

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS DANIEL TO INTERROGATORIES OF  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL  
(MASA/USPS-T29-3-6)

The United States Postal Service hereby provides responses of witness Daniel to the following interrogatories of Mail Advertising Service Association International: MASA/USPS-T29-3-6, filed on August 26, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
Anthony F. Alverro

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September 9, 1997

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION  
INTERNATIONAL**

MASA/USPS-T29-3

- a. Do you agree that the decrease in attributable mail processing and delivery unit costs for the Regular Subclass of Standard (A) as reflected in MASA/USPS-T29-1 is caused, at least in part, by the use of the new costing methodology in this proceeding? If you do not agree, please explain.
- b. What other factors, if any, have contributed to the decrease in attributable mail processing and delivery unit costs for the Regular Subclass of Standard (A) reflected in MASA/USPS-T29-1?
- c. Explain in narrative form how the factors described in your answers to the foregoing questions have affected the decrease in attributable mail processing costs, including giving your best estimate of the contribution of each factor to the decrease.
- d. Do the factors you have identified in your answer to subsections a and b of this question have impacts on particular rate categories in Standard A Regular that differ from the impact described generally in response to subsection c. If so, describe the differences.

**RESPONSE:**

- a. While I do not purport to offer testimony on all of the new costing methodologies in this docket, I agree that the costing methodologies have tended to reduce the volume variable mail processing and delivery unit costs for the Regular subclass of Standard (A).
- b. See my response to ANM/USPS-T29-10.
- c. I have no way to estimate the relative proportion or degree to which each factor contributes to the decrease in Regular Standard attributable mail processing costs since Docket No. MC95-1.
- d. The change in the percent of automation compatible mail in Regular Presort Basic and 3/5-Digit Presort contribute to the decrease in those categories and do not affect the Automation categories. Likewise, by virtue of the fact that the model costs for presort are higher than model costs for automation, the decrease in the proportional CRA adjustment (previously known as the nonmodel cost factors) affects the presort categories more than the automation categories.

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MASA/USPS-T29-4. Referring to your answer to ANM/USPS-T29-10:

- a. Identify the source for mail processing costs for Standard A Regular Rate Basic of 13 cents in MC95-1, and 9 cents in this docket.
- b. Do you agree that the decline in model costs described in your answer is attributable largely to the Basic Presort mailstream becoming "more automation compatible and therefore somewhat less costly"? If not, explain what the other causes of the decline in model costs are.
- c. Do you agree that the smaller CRA adjustment described in your answer does not reflect actual cost savings attributable to the Basic Presort mail stream becoming less costly to process? Explain any no answer, and specifically describe any cost savings that are reflected in the lower CRA adjustment.

**RESPONSE:**

- a. The source for mail processing costs for Standard (A) Regular Basic of 13 cents in Docket No. MC95-1 is witness Takis' Exhibit USPS-12A. The 9 cent figure for Standard (A) Regular Basic is reported in my Exhibit USPS-29A.
- b. The decline in model costs is *partially* attributable to the Basic Presort mailstream becoming more automation compatible. See my response to MASA/USPS-T29-3(c). Other factors, which may also contribute to the change in model costs, are discussed in ANM/USPS-T29-10.
- c. *This question is unclear. The CRA adjustment alone is not a means for capturing cost savings. The purpose of CRA adjustment is to reconcile model costs with comparable CRA costs.*

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MASA/USPS-T29-5. Referring to your response to MASA/USPS-T29-1a, explain how ECR costs in the USPS proposal in this docket were "adjusted for dropship," including providing any calculations that were made to make such an adjustment.

**RESPONSE:**

ECR costs were adjusted for dropship using the data on page 3 of Exhibit USPS-29D. For non-saturation letters, saturation letters, non-saturation non-letters, and saturation non-letters, separately, the cost avoided per pound by entry point from USPS LR-H-111 was multiplied by the number of pounds by entry point from USPS LR-H-145 to calculate the total cost avoided by entry point. The sum of costs avoided across all entry points was then divided by the total number of pieces to determine the average cost avoided of an average piece. These figures were then added to the average total mail processing costs per piece and reported on page 2 of Exhibit USPS-29C. Thus, the difference between the costs of the above categories should reflect savings without the impact of different levels of dropshipping.

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MASA/USPS-T29-6. Referring to your response to MASA/USPS-T29-1a, explain how "ECR walk sequenced-endorsed and nonwalk sequenced-endorsed mail have been deaveraged in this docket," including providing any calculation or formula used to determine the deaveraging.

**RESPONSE:**

ECR walk sequenced-endorsed and nonwalk sequenced-endorsed mail have been deaveraged in this docket in USPS LR-H-109 using base year costs. These costs were then reconciled to the Test Year CRA on page one of Exhibit USPS-29D.

## DECLARATION


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

  
SHARON DANIEL

Dated: September 9, 1997

## CERTIFICATE OF SERVICE

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

  
Anthony F. Alverno

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