

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF
THE AMERICAN POSTAL WORKERS UNION, AFL-CIO
REDIRECTED FROM WITNESS DANIEL
(APWU/USPS-T29-1)

The United States Postal Service hereby provides the response to the following interrogatory of the American Postal Workers Union, AFL-CIO: APWU/USPS-T29-1, filed on August 29, 1997, and redirected from witness Daniel.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 12, 1997

**RESPONSE OF U.S. POSTAL SERVICE TO
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APWU/USPS-T29-1. The text at page 1 of Exhibit USPS-29C uses a figure of 9.5391 cents per piece for the mail processing costs of bulk metered mail. Footnote 5 on that page indicates the figure in the text is incorrect and that it should be 10.5814 cents per piece. The library reference LR-H-106 cited in the footnote has the calculation only for the figure in the footnote, 10.5814 cents per piece. Please supply the calculation for the figure used in the text, 9.5391 cents per piece, as well as all the relevant workpapers that show the reason for the use of the changed calculation or led to the use of the changed calculation.

RESPONSE:

First, it is important to understand the background underlying the 9.5391 cent figure. The mail processing cost figure reported in Exhibit USPS-29C, page 1, is 9.5391 cents. Footnote 5 to the table on that page states, however, that after completion of the rate design for First-Class Mail, this figure (9.5391) was revised to 10.5814 cents. Witness Fronk uses the 9.5391 cent mail processing cost figure, but acknowledges that the correct figure of 10.5814 cents could not be incorporated in the rate design because it was not available at the time this proposal was approved by the Board of Governors. USPS-T-32 at 24. Library Reference H-106 accordingly supplies documentation underlying both the "uncorrected" mail processing cost figure of 9.5391 cents (USPS LR-H-106 at page II-11), and the "corrected" mail processing cost figure of 10.5814 cents (USPS LR-H-106 at page II-10).

Thus, the source of the "uncorrected" mail processing cost figure of 9.5391 cents reported in Exhibit USPS-29C should be page II-11 of USPS LR-H-106; however, the "uncorrected" figure reported on page II-11 of USPS LR-H-106 is 9.545 cents, which differs from the 9.5391 cent figure by nearly six one-thousandths of a cent. The sources of this difference, i.e., 0.0059 cent, in the "uncorrected" figure on page II-11 of LR-H-106, are four cells in the spreadsheet on page II-11. Specifically, the cells corresponding to the rows identified as "BMCs Othr" and "Non Mods," and columns 2

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and 3 of those rows, which are correctly reported to be 148, 600, 172852, and 492710, respectively, should be replaced with the uncorrected figures of 176, 668, 195413, and 558991 to generate the 9.5391 cent figure. The source of the latter figures, *i.e.*, 176, 668, 195413, and 558991, was a prior draft version of the output of the program contained in USPS LR-H-146, Part III. This accounts for the difference in the 9.545 cents reported on page II-11 of LR-H-106 and the 9.5391 cent figure.

An erroneous input in an underlying equation accounts for the difference between the "corrected" figure of 10.5814 cents reported in USPS LR-H-106 at page II-10 and the "uncorrected" figure of 9.545 reported on page II-11 of that library reference.

Specifically, the annual volume of metered, First-Class single piece letters was calculated with an incorrect input. The annual volume of metered, First-Class single piece should be calculated by using ODIS data to determine the proportion of this mail that is metered, and multiplying that ratio by the total volume of First-Class single piece letters. In developing the 9.545 figure, the proportion of metered mail was multiplied by the First-Class single piece volume *for all shapes* (54,394,310,000), not just *letters*. This error led to an overstatement of metered First-Class single-piece letters (21,133,980,000, as used in page II-11 of USPS LR-H-106), and the consequent understatement of unit cost.

The "corrected" figure of 10.5814 cents relies upon the correct volume of First Class single piece letters, *i.e.*, 49,065,223,000. The volume underlying the 10.5814 figure is calculated using First-Class single-piece letter-shaped metered volume, which is calculated as shown in the equation below:

$$FCM \text{ Single-Piece Letter Shaped Metered} = 0.388532915 * 49,065,223,000$$

where the figure 0.388532915 is the proportion of First-Class single piece letters that are metered, according to FY96 ODIS data reported in USPS LR-H-126 App. A, and the figure 49,065,223,000 is the total volume of First-Class single-piece *letters* reported

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in USPS LR-H-129 page II-3. The equation above yields a volume of 19,063,454,000 First-Class Metered single piece letters. This figure is correct; however, in preparing the response to this interrogatory, it was discovered that the *explanation* (not the figure itself) of the calculation of the volume figures shown in USPS LR-H-129 page II-3, contains errors in lines 2 and 3, which are corrected in a separately filed erratum.

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.


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