes, and by rewriting the notes for clarity. I believe that all the remaining notes apply to the entire rate schedule. The language in note 4 could be clarified a little to indicate that "the factor" is the nonadvertising factor.

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1. This question pertains to the pallet discount (DMCS 421.48) and the dropship pallet discount (DMCS 421.49).
 - (a) How many pieces does the Postal Service anticipate will receive each of these discounts in the Test Year? Please provide the calculations necessary to derive this volume.
 - (b) Please provide workpapers that estimate the Test Year cost savings associated with the dropship pallet discount.
 - (c) Please provide workpapers that show the cost coverage for the Outside County subclass after the application of the settlement rates.

RESPONSE:

(a) As shown in USPS-LR-J-107, OC01.xls, worksheet "TYAR B.D.", the Postal Service expects 6.293 billion pieces to receive the 0.5-cent per-piece pallet discount (DMCS 421.48) in the Test Year. Based upon the entry profile study filed as USPS-LR-J-114, I estimate that approximately 3.299 billion (of these 6.293 billion) pieces will receive an additional dropship pallet discount (DMCS 421.49) of one cent per piece. Therefore, these 3.299 billion pieces will receive a total pallet-related discount of 1.5 cents per piece (the 0.5-cent per-piece pallet discount plus the one-cent per-piece dropship pallet discount).

The derivation of 3.299 billion pieces is provided in the Excel spreadsheet provided in USPS-LR-J-217.

On January 30, 2002, the Postal Service published in the Federal Register the rate schedules that would be used if the Commission recommends the settlement agreement rates. Notes 1.3e and 2.3e of the Periodicals rate schedule (pages 4612 and 4614) presents a per-piece destination entry pallet

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discount of 1.5 cents. The 1.5-cent per piece discount shown in the rate schedules combines the 0.5-cent per piece pallet discount (DMCS 421.48) and the one-cent per piece dropship pallet discount (DMCS 421.49).

(b) There are no workpapers that estimate additional cost savings associated with the 1-cent dropship pallet discount (DMCS 421.49). But the dropship and pallet cost savings relied upon in my testimony provide a complete basis for the new 1-cent discount.

The original Postal Service proposal sought to provide dropship incentives by providing lower rates for editorial pounds entered at destinating facilities (DU, SCF and ADC), while maintaining a uniform editorial pound rate for all zones ranging from Zones 1 & 2 to Zone 8. The negotiated rate structure for the settlement rates instead provides a dropship pallet discount on the piece side of the rate schedule. Since virtually all dropship volume is palletized (USPS-T-34 at 17), this discount can be justified as another way to pass through some of the dropship cost savings underlying the original proposal. The original Postal Service proposal provides a discount worth \$22.2 million (LR-J-107, worksheet 'Pound Data_Ed.') for dropshipped editorial pounds based on a 50 percent passthrough of the transportation and non-transportation cost savings estimated for advertising pounds that are dropshipped. Using a still modest passthrough of 75 percent, the value of the editorial pound rate discount would be roughly equal

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to the value of the 1-cent discount (DMCS 421.49) on the approximately 3.3 billion palletized and dropshipped pieces.

Additional support for this discount can be provided by looking at the cost savings associated with palletization. As shown by witness Schenk, the cost savings for palletized pieces compared to pieces in sacks is 2.09 cents. USPS-T-43 at 6. The original pallet discount of 0.5 cents per piece is based on a small passthrough of this cost saving. An approximately 72 percent passthrough of the cost savings of 2.09 cents would lead to a 1.5 cent discount for palletized pieces.

One potential concern regarding the pallet discount relates to the distance that a pallet travels. In Docket No. R90-1, the Commission recommended a 3-cent per-pound discount for mail on pallets that was entered at zones 4 through 8, but no discount for mail entered closer to its destination. This discount was designed to insure that the pallet of mail will receive at least one cross dock transfer. PRC Op., R90-1, Vol. 1, at V-129.

The cost savings estimated by witness Schenk in this docket are based on "costs associated with unloading and moving palletized and sacked mail at the 'destination' facility." USPS-T-43 at 7. Cross-docking savings are not included.

Therefore, the application of a cumulative discount of 1.5 cents to dropshipped pallets versus 0.5 cents for all other pallets is justified based on dropship savings

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as well as the efficiency of unloading and handling pallets at the destination facility. The end result is a proposed structure that provides lower piece rates to mail which requires the least postal handling.

(c) The cost coverage for Outside County resulting from the settlement rates is 108.5 percent, based on volume variable costs estimated using the Postal Service's cost methodology. It should be noted that, based on my understanding of estimates of attributable costs under the Commission costing methodology, the resulting cost coverage would be 101.3 percent cost. The derivation of these cost coverages is shown in the Excel spreadsheet provided in library reference J-217.

ALLOCATION OF DROPSHIPED AND PALLETIZED PIECES - TYAR

Total palletized & dropshipped pieces	3,298,527,040		
Percent copies palletized & dropshipped (Based on Entry Profile)	0.362118432		
	TYAR	Percent	Allocation of Drop
	Volume		& Palletized Vol
Dropshipped Volume RR	3,449,651,174	0.852103286	2,810,685,729
Dropshipped Volume NP	594,328,244	0.146805872	484,243,139
Dropshipped Volume CR	4,416,160	0.001090842	3,598,172
	4,048,395,578		

RPW ADJUSTMENT FACTORS

Pieces Revenue			
Rate Class	From FY2000_BD	From RPW	RPW Adjustment Factor
Regular Rate	\$ 1,723,620,102	\$ 1,723,034,065	0.999659997
Nonprofit	\$ 332,014,131	\$ 338,783,881	1.020389946
Classroom	\$ 14,433,663	\$ 14,438,857	1.000359836
Total	\$ 2,070,067,896	\$ 2,076,256,803	1.002989712

REGULAR RATE : TYAR VOLUMES, SETTLEMENT RATES, AND REVENUE			
Regular Rate Pounds	TYAR Pounds	Settlement Rates	Postage Rate*Pounds
Advertising Pounds			
Designating Delivery Unit	17,983,975	\$ 0.158	\$ 2,841,468
Designating SCF	125,932,078	\$ 0.203	\$ 147,364,212
Designating ADC	149,494,928	\$ 0.223	\$ 33,337,369
Zones 1&2	165,741,559	\$ 0.248	\$ 41,105,395
Zone 3	145,080,903	\$ 0.267	\$ 38,736,501
Zone 4	194,656,630	\$ 0.315	\$ 61,316,839
Zone 5	177,778,304	\$ 0.389	\$ 69,155,760
Zone 6	89,574,676	\$ 0.466	\$ 32,421,799
Zone 7	52,516,275	\$ 0.559	\$ 29,356,039
Zone 8	48,689,425	\$ 0.638	\$ 31,063,853
Editorial Pounds			
Designating Delivery Unit	11,474,195	\$ 0.193	\$ 2,444,190
Designating SCF	117,621,517	\$ 0.193	\$ 138,500,953
Designating ADC	195,682,704	\$ 0.193	\$ 35,836,961
Editorial Pound Rate (All other Zones)	1,607,841,152	\$ 0.193	\$ 304,731,342
Science of Agriculture Pounds			
TYAR Pounds	Settlement Rates	Postage Rate*Pounds	
Advertising Pounds			
SCI OF AGRICULTURE - DELIVERY OFFICE	96,350	\$ 0.119	\$ 11,466
SCI OF AGRICULTURE - SCF	2,139,706	\$ 0.152	\$ 310,035
SCI OF AGRICULTURE - ADC ENTRY	843,499	\$ 0.157	\$ 140,864
SCI OF AGRICULTURE - ZONES 1&2	2,814,185	\$ 0.186	\$ 709,438
SCI OF AGRICULTURE - ZONE 3	1,612,657	\$ 0.267	\$ 430,553
SCI OF AGRICULTURE - ZONE 4	574,334	\$ 0.315	\$ 180,915
SCI OF AGRICULTURE - ZONE 5	197,119	\$ 0.389	\$ 76,679
SCI OF AGRICULTURE - ZONE 6	59,258	\$ 0.466	\$ 27,619
SCI OF AGRICULTURE - ZONE 7	39,287	\$ 0.559	\$ 21,961
SCI OF AGRICULTURE - ZONE 8	32,051	\$ 0.638	\$ 20,448
Editorial Pounds			
SOA Designating Delivery Office	115,578	\$ 0.193	\$ 22,306
SOA Designating SCF	1,306,279	\$ 0.193	\$ 252,112
SOA Designating ADC	520,689	\$ 0.193	\$ 100,493
SCI OF AGRICULTURE - ZONES 1&2	2,354,480	\$ 0.193	\$ 454,415
SCI OF AGRICULTURE - NONADVERTISING	1,552,262	\$ 0.193	\$ 299,587
Regular Rate Presort Pieces			
TYAR Pieces	Settlement Rates	Postage Rate*Pieces	
BASIC NON-AUTOMATION	357,136,119	\$ 0.373	\$ 133,211,773
BASIC AUTOMATION LETTER	43,693,638	\$ 0.281	\$ 12,277,912
BASIC AUTOMATION FLAT	120,341,616	\$ 0.325	\$ 39,111,025
3-DIGIT NON-AUTOMATION	384,982,069	\$ 0.324	\$ 124,734,190
3-DIGIT AUTOMATION LETTER	37,110,625	\$ 0.249	\$ 9,240,546
3-DIGIT AUTOMATION FLAT	940,385,718	\$ 0.283	\$ 266,129,158
5-DIGIT NON-AUTOMATION	425,200,714	\$ 0.256	\$ 108,851,383
5-DIGIT AUTOMATION LETTER	990,724	\$ 0.195	\$ 193,191
5-DIGIT AUTOMATION FLAT	1,970,619,251	\$ 0.226	\$ 445,359,951
CARRIER ROUTE BASIC	2,758,612,968	\$ 0.163	\$ 449,653,914
CARRIER ROUTE HIGH DENSITY	20,472,062	\$ 0.131	\$ 2,681,840
CARRIER ROUTE SATURATION	20,491,090	\$ 0.112	\$ 2,295,002
PERCENTAGE EDITORIAL DISCOUNT	4,052,144,726	\$ (0.074)	\$ (299,858,710)
WKSHARING DISCNT DELIVERY OFFICE ENTRY	58,264,791	\$ (0.018)	\$ (1,048,766)
WKSHARING DISCNT SCF ENTRY	2,744,318,809	\$ (0.008)	\$ (21,954,550)
WKSHARING DISCNT ADC ENTRY	637,203,293	\$ (0.002)	\$ (1,274,407)
WKSHARING DISCNT PALLETIZED PIECES	4,912,384,053	\$ (0.005)	\$ (24,561,920)
DROPSHIPED PALLETIZED PIECES	2,810,685,729	\$ (0.010)	\$ (28,106,857)
Science of Agriculture - Pieces			
SCI OF AGRICULTURE - Basic Nonautomation	706,864	\$ 0.373	\$ 263,660
SCI OF AGRICULTURE - Basic Automation Letter	77,991	\$ 0.281	\$ 21,916
SCI OF AGRICULTURE - Basic Automation Flat	845,703	\$ 0.325	\$ 274,853
SCI OF AGRICULTURE - 3-Digit Nonautomation	1,281,956	\$ 0.324	\$ 415,354
SCI OF AGRICULTURE - 3-Digit Automation Letter	88,306	\$ 0.249	\$ 17,008
SCI OF AGRICULTURE - 3-Digit Automation Flat	1,425,548	\$ 0.283	\$ 403,430
SCI OF AGRICULTURE - 5-Digit Nonautomation	3,968,653	\$ 0.256	\$ 1,021,095
SCI OF AGRICULTURE - 5-Digit Automation Letter	2,141	\$ 0.195	\$ 418
SCI OF AGRICULTURE - 5-Digit Automation Flat	3,358,990	\$ 0.226	\$ 759,132
SCI OF AGRICULTURE - Carrier Route	18,038,058	\$ 0.163	\$ 2,940,203
SCI OF AGRICULTURE - High Density	582,916	\$ 0.131	\$ 76,362
SCI OF AGRICULTURE - Saturation	0	\$ 0.112	\$ -
SCI OF AGRICULTURE - Editorial Discount	13,911,794	\$ (0.074)	\$ (1,029,473)
SCI OF AGRICULTURE - Pct Disc Delivery Unit	424,719	\$ (0.018)	\$ (7,645)
SCI OF AGRICULTURE - Pct Disc SCF	6,705,621	\$ (0.008)	\$ (53,645)
WKSHARING DISCNT DADC ENTRY	2,733,941	\$ (0.002)	\$ (5,468)
PALLETIZED PIECES DISCOUNT	0	\$ (0.005)	\$ -
Total Pieces & Calculated Revenue	7,110,413,720		\$ 2,093,303,545
Adjusted			2,092,591,814
TYAR Fees			\$ 13,658,000
Calculated Revenue+TYAR Fees			\$ 2,106,249,814

NONPROFIT : TYAR VOLUMES, SETTLEMENT RATES, AND REVENUE			
Nonprofit Rate Pounds	TYAR Pounds	Settlement Rates	Postage Rate/Pounds
Advertising Pounds			
Designating Delivery Unit	131,410	\$ 0.158	\$ 16,023
Designating SCF	39,242,806	\$ 0.023	\$ 966,290
Designating ADC	10,017,534	\$ 0.023	\$ 2,333,910
Zones 1&2	7,480,543	\$ 0.048	\$ 3,555,249
Zone 3	11,299,422	\$ 0.057	\$ 6,416,946
Zone 4	19,965,537	\$ 0.055	\$ 11,089,144
Zone 5	20,638,549	\$ 0.059	\$ 12,188,396
Zone 6	8,056,341	\$ 0.466	\$ 3,754,255
Zone 7	4,937,278	\$ 0.559	\$ 2,759,938
Zone 8	4,848,255	\$ 0.638	\$ 3,093,193
Editorial Pounds			
Designating Delivery Unit	493,967	\$ 0.193	\$ 95,334
Designating SCF	18,788,859	\$ 0.193	\$ 3,626,250
Designating ADC	19,369,746	\$ 0.193	\$ 3,758,243
Editorial Pound Rate (All other Zones)	301,500,937	\$ 0.193	\$ 58,575,681
Nonprofit Rate Commingled Pounds	TYAR Pounds	Proposed Rates	Postage Rate/Pounds
Advertising Pounds			
Designating Delivery Unit	7	\$ 0.158	\$ 0
Designating SCF	197,515	\$ 0.023	\$ 4,515
Designating ADC	57,744	\$ 0.023	\$ 1,325
Zones 1&2	45,959	\$ 0.048	\$ 2,205
Zone 3	49,966	\$ 0.057	\$ 2,841
Zone 4	72,516	\$ 0.055	\$ 4,000
Zone 5	151,068	\$ 0.059	\$ 8,956
Zone 6	37,849	\$ 0.466	\$ 17,638
Zone 7	27,451	\$ 0.559	\$ 15,345
Zone 8	604	\$ 0.638	\$ 385
Editorial Pounds			
Designating Delivery Unit	101	\$ 0.193	\$ 19
Designating SCF	125,402	\$ 0.193	\$ 24,203
Designating ADC	41,277	\$ 0.193	\$ 7,966
Editorial Pound Rate (All other Zones)	282,567	\$ 0.193	\$ 54,535
Nonprofit Presort Rate Pieces	TYAR Pieces	Proposed Rates	Postage Rate/Pieces
BASIC NON-AUTOMATION	73,161,256	\$ 0.373	\$ 27,289,148
BASIC AUTOMATION LETTER	19,436,188	\$ 0.281	\$ 5,461,569
BASIC AUTOMATION FLAT	20,531,289	\$ 0.325	\$ 6,672,689
3-DIGIT NON-AUTOMATION	67,386,103	\$ 0.324	\$ 21,833,745
3-DIGIT AUTOMATION LETTER	37,787,040	\$ 0.249	\$ 9,408,973
3-DIGIT AUTOMATION FLAT	152,178,599	\$ 0.283	\$ 43,066,544
5-DIGIT NON-AUTOMATION	89,476,323	\$ 0.256	\$ 22,865,939
5-DIGIT AUTOMATION LETTER	2,009,839	\$ 0.195	\$ 391,919
5-DIGIT AUTOMATION FLAT	413,928,589	\$ 0.226	\$ 93,547,861
CARRIER ROUTE BASIC	990,503,748	\$ 0.163	\$ 161,452,111
CARRIER ROUTE HIGH DENSITY	47,846,094	\$ 0.131	\$ 6,267,838
CARRIER ROUTE SATURATION	12,509,984	\$ 0.112	\$ 1,401,118
PERCENTAGE EDITORIAL DISCOUNT	1,727,434,408	\$ (0.074)	\$ (127,830,145)
WKSHARING DISCNT DELIVERY OFFICE ENTRY	2,701,334	\$ (0.018)	\$ (48,724)
WKSHARING DISCNT SCF ENTRY	416,587,619	\$ (0.008)	\$ (3,332,701)
WKSHARING DISCNT ADC ENTRY	174,308,135	\$ (0.002)	\$ (348,616)
WKSHARING DISCNT PALLETIZED PIECES	1,340,446,400	\$ (0.005)	\$ (6,702,232)
	594,328,244	\$ (0.010)	\$ (5,943,282)
Nonprofit Presort Rate Commingled Pieces	TYAR Pieces	Proposed Rates	Postage Rate/Pieces
BASIC NON-AUTOMATION	165,013	\$ 0.373	\$ 61,550
BASIC AUTOMATION LETTER	164	\$ 0.281	\$ 46
BASIC AUTOMATION FLAT	10,822	\$ 0.325	\$ 3,517
3-DIGIT NON-AUTOMATION	59,069	\$ 0.324	\$ 19,138
3-DIGIT AUTOMATION LETTER	0	\$ 0.249	\$ 0
3-DIGIT AUTOMATION FLAT	499,725	\$ 0.283	\$ 141,422
5-DIGIT NON-AUTOMATION	74,809	\$ 0.256	\$ 19,151
5-DIGIT AUTOMATION LETTER	0	\$ 0.195	\$ 0
5-DIGIT AUTOMATION FLAT	2,090,699	\$ 0.226	\$ 472,498
CARRIER ROUTE BASIC	567,223	\$ 0.163	\$ 92,457
CARRIER ROUTE HIGH DENSITY	42	\$ 0.131	\$ 5
CARRIER ROUTE SATURATION	0	\$ 0.112	\$ 0
PERCENTAGE EDITORIAL DISCOUNT	985,816	\$ 0.074	\$ 72,850
WKSHARING DISCNT DELIVERY OFFICE ENTRY	0	\$ 0.018	\$ 0
WKSHARING DISCNT SCF ENTRY	1,019,075	\$ (0.008)	\$ (8,153)
WKSHARING DISCNT ADC ENTRY	312,081	\$ (0.002)	\$ (624)
WKSHARING DISCNT PALLETIZED PIECES	0	\$ 0.005	\$ 0
Total Pieces & Calculated Revenue	1,940,224,619		\$ 379,572,656
TYAR Fees			\$ 3,727,000
Calculated Revenue+TYAR Fees			\$ 383,299,656
Bottom Line Discount for Nonprofit Mailers			
Calculated Revenue for Nonprofit Pieces - Rev. Adv. Pounds			\$ 339,540,142
5% Discount			\$ 16,977,007
Net Revenue after Discount for Nonprofit Pieces			\$ 322,563,135
Revenue - Commingled Total & Adv. Pounds			\$ 40,032,514
TYAR Revenue not incl. Fee			\$ 362,595,649
Adjusted Revenue			\$ 269,988,954
TYAR Revenue including Fee			\$ 373,716,954

CLASSROOM : TYAR VOLUMES, SETTLEMENT RATES, AND REVENUE			
Classroom Rate Pounds	TYAR Pounds	Settlement Rates	Postage Rate*Pounds
Advertising Pounds			
Destinating Delivery Unit	32	\$ 0.158	\$ 5
Destinating SCF	194,490	\$ 0.203	\$ 39,481
Destinating ADC	146,363	\$ 0.223	\$ 32,639
Zones 1&2	146,363	\$ 0.248	\$ 36,298
Zone 3	583,546	\$ 0.267	\$ 155,807
Zone 4	1,109,340	\$ 0.315	\$ 349,442
Zone 5	1,141,521	\$ 0.389	\$ 444,052
Zone 6	235,641	\$ 0.466	\$ 109,809
Zone 7	308,811	\$ 0.559	\$ 172,625
Zone 8	349,284	\$ 0.638	\$ 222,843
Editorial Pounds			
Destinating Delivery Unit	36,960	\$ 0.193	\$ 7,133
Destinating SCF	1,075,057	\$ 0.193	\$ 207,486
Destinating ADC	972,088	\$ 0.193	\$ 187,613
Editorial Pound Rate (All other Zones)	25,733,109	\$ 0.193	\$ 4,966,490
Classroom Rate Pieces	TYAR Pieces	Settlement Rates	Postage Rate*Pieces
BASIC NON-AUTOMATION	7,264,455	\$ 0.373	\$ 2,709,642
BASIC AUTOMATION LETTER	173,842	\$ 0.281	\$ 48,850
BASIC AUTOMATION FLAT	1,819,753	\$ 0.325	\$ 591,420
3-DIGIT NON-AUTOMATION	5,535,995	\$ 0.324	\$ 1,793,662
3-DIGIT AUTOMATION LETTER	178,034	\$ 0.249	\$ 44,330
3-DIGIT AUTOMATION FLAT	10,019,195	\$ 0.283	\$ 2,835,432
5-DIGIT NON-AUTOMATION	3,639,574	\$ 0.256	\$ 931,731
5-DIGIT AUTOMATION LETTER	16,189	\$ 0.195	\$ 3,157
5-DIGIT AUTOMATION FLAT	13,329,505	\$ 0.226	\$ 3,012,468
CARRIER ROUTE BASIC	15,950,223	\$ 0.163	\$ 2,599,886
CARRIER ROUTE HIGH DENSITY	23,350	\$ 0.131	\$ 3,059
CARRIER ROUTE SATURATION	384,580	\$ 0.112	\$ 43,073
PERCENTAGE EDITORIAL DISCOUNT	53,729,931	\$ (0.074)	\$ (3,976,015)
WKSHARING DISCNT DELIVERY OFFICE ENTRY	67,367	\$ (0.018)	\$ (1,213)
WKSHARING DISCNT SCF ENTRY	2,311,977	\$ (0.008)	\$ (18,496)
WKSHARING DISCNT ADC ENTRY	2,036,816	\$ (0.002)	\$ (4,074)
WKSHARING DISCNT PALLETIZED PIECES	40,301,805	\$ (0.005)	\$ (201,509)
COMMINGLED BASIC NON-AUTOMATION	13	\$ 0.373	\$ 5
COMMINGLED 5-DIGIT NON-AUTOMATION	3	\$ 0.256	\$ 1
COMMINGLED NON-ADVERTISING ADJUSTMENT	13	\$ (0.074)	\$ (1)
	4,416,160	\$ (0.010)	\$ (44,162)
Total Pieces & Calculated Revenue	58,334,711		\$ 17,302,971
TYAR Fees			\$ 112,000
Calculated Revenue+TYAR Fees			\$ 17,414,971
Bottom Line Discount for Classroom Mailers			
Calculated Revenue-Rev. Adv. Pounds			\$ 15,739,965
5% Discount			\$ 786,998
Net Revenue after Discount			\$ 14,952,967
Advertising Pounds + Commingled Revenue			\$ 1,563,006
TYAR Revenue not incl. Fee			\$ 16,515,973
Adjusted TYAR Revenue			16,521,916
Net Revenue after Discount+TYAR Fees			\$ 16,633,916

Table 2

Periodica try Profile Study Estimates

USPS-LR-J-217

Out County

Respons HR10

Worksheet Th L-114

Container Counts by Entry Facility															
	DAO In	DAO In	OSCF In	DAO In	OSCF In	DAO In	OSCF In	DAO In	OSCF In	DAO In	OSCF In	DAO In	OSCF In	DAO In	Total
	Service	Service	Service	Service	Service	Service	Service	Service	Service	Service	Service	Service	Service	Service	
	Territory	Territory	Territory	Territory	Territory	Territory	Territory	Territory	Territory	Territory	Territory	Territory	Territory	Territory	
	DDU	of OSCF	OSCF	of DADC	of DADC	DADC	of DBMC	of DBMC	of DBMC	DBMC	DBMC	DAO In	OSCF	DAO In	
MADC SACK	0	0	0	0	0	0	0	0	0	0	187,114	1,635,179	1,269,881	491,954	3,564,127
ADC SACK	0	0	0	81,267	200,417	342,858	32,535	318,289	579,194	63,981	1,156,957	3,779,647	3,481,773	427,047	10,443,866
SCF SACK	0	113,600	249,269	81,315	48,048	37,054	7,871	73,410	105,444	38,868	448,775	1,201,298	1,334,784	84,715	3,822,081
3DG SACK	0	200,521	2,166,544	289,768	1,341,131	1,035,675	185,772	669,107	1,825,325	212,706	2,575,596	9,025,335	9,123,200	850,848	29,481,326
5DG SACK	273,353	820,460	9,912,884	827,720	2,670,785	2,224,280	203,354	1,821,494	2,983,199	178,697	1,563,328	5,534,788	8,385,492	557,207	37,737,042
5DG RTS SACK	249,485	127,434	2,615,419	208,346	1,013,624	827,123	8,764	823,818	885,627	47,653	185,072	860,749	2,418,721	102,322	10,134,157
CR SACK	485,412	344,068	2,865,440	731,768	284,185	387,477	208,184	17,895	95,462	8,578	48,627	197,459	280,330	54,991	5,819,875
ADC PALLET	0	0	0	0	17,198	74,543	1,808	10,439	38,858	10,664	78,112	245,921	219,836	29,921	727,297
SCF PALLET	0	162	384,197	0	9,305	87,733	0	11,878	33,940	38,348	108,763	221,822	134,557	23,717	1,052,221
3DG PALLET	0	1,595	836,445	540	29,652	188,441	0	35,212	86,184	33,901	58,870	234,634	167,760	4,486	1,457,880
5DG PALLET	83,774	193	461,818	540	18,460	34,118	0	4,702	10,283	8,121	27,985	38,798	61,693	0	748,483
	1,092,024	1,808,043	19,092,016	2,001,282	5,638,803	5,219,300	628,088	3,586,043	6,603,496	639,317	6,399,198	22,975,631	28,876,029	2,628,984	104,988,235

Copies by Entry Facility

MADC SACK	0	0	0	0	0	0	0	0	0	0	10,298,098	94,387,864	74,428,043	30,134,907	209,246,813
ADC SACK	0	0	0	1,834,340	6,114,819	11,815,850	974,111	9,555,868	17,748,269	2,341,048	38,302,253	118,579,843	105,989,380	12,785,787	328,039,371
SCF SACK	0	3,684,372	7,865,118	2,637,040	1,498,952	1,226,199	248,778	2,379,286	3,504,702	1,277,818	14,802,810	39,481,968	43,417,780	2,747,312	124,769,931
3DG SACK	0	8,708,604	94,843,256	12,584,651	57,768,352	44,375,333	7,199,484	28,433,584	78,798,878	9,258,494	108,832,271	375,360,375	387,017,075	38,843,580	1,248,121,938
5DG SACK	6,054,281	15,342,608	196,013,381	11,738,372	50,372,465	47,713,573	3,802,718	35,428,578	63,056,287	3,495,176	29,398,030	103,404,998	155,731,200	10,418,771	730,971,439
5DG RTS SACK	7,716,871	4,048,583	83,427,888	6,818,131	31,743,929	25,880,874	278,427	19,388,007	28,089,098	1,298,990	4,416,314	24,838,313	75,266,861	3,250,785	314,241,920
CR SACK	10,978,042	7,779,362	60,810,974	16,545,240	8,684,083	8,894,854	4,707,048	454,153	2,181,541	209,271	903,441	4,544,484	6,168,238	1,243,339	131,881,880
ADC PALLET	0	0	0	0	14,757,524	123,367,087	2,394,896	12,064,293	71,829,009	12,018,401	91,821,722	324,018,952	269,315,978	39,646,216	961,232,078
SCF PALLET	0	275,395	709,002,708	0	14,857,513	128,107,178	0	18,885,979	60,511,749	57,147,324	175,875,329	375,296,069	202,188,682	41,581,063	1,779,328,990
3DG PALLET	0	2,258,320	1,653,559,543	1,232,973	81,286,885	392,588,057	0	68,009,128	282,958,890	55,517,954	92,473,388	474,895,831	342,271,330	10,207,921	3,457,219,831
5DG PALLET	52,479,305	254,753	485,987,256	713,057	18,018,145	29,932,177	0	4,412,818	10,325,898	7,404,916	22,002,290	34,697,021	46,810,335	0	693,037,571
Total	76,228,479	42,351,976	3,271,509,927	53,804,602	283,080,488	811,880,987	18,805,458	198,811,605	614,989,918	149,987,390	588,925,757	1,969,503,317	1,708,602,883	188,960,663	9,974,091,850
Palletized Dropship	52,479,305	2,788,467	2,828,549,508	1,948,030	128,899,868	671,974,498									
Total Palletized Dropship Copies						3,811,802,431									
Percent of Palletized Dropshipped Copies															0.362

Weight by Entry Facility

MADC SACK	0	0	0	0	0	0	0	0	0	0	4,304,765	39,455,596	31,111,244	12,596,860	87,468,465
ADC SACK	0	0	0	766,783	2,558,090	4,939,212	407,193	3,994,510	7,418,216	978,594	16,010,938	49,588,136	44,305,201	5,344,658	138,289,520
SCF SACK	0	1,853,187	3,956,001	1,102,324	825,749	512,670	103,992	994,579	1,465,020	534,148	6,187,721	16,504,076	18,149,307	1,148,419	53,137,073
3DG SACK	0	4,380,258	47,704,303	5,260,580	24,148,070	18,549,579	3,009,498	11,885,880	32,102,289	3,870,195	44,657,551	158,908,476	181,779,158	15,442,991	528,696,827
5DG SACK	2,487,963	7,717,032	98,590,898	4,908,822	21,056,482	19,945,016	1,588,595	14,809,897	26,358,509	1,461,038	12,288,834	43,224,898	65,098,064	4,355,627	323,890,472
5DG RTS SACK	3,798,834	2,038,348	41,962,495	2,768,900	13,288,456	10,810,248	118,387	8,104,528	10,905,849	542,182	1,646,088	10,382,801	31,462,719	1,358,870	139,363,282
CR SACK	5,402,983	3,912,887	30,588,730	8,918,188	2,785,891	3,834,500	1,967,819	188,843	911,918	87,478	377,852	1,899,665	2,578,420	519,735	61,771,249
ADC PALLET	0	0	0	0	8,188,875	51,569,361	1,001,104	5,043,062	30,025,843	5,023,678	38,382,808	135,444,127	112,578,269	18,572,735	401,809,962
SCF PALLET	0	138,518	358,614,492	0	6,210,871	52,714,782	0	8,974,999	25,294,853	23,888,470	73,435,021	150,879,595	84,518,015	17,381,531	804,050,927
3DG PALLET	0	1,135,891	831,708,099	515,402	33,970,738	184,099,655	0	28,428,874	118,281,135	23,207,368	38,655,319	198,613,762	143,074,741	4,287,070	1,585,857,951
5DG PALLET	25,832,987	128,138	234,382,473	298,089	7,531,865	12,512,118	0	1,844,543	4,318,302	3,095,370	9,197,300	14,503,895	19,587,448	0	333,210,481
Total	37,522,826	21,302,216	1,645,606,489	22,533,048	118,323,688	339,286,920	8,195,387	82,270,312	257,079,533	82,688,702	245,144,097	823,281,020	714,222,585	78,988,497	4,456,546,021

Revenue and Cost- Settlement Rates								
	Adj Revenue	Fees	Total Revenue	Revised Vol. Var. Cost	Cost Coverage	PRC Cost*	Cost Coverage	
Regular incl. R/A	\$ 2,104,991.814	\$ 13,658,000	\$ 2,118,649.814					
Nonpre	\$ 369,988.954	\$ 3,727,000	\$ 373,715.954					
Class	\$ 16,521.916	\$ 112,000	\$ 16,633.916					
Outside County	\$ 2,491,502.685	\$ 17,497,000	\$ 2,508,999.685	\$ 2,313,123.530	1.0847	\$ 2,477,801.990	1.0126	
Within County	\$ 80,886.453	\$ 1,640,000	\$ 82,526.453	\$ 78,779.550	1.0476	\$ 82,418.540	1.0013	
Total Periodicals	\$ 2,572,389.138	\$ 19,137,000	\$ 2,591,526.138	\$ 2,391,903.080	1.0835	\$ 2,560,220.530	1.0122	

* USPS-LR-J-75, Volume H, Table E

United States Postal Service

William P. Tayman
(USPS-T-6)

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

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.

RESPONSE:

- The \$499 lump sum COLA payment is a cost for FY 2001. Since this amount will not be rolled into base pay, and the cost of lump sum payments does not recur in subsequent years, there is no cost impact on FY 2002 or the Test Year.
- The number of employees affected by the upgrades by job classification was provided in the response to POIR No.7, question 9. The unit costs and cost level impacts of the APWU upgrades are reflected in the Attachments to this response. The unit cost of the All Other Bargaining upgrades effective on November 16, 2002, was estimated at \$613.19 per All Other Bargaining base workyear. This can be incorporated into LR J-50 in the same manner as the NALC upgrade, i.e., by adding the estimated unit cost per base workyear to the FY 2003 estimated pay increase unit cost for All Other Bargaining employees. The unit cost of the Clerk A-J upgrades effective on March 23, 2002, was estimated at \$139.04 per Clerk A-J base workyear. The unit cost of the Clerk A-J upgrades must be treated differently from the All Other Bargaining upgrade unit cost because it has a different effective date from that of the FY 02 Clerk A-J pay increase. Since the model allows for the input of only one pay increase unit cost for each employee

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

category in each fiscal year, a different approach must be used to allow for the different effective dates. First, the Clerk A-J annual unit cost amounts and effective dates of the FY 02 and FY 03 pay increases of 1.8% and 1.4% (\$685.04 on 11/17/01 and \$532.04 on 11/18/02) can be input into the Pers Unit Cost sheet of the *Input_01s.xls* workbook. This generates the amount of unit cost effective in each fiscal year on the Unit Cost Tables sheet in the *Prff_01s.xls* workbook. The annual pay increase unit cost effective on November 17, 2001 (\$684.05) can then be deleted and replaced by the annual unit cost and effective date of the Clerk A-J upgrade (\$139.04). This generates the effective amount of Clerk A-J upgrade unit cost in each of FYs 02 and 03. Finally, the effective amounts of the Clerk A-J pay increase unit costs and the effective amounts of the upgrade unit cost for both FY 02 and FY 03 can then be input into the Pers Unit Cost sheet of the *Input_01s.xls* workbook. Since the effective amounts already reflect the amounts effective in each fiscal year, the effective dates can be changed to 10/1/01 and 10/1/02, in order to keep the cost impact in the proper fiscal year (see Attachment 3). The cost level dollar impact that results from the steps outlined above can be determined by referring to the Analysis of Pers Cost Lvl Chg sheet in the *RF_Rpts_01s.xls* workbook. These amounts are summarized on Attachments 1 and 2 of this response.

- The cost level dollar impacts and unit costs of the three general pay increases resulting from the recent APWU contract award are reflected in the three Attachments to this response. The unit costs for Clerks A-J, All Other Bargaining, and APWU TEs can be calculated by substituting the percentage pay increases from the APWU award for the ECI and ECI-1 percentages used previously in the GEN-INC sheet of the *Uncst_est_01s.xls* workbook. For FY 2001, the carryover amounts previously subtracted from the annual amounts related to the ECI must be deleted. Additionally, the base salary to which the percentage increases are applied must be changed to accounting period 13 of PFY 2000 for consistency with the arbitration award. This can be accomplished by changing the National Payroll Hour Summary Data, in rows AA and AB on the

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

Barg-\$&Hrs(02-01) sheet in the Uncst_est_01s.xls workbook, to Accounting Period 13 PFY 2000 current period data. This results in the recalculation of base salaries in the Bgn Avg Sal(02-01) sheet. Finally, the base salary cell references in the GEN-INC sheet for Clerks A-J, TE APWU, and All Other Bargaining, must be linked to the new base salaries in the Bgn Avg Sal(02-01) sheet for all three years (FY 01-03). Once the annual unit costs have been determined, the cost level impacts are calculated using the same methodology used to calculate the cost level impact of upgrades. This methodology is described in the preceding section. It should be noted that the steps outlined in this response result in the calculation of cost level impacts only. Cost level impacts represent most of the total cost change that would result from updating the items in question. However, the total cost impact can best be determined by re-running the rollforward model with all of the revised change factors that result from the steps described above. The change factors required to run the rollforward model can be found in the Rffac_01s.xls workbook. It is important to note that the Postal Service considers selective updating to be inappropriate. If updating is done, then all factors impacted by significant changes must be updated to reduce the possibility of a skewed result.

Attachment 1 to POIR 8
Question 5 Response

Docket No. R2001-1
Summary Cost Level Impacts
Pay Inc's & Upgrades Under APWU Arbitration Award
Dollars in Thousands

General Pay Inc's	FY 01	FY 02	FY 03	Totals
1.2% Pay Inc	178.840	26.617		205.457
1.8% Pay Inc		264.501	38.346	302.847
1.4% Pay Inc			202.449	202.449
Incremental Totals	178.840	291.118	240.795	710.753
Cumulative Totals	178.840	469.958	710.753	1,359.551

Upgrades				
Clerks	-	26.153	23,008	49.161
Other APWU	-		43,058	43.058
Incremental Totals	-	26.153	66,066	92.219
Cumulative Totals	-	26.153	92.219	118.372

Total Pay/Upgrades				
Incremental Totals	178.840	317.271	306.861	802.972
Cumulative Totals	178.840	496.111	802.972	1,477.923

Docket No. R2001-1
Comparison of Cost Level Change Amounts Reflected on the Analysis of Changes in Personnel Cost Levels
Dollars in Thousands

Description of FY 01-03 APWU Pay Inc Unit Cost Changes	FY 01 Cost level Inc			FY 02 Cost level Inc			FY 03 Cost level Inc		
	Salaries	Benefits	Total	Salaries	Benefits	Total	Salaries	Benefits	Total
No FY 01-03 APWU Pay Inc's	1,536,401	585,845	2,122,046	989,552	513,532	1,503,084	860,703	510,562	1,371,265
With 11/18/00 1.2% Pay Inc	1,690,217	610,669	2,300,886	1,012,441	517,260	1,529,701	860,703	510,562	1,371,265
Impact of 1.2% Pay Inc	153,816	25,024	178,840	22,889	3,728	26,617	-	-	-
Cumulative Impact						205,457			205,457
With 11/17/2001 1.8% Pay Inc	1,690,217	610,669	2,300,886	1,239,915	554,287	1,794,202	893,681	515,930	1,409,611
Impact of 1.8% Pay Inc	-	-	-	227,474	37,027	264,501	32,978	5,368	38,346
Cumulative Impact									302,847
With 11/18/2002 1.4% Pay Inc	1,690,217	610,669	2,300,886	1,239,915	554,287	1,794,202	1,067,787	544,273	97,390
Impact of 1.4% Pay Inc	-	-	-	-	-	-	174,106	28,343	202,449
Total Impact of All Pay Inc's	153,816	25,024	178,840	250,383	40,755	291,118	207,084	33,711	240,795
Cumulative Impact of Pay Inc's			178,840			469,958			710,753
With 11/18/02 Upgrades	1,690,217	610,669	2,300,886	1,239,915	554,287	1,794,202	1,104,506	550,612	1,655,118
Impact of Other Barg. Upgrades							36,719	8,339	43,058
With 3/23/02 Upgrades	1,690,217	610,669	2,300,886	1,262,423	557,932	1,820,355	1,124,307	553,819	1,678,126
Impact of Clerk Upgrades				22,508	3,645	26,153	19,801	3,207	23,008
Cum Impact of Clerk Upgrades									49,161
Total Impact of Upgrades				22,508	3,645	26,153	56,520	9,546	66,066
Cumulative Impact of Upgrades						26,153			92,219

Note: The above amounts are reflected on the Analysis of Pers Cost Lvl Chg sheet (RF_Rpts_01s.xls workbook). When the FY01-03 pay increase and upgrade unit costs shown on Attachment 3 are entered in the General Pay Increase Section of the Pers Unit Costs sheet (Input_01s.xls workbook), APWU categories reflected in the model include Clerks Bargaining A-J, All Other Bargaining, and TE-APWU.

Attachment 3 to POIR 8
Question 5 Response

Docket No. R2001-1
Summary of General Pay Inc. and Upgrade Unit Costs
APWU Arbitration Award

			Fiscal Year		
Clerks A-J			2001	2002	2003
Effective Date	%	Unit Cost	Effective Amount		
11/18/00 Pay	1.2%	456.04	396.07	59.97	
11/17/01 Pay	1.8%	684.05		595.97	88.08
11/16/02 Pay	1.4%	532.04			464.99
3/23/02 Upgrade		139.04		73.14	65.90
Totals		1,811.17	396.07	729.08	618.97
Restructured Clerks					
11/18/00 Pay	1.2%	463.64	396.07	59.97	
10/1/01 Pay		614.45		595.97	
10/1/02 Pay		579.87			553.07
10/1/01 Upgrade		73.14		73.14	
10/1/02 Upgrade		65.90			65.90
Totals			396.07	729.08	618.97
All Other Bargaining					
11/18/00 Pay	1.2%	458.45	398.16	60.29	
11/17/01 Pay	1.8%	687.68		599.13	88.55
11/16/02 Pay	1.4%	534.86			467.45
11/16/02 Upgrade		613.19			535.91
Totals		2,294.18	398.16	659.42	1,091.91
APWU TE					
11/18/00 Pay	1.2%	295.73	256.95	38.78	
11/17/01 Pay	1.8%	443.59		386.47	57.12
11/16/02 Pay	1.4%	345.02			301.54
Totals		1,084.34	256.95	425.25	358.66

United States Postal Service

**George S. Tolley
(USPS-T-7)**

**RESPONSE OF POSTAL SERVICE WITNESS TOLLEY TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8**

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.

RESPONSE:

The basic automation letter discounts for Standard regular and nonprofit are calculated in USPS-LR-J-123, file PRICES_AR.XLS, on sheet SUMMARY at cells Z13 and AP13, respectively.

These discounts are calculated as the average of the mixed-ADC and AADC discounts proposed by the Postal Service in this case.

For Standard Regular mail, the proposed mixed-ADC automation letter discount is 4.9¢, while the proposed AADC automation letter discount is 5.6¢. It is assumed that approximately 56.1 percent of automation basic letters would qualify for the AADC discount, with the remaining 43.9 percent receiving the mixed-ADC discount. Hence, the combined discount is calculated as follows:

$$(43.9\%)(4.9¢) + (56.1\%)(5.6¢) = 5.29¢$$

For Standard Nonprofit mail, the proposed mixed-ADC automation letter discount is 2.1¢, while the proposed AADC automation letter discount is 2.9¢. It is assumed that approximately 52.2 percent of automation basic letters would qualify for the AADC discount, with the remaining 47.8 percent receiving the mixed-ADC discount. Hence, the combined discount is calculated as follows:

$$(47.8\%)(2.1¢) + (52.2\%)(2.9¢) = 2.52¢$$

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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.

RESPONSE:

The worksharing discounts in cells CA5 through CH6 of VF_AR.XLS, sheet PRICES, are calculated in USPS-LR-J-123, file PRICES_AR.XLS, on sheet FirstClass at cells X211 through Y221. Specifically, cells CA5 and CA6 of VF_AR.XLS, sheet PRICES, are calculated at cells X212 and Y212, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS. Cells CB5 and CB6 of VF_AR.XLS, sheet PRICES, are calculated at cells X216 and Y216, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS. Cells CC5 and CC6 of VF_AR.XLS, sheet PRICES, are calculated at cells X217 and Y217, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS. Cells CD5 and CD6 of VF_AR.XLS, sheet PRICES, are calculated at cells X218 and Y218, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS. Cells CE5 and CE6 of VF_AR.XLS, sheet PRICES, are calculated at cells X219 and Y219, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS. Cells CF5 and CF6 of VF_AR.XLS, sheet PRICES, are calculated at cells X220 and Y220, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS. Cells CG5 and CG6 of VF_AR.XLS, sheet PRICES, are calculated at cells X221 and Y221, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS. Finally, cells CH5 and CH6 of VF_AR.XLS, sheet PRICES, are calculated at cells X211 and Y211, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS.

Each individual worksharing discounts is calculated as the difference between the first-ounce single-piece price and the first-ounce price of the appropriate worksharing category (before-rates, the first-ounce worksharing

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discounts by category were as follows: nonautomation, 1.8¢; automation basic letters, 6.0¢; automation basic flats, 2.8¢; 3-digit automation letters, 7.1¢; 5-digit automation letters, 8.5¢; 3-digit automation flats, 4.3¢; 5-digit automation flats, 6.3¢; automation carrier-route letters, 9.5¢; after-rates, the first-ounce worksharing discounts by category were as follows: nonautomation, 1.8¢; automation mixed-ADC letters, 6.1¢; automation AADC letters, 6.9¢; automation mixed-ADC flats, 2.9¢; automation AADC flats, 3.7¢; 3-digit automation letters, 7.6¢; 5-digit automation letters, 9.0¢; 3-digit automation flats, 4.8¢; 5-digit automation flats, 6.8¢; automation carrier-route letters, 9.5¢), plus the heavy piece discount (4.6¢ before-rates, 4.1¢ after-rates) times the percentage of the worksharing category which received the heavy-piece discount in GFY 2000, plus the difference in the price per additional ounce (zero before-rates; 0.5¢ after-rates), times the number of additional ounces per-piece for the worksharing category in GFY 2000, plus the difference in the nonstandard surcharge (6.0¢ before-rates, 6.5¢ after-rates) times the percentage of the worksharing category which paid the nonstandard surcharge in GFY 2000.

The after-rates automation basic letters discount is the average of the mixed-ADC and AADC automation letters discounts, assuming that approximately 51.7 percent of automation basic letters would qualify for the AADC discount, with the remaining 48.3 percent receiving the mixed-ADC discount. The after-rates automation basic flats discount is the average of the mixed-ADC and AADC automation flats discounts, assuming that approximately 34.9 percent of automation basic flats would qualify for the AADC discount, with the remaining 65.1 percent receiving the mixed-ADC discount.

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The before- and after-rates 3/5-digit automation flats discounts are the average of the 3-digit and 5-digit automation flats discounts, assuming that 10.9 percent of 3/5-digit automation flats receive the 3-digit discount and 89.1 percent receive the 5-digit discount.

The average worksharing discount, presented in cells CH5 and CH6 of VF_AR.XLS, sheet PRICES, and calculated at cells X211 and Y211, respectively, of file PRICES_AR.XLS, at sheet FIRSTCLASS, is the weighted average of the aforementioned discounts, where the weights are equal to the relative proportion of each worksharing category in GFY 2000.

United States Postal Service
Institutional

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-9 The reverse side of the Customer Copy of the Express Mail receipt Label 11-B provides the conditions for refunding the postage for those instances where overnight delivery is scheduled and is not accomplished. [a] Does this also apply to Second Day Express Mail where delivery is not accomplished by the second day after mailing? If so, why doesn't the receipt indicate so? [b] The back of the receipt indicates that refunds will not be made when detention was made for a law enforcement purpose. What types of activities would fit into that category? What section of the DMM authorizes that additional condition?

RESPONSE:

- a) Yes. The language appears to be too lengthy to fit on the label.
- b) In the aftermath of the anthrax scare, federal law enforcement personnel detained mail enroute to members of Congress; that is one example. See DMM P014.5.3.

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TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-83.

Please refer to the response made to Presiding Officers Information Request No. 5 Question No. 8 and, in particular, the response to subpart c. [a] Please provide a listing of the AMCs and PMPCs that are located within the state of California. [b] Please provide a listing for each California AMC/PMPC showing the other AMC/PMPCs that they typically forward Priority Mail to by a means other than through the FedEx Memphis Hub. [c] Please provide a listing of the three-digit ZIP Code prefixes that dispatch mail to and receive mail from each AMC/PMPC in California as well as those AMC/PMPCs that are not in California but appear in the response to subpart b.

[d] Please confirm, or explain if you are not able to do so, that virtually all Priority Mail originating in Los Angeles, California and destined to US points more than 1800 miles away will typically be transported through the FedEx Memphis Hub. [e] Please confirm, or explain if you are unable to do so, that all Priority Mail which is transported by FedEx air to and/or from the FedEx Memphis Hub will typically be transferred to or from FedEx at a USPS AMC or PMPC.

RESPONSE.

(a)-(c). As modified by Presiding Officer's Ruling Number 32, the question now seeks an identification of "examples of origin/destination ZIP Code pairs within California" which are no more than 3 postal zones apart and have their Priority Mail routed via the FedEx Memphis hub. There are no known examples of such city pairs that routinely route Priority Mail through Memphis via FedEx. The normal routing of Priority Mail within zone 3 would be a surface, typically highway routing. The revised response to Presiding Officer's Information Request Number 5, question 8, subpart (c), is a typical example of such a surface routing within California.

(d). Confirmed.

(e). Not confirmed. Priority Mail that is transported by FedEx air, to and/or from the FedEx Memphis Hub, typically will be transferred to or from FedEx at a local FedEx facility.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID POPKIN

DBP/USPS-88

Please refer to your response to DBP/USPS-57 subparts f through h. Please respond to the interrogatory if the concept of greater cost is replaced by the concept of requiring a greater likelihood of manual processing and the concept of lower cost is replaced by the concept of requiring a greater likelihood of automated processing.

RESPONSE:

Such characteristics as relative size, machine-readability, and glossiness can affect the degree to which cards are efficiently processed. The Postal Service does not have separate data for stamped cards and post cards that permit the statement of any conclusions regarding the degree to which the processing of these card types varies on the basis of the characteristics identified in DBP/USPS-57(g) and (h). If one card type is "more uniform in size," the fact that the other is "less uniform" may ultimately be of little consequence, depending on the degree to which each type varies from some ideal and presuming that all cards meet postal size specifications. The fact that one type may be "more likely" to have a printed address may ultimately be of little consequence, depending on the magnitude of the degree to which the other type has printed addresses and the relative efficiency with which barcodes can be applied to both types. The Postal Service has no data which would permit it to determine the degree to which the use of one side of the card exclusively for the destination address, by itself, affects the degree to which cards are subjected to automated or manual processing. The Postal Service lacks data which would confirm the degree to which post cards tend to be detrimentally glossy, from a mail processing standpoint.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-114 Please refer to your response to DBP/USPS-12 subpart b. Please confirm, or explain if you are unable to do so, that the cutoff time will be established by the Postmaster based upon the Express Mail network that is available to his/her office.

RESPONSE:

As is stated in the response to DBP/USPS-12 (b), confirmed.

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DBP/USPS-115 Please refer to your response to DBP/USPS-12 subpart c. [a] Is it permissible for a Postmaster to establish a cutoff time on a given day which is either equal to or earlier than the opening of the window service on that day [so that mailers will in effect be unable to mail Express Mail that day to achieve the overnight service for the following day or second day service on the second day]. [b] Please provide a listing of any facility that does not provide at least one hour of window service prior to the cutoff time [show the name, state, ZIP Code, window opening time, Express Mail cutoff time, and day[s] of the week involved].

RESPONSE:

- a. No. The Postal Service would not be able to accept Express Mail at the window if a cutoff time was before the opening of window service.
- b. This information is not available.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-116 Please refer to your response to DBP/USPS-13 subpart b. The criteria have not been provided. Please provide.

RESPONSE:

The criterion is whether or not the network can support delivery from the originating ZIP Code to the destinating ZIP Code.

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DBP/USPS-117 Please refer to your response to DBP/USPS-13 subpart c. Please clarify your response. The interrogatory is attempting to confirm that if I can send Express Mail from Point A to Point B and have guaranteed delivery by 12 Noon the next day for articles being delivered on a weekday, the 12 Noon guarantee will also apply on Saturday, Sunday, and/or holiday deliveries.

RESPONSE:

Confirmed.

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TO INTERROGATORIES OF DAVID B. POPKIN**

DBP/USPS-118 Please refer to your response to DBP/USPS-12 subpart b. [a] Please advise the date when the Postal Service changed its policy regarding the ability to avoid an Express Mail failure on mail addressed to a post office box by placing a notice in the box, regardless of whether or not the customer has access to the box at that time. [b] Please advise the reasons for making this change in policy. [c] Please advise how this change was communicated to the mailing public and provide copies of any printed material. [d] Please advise how this change was communicated to postal facilities and provide copies of any printed material. [e] Please advise the reasons why the Postal Service believes that it is providing a quality service by this procedure. [f] Must the notice be physically placed into the customer's post office box, or is it sufficient to claim timely delivery by the mere knowledge of the Postal Service that customer access is not available and the article has arrived in the area of delivery [such as the main office with the box at a postal station or at the P&DC with the knowledge that the boxes are closed at that associate office]? [g] Please clarify your response with General Delivery mail. Is timely delivery achieved [assuming a 12 Noon guarantee] if the article arrives at the facility at 11:30 AM and at the General Delivery window at 12:30 PM? [h] Please respond to subparts a through e of this interrogatory as they apply to delivery of mail addressed to General Delivery.

RESPONSE:

a. – d. No change was made.

e. See witness Moeller's testimony for a discussion of the value of service provided by Express Mail.

f. The notice must be physically placed.

g. No. The delivery time is defined as the time the mailpiece is made available for delivery. In this instance it would be when the article arrives at the General Delivery window.

h. See responses to a-e above.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-119 Please refer to your response to DBP/USPS-16 subpart d. [a] Please advise the significance of the A* and P* that appear on each entry under SVC. [b] Please confirm, or explain if you are not able to do so, that if a 3-digit ZIP Code appears on this list, PO-PO service will be available from all facilities anywhere in the country and addressed to all postal facilities that are within that 3-digit ZIP Code range for delivery by 10 AM overnight [for those offices that have overnight PO-Addressee service] and by 10 AM on the second day for all other offices - accounting for the delivery office being closed for weekend/holiday. [c] Please explain the rationale and criteria for choosing which 3-digit prefixes have been placed on this list since there are large cities on the list such as Los Angeles and Baltimore while other large cities are not on the list such as New York and Chicago and there are small cities on the list such as Elizaville and Lagrangeville, New York. [d] Please explain the apparent inconsistencies that exist in the choice of these 3-digit prefixes, such as Arlington and Alexandria VA have service but the rest of Northern Virginia SCF 220 and 221 do not including the mail processing facility at Merrifield VA. Another example is where Greenville SC is both 293 and 296 and only 296 is on the list. [e] Please advise the total number of valid 3-digit ZIP Codes prefixes in the country that have delivery facilities to which PO-PO service may be sent. [f] What percentage of all valid 3-digit ZIP Code prefixes having delivery facilities does the PO-PO list represent? [g] Please advise all of the delivery facilities that are available for PO-PO service in the 733 prefix. [h] Based on the response to subpart f of this interrogatory, how can this service be considered to be a nationwide service?

RESPONSE:

- a. "A*" represents AM and "P*" represents PM.
- b. Confirmed.
- c. - d. See the response to DBP/USPS-116 above.
- e. - g. The Postal Service does not maintain this information in the format requested.
- h. This is not a nationwide service available to every post office.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-120 Please refer to your response to DBP/USPS-16 subpart f. [a] Please confirm, or explain if you are unable to do so, that if I were to mail a PO-Addressee Express Mail article under the same conditions as noted on a Saturday and which is destined to an office that is not on the overnight list, it would be guaranteed for delivery on Monday. [b] Please confirm, or explain if you are unable to do so, that if I were to mail both a PO-PO and a PO-Addressee article on a Monday of a non-holiday week between the same two points, both would be guaranteed for delivery on Wednesday. [c] Since it is possible to have PO-Addressee mail sent on Saturday arrive in time for a timely Monday delivery and since if a weekend is not involved both will be delivered on the second calendar day, please explain the reasons for your response to the scenario presented in subpart f of the original interrogatory.

RESPONSE:

- a. The service guarantee offers second day delivery service in the scenario described. Therefore, the guarantee would provide for Tuesday delivery.
- b. Depending on the Zip Code pairs, this could be the case if both items were guaranteed for second day service.
- c. The guarantee is for next day delivery or second day delivery. The answer provided in response to DBP/USPS-16(f) was addressing the scenario described in that particular case.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
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DBP/USPS-123 Please refer to your response to OCA/USPS-236 subpart a attachment page 1. [a] What does the acronym PC stand for?

RESPONSE:

[a] PC stands for Performance Cluster.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-130 Please refer to your response to OCA/USPS-236 subpart a attachment pages 8 and 9. [d] Regarding the use of canceling machines at the Sacramento P&DC to process 3811's, [1] Who is the employer of the individual[s] who remove the return receipt cards from the mail piece? [2] Where are the canceling machines physically located? [3] Who is the employer of the individual[s] operating the canceling machines? [4] Does an employee of the addressee observe the removal of the return receipt cards from the mail piece? [5] Does an employee of the addressee observe the return receipt cards from the time they are removed from the mail piece until they are run through the canceling machine? [6] Does an employee of the addressee observe the operation of the canceling machines?

RESPONSE:

[d] [1] The Postal Service.

[2] The canceling machine is located in the postal processing plant.

[3] The Postal Service.

[4] No.

[5] No.

[6] No.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-138 Please refer to your response to OCA/USPS-236 subpart d attachment page 23. [a] Please provide any other instructions or guidelines that were prepared for use at Hartford other than the attachments of pages 21 to 27. [b] Please confirm, or explain and discuss if you are not able to do so, that my interpretation of the Certified Processing Flow is as follows: [1] All certified mail pieces will be directed to a number of USPS employees [5 in the chart provided] who will scan the article number on those pieces with a Certified Mail label containing a barcode. [2] One [or more] USPS employees will manually enter into the computer the Certified Mail number on those mail pieces that do not have a Certified Mail label with a barcode. [3] A manifest will be printed out which contains the article number of 500 pieces [the final printout of a series may contain less than 500 pieces]. [4] All of the certified mail pieces will then be transferred to a number of USPS employees [5 in the chart provided] who will remove the PS Form 3811's from the mail pieces. [5] Steps 1 through 4 will take place at the Postal Service facility. [6] The mail pieces will be delivered to the addressee. [7] A tray will be presented to the addressee containing the copies of the manifest and PS Form 3811's.

RESPONSE:

[a] There were no other instructions or guidelines provided for Hartford.

[b] Your understanding of the Certified Mail flow as defined for Hartford appears to be correct.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-150 Please refer to your response to DBP/USPS-99 subpart c. [a] This interrogatory subpart does not ask what the intention of the wording is; only what the wording states. Please respond to the question that was asked. [b] What is the intention of the wording? [c] Provide details on how a reader of the wording will be aware of the intention.

RESPONSE:

- a) The DMCS does not prescribe the *minimum* delay that constitutes a delay for purposes of the application of the limitation.
- b) To deal with rare situations in which delay of Express Mail is caused by matters beyond the control of the Postal Service.
- c) The label and the DMM.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-151 Please refer to your response to DBP/USPS-99 subpart h. [a] This interrogatory subpart does not ask what the intention of the wording is; only what the wording states. Please respond to the question that was asked. [b] What is the intention of the wording? [c] Provide details on how a reader of the wording will be aware of the intention.

RESPONSE:

- a) Not confirmed.
- b) To deal with extraordinary circumstances beyond the control of the Postal Service where there are delays in Express Mail occasioned by the breakdown in transportation networks. For example, the grounding of air transportation after the September 11 attacks could be an example of a breakdown in a transportation network.
- c) The label and the DMM.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-153 Please refer to your response to DBP/USPS-103 subpart c. I have measured a number of envelopes that I have in the 6-3/4 and 10 size and find that a number of them have a thickness of less than 0.009 inches [from 0.005 inches for an air mail type envelope to 0.006 inches for a window envelope at the window to 0.008 inches for a bond envelope to 0.0085 inches for a #10 envelope] in the thinnest part of the envelope [where there is only two layers of paper or where there is one layer of paper and one layer of window material or even where there is one layer of paper in the case of a window envelope without any window material]. Based on your response, it would appear that virtually all normal envelopes will require payment of the surcharge since there will be some small part of the envelope where there is no enclosure or perhaps the envelope is even being mailed without an enclosure. [a] Is this the intention to require payment of the nonmachinable surcharge as noted above? [b] Confirm, or provide the corrected thickness, that the thickness of the prestamped envelope sold by the Postal Service has a thickness of less than 0.009 inches when measured at a point where there is only two layers of paper [in a regular prestamped envelope] and where there is one layer of paper and one layer of the clear window material [in a prestamped window envelope].

RESPONSE:

The intent of this non-machinable criterion is to surcharge flimsy pieces that would likely be damaged during automated processing and therefore must be processed manually.

- a. No. Though possible that certain letters could have a thickness of less than 0.009 inches, for example, at the edges, these envelopes with contents should meet the thickness criterion over a majority of the surface and therefore would not be assessed the surcharge.
- b. Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF DAVID B. POPKIN

DBP/USPS-154 Please refer to your response to DBP/USPS-103 subpart f. Please clarify your response. Would the "bulky key" as noted in your response still require the surcharge if it was firmly affixed to a piece of cardboard and the mailpiece still had a thickness of less than 0.25 inches?

RESPONSE:

Yes. Though the piece is less than 0.25 inches thick, a firmly affixed bulky key would still result in a piece non-uniform in thickness and create difficulties in both mail processing and delivery.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF DAVID B. POPKIN

DBP/USPS-156

Please refer to your response to POIR No. 5 - Question 8 as corrected on January 11, 2002. It is noted that the original response to subparts d and e were by air transportation via FedEx through their Memphis Hub and the corrected response is now by USPS surface transportation. [a] Does this represent a change in the method of transportation between the two pairs of offices or does it represent a correction to the original answer. [b] If it represents a change in the method of transportation, provide the date the change became effective and the reasons for the change [separately for subparts d and e of the original response]. [c] If it represents a correction to the original answer, was the mail ever transported by FedEx air via the Memphis hub as noted and provide the dates of such transportation [separately for subparts d and e of the original response].

RESPONSE

- [a] This response was a correction to the original answer.
- [b] Not applicable.
- [c] The mail was never routed via the FedEx Memphis Hub as the typical travel path for either subparts d or e.

MMA/USPS-3.

Please refer to USPS witness Schenk's response to Part C of Interrogatory MMA/USPS-T43-7. There she claims that FY93 volumes comparable to the BY00 volumes she provided in worksheet "Delivery Volumes" of Library Reference USPS -LR-J-117 are not available to her knowledge. If available, please provide the FY93 First-Class letter-shaped volumes separately for single piece and presorted that were delivered by (1) rural carriers, (2) city carriers, and (3) to post office boxes. If such volumes are not available for FY93, please provide the best estimates that are available for FY93 and provide actual volumes for the closest FY period prior to and after FY93 for which actual data are available.

Response:

The data included in this response were not readily available. Obtaining the data involved contacting a witness in R-94 and obtaining the output containing the requested data. After an exhaustive search, the R94-1 witness found copies of relevant printouts in his personal files. Data are normally only archived for five years.

City Carrier First Class Mail Single Piece Letters	23,815,756,197
City Carrier First Class Mail Presorted Letters	22,324,832,895
Rural Carrier First Class Mail Single Piece Letters	3,204,542,000
Rural Carrier First Class Mail Presort Letters	3,113,859,000

Please note that the rural letters refer to the measurement definitions utilized for the rural carrier cost system, not the DMM definition for letters. There is no crosswalk available to convert the FY 1993 rural letter volumes to DMM letter volumes.

There are no estimates available for the volumes of mail delivered to PO Boxes for FY 1993.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS MILLER**

MMA/USPS-T22-7 On page 9 of your Direct Testimony you indicate why you have modified the classification of two cost pools, namely 1suppf1 and 1suppf4.

- A. Please confirm that these two cost pools, when combined, cost metered letters and automation letters .4428 and .1011 cents, respectively. If you cannot confirm, please explain.
- B. Please confirm that your data shows that, for these two cost pools, meter letters cost .3417 cents more than automation letters. If you cannot confirm, please explain.
- C. Please explain fully why metered letters cost on average more than 1/3 of a cent more than automation letters for these two cost pools.
- D. Please confirm that, in its Docket No. R2000-1 Opinion (PRC LR-18) the Commission found that the 1suppf1 and 1suppf4 cost pools combined were found to be .2926 cents for metered letters and .1217 cents for automation letters, indicating a "fixed" difference of .1709 cents. If you cannot confirm, please explain.
- E. In Library Reference USPS LR-J-84, p. 8, your analysis is duplicated using the PRC cost methodology. Please explain why the cost pools for 1suppf1 and 1suppf4 are each zero.

RESPONSE:

Parts A and B are answered by witness Miller and Part C is answered by witness Smith.

- D. Confirmed.
- E. Despite outward appearances, the costs for these cost pools are not zero. The rows for "MODS 99, 1SUPP_F1" and "MODS 99, 1SUPP_F4" are not applicable or relevant. Instead of these rows the costs are provided in the rows or cost pools "MODS 18, 1MISC" and "MODS 18, 1SUPPORT" for 1suppf1 and likewise in cost pools "MODS 48, LD48 OTH" and "MODS 48, LD48_ADM" for 1suppf4.

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

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]

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-66. Please provide the actual video (in a format suitable for use in a standard VCR) of television advertising used to advertise Priority Mail.

- (a) Please provide specific cites to all internal Postal Service documents referring or relating to the truthfulness, accuracy, inaccuracy or deceptiveness of any advertisement or advertisements identified and include a copy of each source document referenced if one has not been previously filed in this docket.
- (b) Please provide specific cites for all tabulations, lists, summaries, analyses and compilations of consumer complaints relating to the truthfulness, accuracy, inaccuracy, or deceptiveness of any advertisement or advertisements identified and include a copy of each document referenced if one has not been previously filed in this docket.

Response:

See USPS-LR-J-215.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-68. Please provide a copy of the actual video (in a format suitable for use in a standard VCR) of television advertising used to advertise Express Mail.

- (a) Please provide specific cites to all internal Postal Service documents referring or relating to the truthfulness, accuracy, inaccuracy or deceptiveness of any advertisement or advertisements identified and include a copy of each document referenced if one has not been previously filed in this docket.
- (b) Please provide specific cites for all tabulations, lists, summaries, analyses and compilations of consumer complaints relating to the truthfulness, accuracy, inaccuracy, or deceptiveness of any advertisement or advertisements identified and include a copy of each document referenced if one has not been previously filed in this docket.

Response:

See response to OCA/USPS-66.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-70. Please provide copies of radio advertising (in a format suitable for a cassette tape recorder) used to advertise Priority Mail.

- (a) Please provide specific cites to all internal Postal Service documents referring or relating to the truthfulness, accuracy, inaccuracy or deceptiveness of any advertisement or advertisements identified and include a copy of each document referenced if one has not been previously filed in this docket.
- (b) Please provide specific cites for all tabulations, lists, summaries, analyses and compilations of consumer complaints relating to the truthfulness, accuracy, inaccuracy, or deceptiveness of any advertisement or advertisements identified and include a copy of each document referenced if one has not been previously filed in this docket.

Response:

See response to OCA/USPS-66.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-72. Please provide copies of radio advertising (in a format suitable for a cassette tape recorder) used to advertise Express Mail.

- (a) Please provide specific cites to all internal Postal Service documents referring or relating to the truthfulness, accuracy, inaccuracy or deceptiveness of any advertisement or advertisements identified and include a copy of each document referenced if one has not been previously filed in this docket.
- (b) Please provide specific cites for all tabulations, lists, summaries, analyses and compilations of consumer complaints relating to the truthfulness, accuracy, inaccuracy, or deceptiveness of any advertisement or advertisements identified and include a copy of each document referenced if one has not been previously filed in this docket.

Response:

See response to OCA/USPS-66.

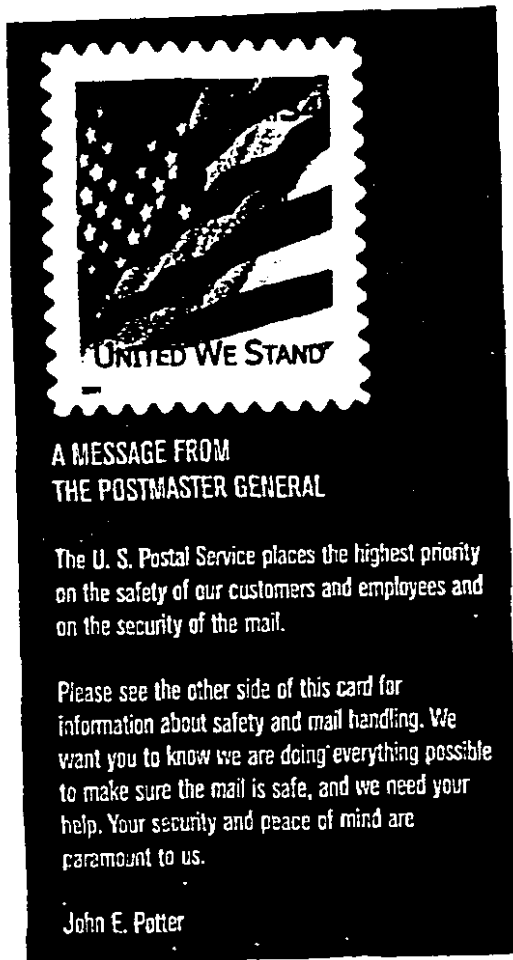
COMPELLED RESPONSE OF UNITED STATES POSTAL SERVICE TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-77. The following refers to an October 16, 2001, article "USPS to Warn Public on Biohazards in Mail," from section A-7 of The Washington Post. Please provide a copy of the warning being sent to the "135 million U.S. homes, businesses and other addresses.." Include in your response an estimate of the cost to prepare and send the warning. In the estimate, please exclude the cost of the gloves and masks provided to all mail-handling employees. Please cite your sources and provide a copy of the source if one has not been previously filed in this docket.

RESPONSE:

Expenses for printing and mailing the biohazard warning totaled:

\$41,945,027.73. A copy of the mailing is attached. The cost information was provided by the headquarters Print Shop over the telephone to the managers responsible for the mailing, while the copy of the mailing was hand carried.



 **UNITED STATES
POSTAL SERVICE**

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0001

PRESORTED 5707
FIRST-CLASS MAIL
POSTAGE & FEES PA
USPS
PERMIT NO. G-10

POSTAL CUSTOMER

Attachment to Response to OCA/USPS-77, p 2 of 2.



What should make me suspect a piece of mail?

- It's unexpected or from someone you don't know.
- It's addressed to someone no longer at your address.
- It's handwritten and has no return address or bears one that you can't confirm is legitimate.
- It's lopsided or lumpy in appearance.
- It's sealed with excessive amounts of tape.
- It's marked with restrictive endorsements such as "Personal" or "Confidential."
- It has excessive postage.

What should I do with a suspicious piece of mail?

- Don't handle a letter or package that you suspect is contaminated.
- Don't shake it, bump it, or sniff it.
- Wash your hands thoroughly with soap and water.
- Notify local law enforcement authorities.

Attachment to OAG/USPS-77, p. 2 of 2

RESPONSE OF THE UNITED STATE POSTAL SERVICE TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-311. Please refer to the response to interrogatory OCAKJSPS-300. It is stated that:

The Postal Service provides postmasters with information on service objectives, and retail associates regularly use these service objectives to provide estimates of delivery time frames in assisting customers with their decisions about which service would best meet the customer's needs.

- (a) Provide all documentation that "the Postal Service provides postmasters on service objectives" with respect to First-Class delivery times.
- (b) Is it the Postal Service's policy to inform customers about the specific First-Class service standard that applies when a question is posed by a customer about a First-Class mailing between a specific ZIP code [sic] pair or specific city/town pair? Please explain fully.
- (c) Is it the Postal Service's policy to give customers who inquire about the length of time for delivery of a First-Class Mail piece for a specific ZIP code [sic] pair or city/town pair the answer that First-Class Mail is delivered sometime during the Docket No. R2001-1 period "one to three days" without specifying that one, two or three days is the service standard for the stated ZIP code [sic] or city/town pair? Please explain fully.
- (d) Provide any existing documentation concerning Postal Service policy as described in parts (b) and (c) of this interrogatory.

RESPONSE:

Information responsive to this interrogatory has recently been provided in connection with: responses to OCA/USPS-24-25, 141, and 297-302; the objection to OCA/USPS-307 (filed January 16, 2002); and Docket No. C2001-3. Since information can flow in a variety of ways, including personal conversations; meetings; documentation prepared locally, at district or area offices; internet and intranet web sites; etc., there is no realistic means of cataloging all of them. The Postal Service does not have a policy of informing customers about matters in which they have not expressed an interest. However, if an inquiry regarding First-Class Mail service standards is made, accurate responses can be provided.

RESPONSE OF THE UNITED STATE POSTAL SERVICE TO
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

Attached as Exhibit 1 to Response to OCA/USPS-311 is a sample zone chart, this one for three-digit ZIP Code 222; it identifies which zone other three-digit ZIP Codes lie in with respect to, in this case, three-digit ZIP Code 222. Each facility makes available its own zone chart for free distribution. A zone chart can be used together with, for example, Exhibit 2 to Response to OCA/USPS-311, which consists of a printout from the publicly available online *Domestic Mail Manual* showing postage for heavier weight First-Class Mail pieces to respective zones.

In short, service standard information is accordingly widely available to customers and to postal employees. If an inquiry is made regarding standards applicable to a particular origin/destination pair, the information is readily available.

ZONE CHART

FOR MAIL ORIGINATING FROM :

222 ARLINGTON VA

004 - 005	3	178 - 179	2	362	4	596 - 599	8
006 - 009	7	180 - 181	3	363 - 367	5	600 - 609	4
010 - 011	4	182	2	368	4	610 - 617	5
012	3	183 - 188	3	369	5	618 - 619	4
013 - 046	4	189 - 199	2	370 - 374	4	620 - 667	5
047	5	200 - 214	1	375	5	668 - 672	6
048 - 059	4	215	2	376 - 379	4	673	5
060 - 061	3	216 - 217	1	380 - 383	5	674 - 693	6
062	4	218 - 219	2	384 - 385	4	700 - 704	5
063 - 079	3	220 - 227	1	386 - 397	5	705 - 706	6
080 - 086	2	228 - 239	2	399 - 410	4	707 - 729	5
087 - 119	3	240 - 241	2	411 - 412	3	730 - 742	6
120 - 123	4	242 - 243	3	413 - 414	4	743 - 744	5
124 - 127	3	244	2	415 - 416	3	745 - 748	6
128 - 129	4	245	2	417 - 418	4	749	5
130 - 132	3	246 - 253	3	420	5	750 - 784	6
133 - 136	4	254	1	421 - 436	4	785	7
137 - 142	3	255 - 261	3	437 - 447	3	786 - 787	6
143	4	262 - 265	2	448 - 455	4	788	7
144 - 153	3	266	3	456 - 457	3	789 - 796	6
154 - 156	2	267 - 268	2	458 - 497	4	797 - 806	7
157 - 158	3	270 - 286	3	498 - 509	5	807	6
159	2	287 - 296	4	510 - 511	6	808 - 831	7
160 - 165	3	297	3	512 - 533	5	832 - 844	8
166	2	298 - 315	4	534	4	845	7
167	3	316 - 317	5	535 - 561	5	846 - 864	8
168	2	318 - 319	4	562	6	865 - 885	7
169	3	320 - 355	5	563 - 564	5	889 - 999	8
170 - 176	2	356 - 359	4	565 - 587	6		
177	3	360 - 361	5	588 - 595	7		

Exempt from Report to 10/1/2025-31

Weight Not Over (pounds)	Zones Local, 1, 2, & 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Weight Not Over (pounds)	Zones Local, 1, 2, & 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	36	18.85	26.25	30.25	36.75	41.05	53.90
2	3.95	3.95	3.95	3.95	3.95	3.95	37	19.25	26.95	31.05	37.70	42.10	55.35
3	5.20	5.20	5.20	5.20	5.20	5.20	38	19.65	27.55	31.80	38.70	43.15	56.80
4	6.45	6.45	6.45	6.45	6.45	6.45	39	20.05	28.25	32.60	39.65	44.20	58.25
5	7.70	7.70	7.70	7.70	7.70	7.70	40	20.45	28.95	33.40	40.60	45.25	59.70
6	8.10	8.30	8.35	8.50	9.55	10.40	41	20.85	29.55	34.15	41.55	46.30	61.15
7	8.40	8.90	9.00	9.30	10.60	11.85	42	21.25	30.25	34.90	42.45	47.40	62.60
8	8.50	9.50	9.65	10.10	11.65	13.30	43	21.65	30.90	35.70	43.45	48.45	64.05
9	8.65	10.10	10.30	10.90	12.70	14.75	44	22.05	31.55	36.50	44.40	49.55	65.50
10	8.75	10.65	10.95	11.80	13.75	16.20	45	22.45	32.25	37.25	45.35	50.60	66.95
11	9.00	11.25	11.60	12.80	14.80	17.65	46	22.85	32.90	38.00	46.30	51.65	68.40
12	9.25	11.85	12.25	13.75	15.85	19.10	47	23.25	33.55	38.80	47.30	52.75	69.85
13	9.65	12.45	12.90	14.75	16.90	20.55	48	23.65	34.25	39.60	48.25	53.80	71.30
14	10.05	13.05	13.55	15.70	17.95	22.00	49	24.05	34.90	40.35	49.20	54.90	72.75
15	10.45	13.65	14.20	16.65	19.00	23.45	50	24.45	35.55	41.15	50.15	55.95	74.20
16	10.85	14.25	14.85	17.60	20.05	24.90	51	24.85	36.25	41.90	51.10	57.00	75.65
17	11.25	14.85	15.50	18.60	21.10	26.35	52	25.25	36.90	42.70	52.10	58.05	77.10
18	11.65	15.45	16.30	19.55	22.15	27.80	53	25.65	37.55	43.45	53.05	59.10	78.55
19	12.05	16.05	17.05	20.50	23.20	29.25	54	26.05	38.20	44.25	53.95	60.15	80.00
20	12.45	16.65	17.85	21.40	24.25	30.70	55	26.45	38.90	45.05	54.90	61.20	81.45
21	12.85	17.25	18.60	22.40	25.30	32.15	56	26.85	39.55	45.80	55.90	62.25	82.90
22	13.25	17.85	19.35	23.35	26.35	33.60	57	27.25	40.20	46.55	56.85	63.30	84.35
23	13.65	18.45	20.15	24.30	27.40	35.05	58	27.65	40.90	47.35	57.80	64.35	85.80
24	14.05	19.05	20.95	25.25	28.45	36.50	59	28.05	41.55	48.15	58.75	65.40	87.25
25	14.45	19.65	21.75	26.25	29.50	37.95	60	28.45	42.20	48.95	59.75	66.45	88.70
26	14.85	20.25	22.45	27.20	30.55	39.40	61	28.85	42.90	49.65	60.70	67.50	90.15
27	15.25	20.85	23.25	28.15	31.60	40.85	62	29.25	43.50	50.45	61.65	68.55	91.60
28	15.65	21.45	24.05	29.10	32.65	42.30	63	29.65	44.20	51.25	62.60	69.60	93.05
29	16.05	22.05	24.85	30.05	33.70	43.75	64	30.05	44.90	52.05	63.60	70.65	94.50
30	16.45	22.65	25.60	31.05	34.75	45.20	65	30.45	45.50	52.75	64.50	71.70	95.95
31	16.85	23.25	26.35	31.95	35.80	46.65	66	30.85	46.20	53.55	65.45	72.75	97.40
32	17.25	23.85	27.15	32.90	36.85	48.10	67	31.25	46.90	54.35	66.40	73.80	98.85
33	17.65	24.45	27.95	33.85	37.90	49.55	68	31.65	47.50	55.15	67.35	74.85	100.30
34	18.05	25.05	28.70	34.80	38.95	51.00	69	32.05	48.20	55.90	68.35	75.90	101.75
35	18.45	25.65	29.50	35.80	40.00	52.45	70	32.45	48.90	56.65	69.30	76.95	103.20

9.0 KEYS AND IDENTIFICATION DEVICES

Exhibit 2 to Response to OCA/USAS-311

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTEROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-313. The following refers to the USPS response to OCA/USPS-T30-17, redirected to the Postal Service. In the response, it is stated that figures on modes of transportation for Priority Mail are not available.

- (a) Please give ballpark estimates for the test year of the percentage of Priority Mail pieces that will be transported on (1) surface transportation, (2) passenger air transportation, and (3) by FedEx air. (If test year projections are too uncertain, then please provide an answer based upon current plans).
- (b) Even though precise figures are unavailable for modes of transportation, please give the general guidelines followed by the Postal Service for determining when to transport Priority Mail by surface modes, on passenger planes, or by FedEx air. Specifically address how the distances between originating and destinating facility are taken into account in selecting the mode of transportation.
- (c) Please provide ballpark estimates of the distances (and zones) primarily associated with surface transportation of Priority Mail and the distances (and zones) primarily associated with the air transportation of Priority Mail. Which zones have a fairly even mix of surface and air transportation? (Ballpark estimates are acceptable).

RESPONSE:

- (a) As stated in response to OCA/USPS-T30-17, data are not available regarding the mix of modes used to transport Priority Mail. Therefore, there is limited basis to provide "ballpark" estimates. However, based on figures presented in USPS LR-J-94, Table 305, Test Year air volume traveling in containers bearing a "P" ACT type will be divided relatively equally between passenger air and FedEx air transportation on a weight basis. Determining the split of Priority Mail volume between surface and air is more problematic because no data are available regarding the volume of mail that travels on surface transportation.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

- (b) The guidelines followed by Postal Service employees regarding routing mail onto the appropriate transportation are described in Section 222 of Postal Service Handbook M-22, Dispatch and Routing Policy, which states, "The transportation policy of the U.S. Postal Service is to route the mail within the specified service windows for each class of mail, using the mode of transportation that provides the best combination of service and cost."
- (c) USPS LR-J-96, which calculates Priority Mail volumes by zone, shows that air volume traveling in containers bearing a "P" ACT type is most heavily concentrated in Zones 5-8 on a weight basis. This Library Reference also shows that relatively small amounts of "P" ACT type weight are transported in Zones 1-3. Because no data are available on the volume of Priority Mail that travels on surface transportation by zone, it is difficult to determine the mix of modes by zone. However, it is likely that Priority Mail in zones 1-3 is primarily transported via surface transportation, that Priority Mail in zones 5-8 is primarily transported via air transportation, and that zone 4 volume contains a mix of both surface and air volume.

January 17, 2002

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T30-19.

Please refer to witness Spatola's response to POIR No. 5, Question 8. For each of the city pairs listed, give the:

- (a) number of air miles traveled.
- (b) the Priority Mail zone.
- (c) the number of miles between the originating facility and the destinating facility.

RESPONSE:

- (a) For purposes of this response, the air miles traveled is assumed to be the Great Circle Miles on each air transportation leg of the routings specified in witness Spatola's response to POIR No. 5, Question 8. The resulting air mile calculations are presented in the table below in the column labeled (a). The first number in each routing is the sum of the air miles for each of the individual air legs. The miles on each air leg are listed below the total.
- (b) For the purposes of this response, the Priority Mail zone has been determined by comparing the number of miles calculated in part (c) to the standard Postal Service zone distances. The results are presented in the table below in the column labeled (b).
- (c) For the purposes of this response, the number of miles between the originating facility and destinating facility is assumed to be the Great Circle Miles between those two facilities. The results are presented in the table below in the column labeled (c).

January 17, 2002

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF OFFICE OF THE CONSUMER ADVOCATE

Routings	(a)	(b)	(c)
Miami, Florida and Chicago, Illinois:	1,331	6	1,190
FedEx Miami to the FedEx Memphis Hub	866		
FedEx Memphis Hub to FedEx Chicago	465		
Houston, Texas and Des Moines, Iowa:	979	5	816
FedEx Houston to the FedEx Memphis Hub	499		
FedEx Memphis Hub to FedEx Des Moines	480		
Los Angeles, California and Eureka, California:	0	4	575
Washington, DC and Bangor, Maine:	0	5	603
Nashville, Tennessee and Wichita, Kansas:	457	5	607
FedEx Memphis Hub to FedEx Wichita	457		

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9, QUESTION 4
January 31, 2002**

4. Please refer to the spreadsheet fcmrev2.xls in USPS-LR-J-84 (rev. 11/15/01). The sheet 'NONAUTO LTR DEAVG' uses volumes from the 'ENTRY PROFILE' sheet to calculate a weighted model cost. The 'ENTRY PROFILE' sheet identifies 55.56% of "Nonautomation Non-OCR Not Upgradable" letters as nonmachinable, whereas 100% of these (Not Upgradable) letters are treated as nonmachinable in the 'NONAUTO LTR DEAVG' weighted model cost calculation.

- (a) Please explain this apparent inconsistency. Include a discussion of the treatment of "Nonautomation Non-OCR Not Upgradable" letters in the parallel Standard Mail workpapers (stdrev.xls).
- (b) Provide a definition of "Nonautomation Non-OCR Not Upgradable" letters, and describe the characteristics that would make a letter machinable but "Not Upgradable".
- (c) Please provide revisions, if necessary, and discuss any impact of the revisions including changes in costs, revenues, worksharing-related savings, DPS percentages, and unit delivery costs.

RESPONSE:

The volume data contained in USPS LR-J-84, pages 50 (First-Class entry profile spreadsheet), 86 (Standard Nonprofit entry profile spreadsheet), and 87 (Standard Regular entry profile spreadsheet), were taken from mail characteristics studies conducted in 1997. At that time, nonautomation presort letters were entered in either Optical Character Reader (OCR) upgradable trays (labeled "OCR UPGR") or Non-OCR upgradable (labeled "NON-OCR") trays. There was no rate distinction between "OCR UPGR" and "NON-OCR" mail. However, "OCR UPGR" mailings had to consist of full trays. In contrast, "NON-OCR" mailings required packaging.

In addition, some mail pieces that were entered in "NON-OCR" trays were, in fact, OCR upgradable. These mail pieces were typically separated from the non-upgradable mail pieces by postal clerks and processed with the remaining OCR upgradable mail. Consequently, the entry profile data were separated into three categories: upgradable mail in "OCR UPGR" trays, upgradable mail in "NON-OCR" trays, and non-upgradable mail in "NON-OCR" trays.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9, QUESTION 4
January 31, 2002**

RESPONSE TO POIR NO. 9, QUESTION 4 (CONTINUED)

In accordance with Postal Bulletin 22016 (dated 1-27-00), the Postal Service formally allowed mailers the option of requesting that their mailings be processed manually. As a result of this change, nonautomation presort letter trays are now labeled as either "UPGR" (OCR upgradable mail), "MANUAL" (mail to be processed manually at the request of the mailer), or "NON BC" (all other mail pieces). There are currently no rate distinctions between these three forms of entry.

In this docket, the Postal Service has proposed the expansion of the nonstandard surcharge definition to include all nonmachinable mail pieces, whether those mail pieces are to be processed manually at the request of the mailer or not. (See USPS-T-39, Section II.A.3 for the specific requirements.) The end result will be a system where nonautomation presort letter trays will be labeled as either "UPGR" (OCR upgradable) or "MANUAL." All mail pieces in "MANUAL" trays will require manual processing and will be assessed a higher postage rate. Postal clerks will no longer have to cull through "MANUAL" trays to find residual OCR upgradable mail.

(b) The "nonmachinable" mail volume estimates found in USPS LR-J-84, pages 50 (First-Class Mail), 86 (Standard Mail Nonprofit), and 87 (Standard Mail Regular) represent those mail pieces that do not meet the machinability requirements found in USPS-T-39, Section II.A.3. The entry profile data found in USPS LR-J-84 were taken from mail characteristics studies conducted in Docket No. R97-1. Those studies also defined mail pieces as not being upgradable if they contained additional mail piece characteristics not found in USPS-T-39, Section II.A.3. These characteristics were related to address readability and mail piece codability and included: problem OCR read areas, obstructed barcode clear zones, problem address/window inserts, problem fonts,

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 9, QUESTION 4
January 31, 2002**

RESPONSE TO POIR NO. 9, QUESTION 4 (CONTINUED)

problem paper textures, and other *characteristics* specified by the respondent. All mail pieces that were classified as "NON-OCR Not Upgradable" in the entry profile spreadsheets (whether they were non-machinable, or were machinable but not upgradable) had to be processed manually. Consequently, the cost studies found in USPS LR-J-84 were developed correctly.

(c) No.

