

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 1997

Docket No. R97-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS TREWORY TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T22-9-11, 13-17)

The United States Postal Service hereby provides the response of witness Treworgy to the following interrogatories of Office of the Consumer Advocate: OCA/USPS-T22-9-11, 13-17, filed on September 2, 1997. An objection to interrogatory OCA/USPS-22-12, was filed on September 12, 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

for 
Kenneth N Hollies

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Washington, D.C. 20260-1137
September 16, 1997

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OCA/USPS-T22-9. Please refer to your testimony at page 1, lines 10 and 11, concerning the estimate of certain costs related to scanning equipment.

- a. Please confirm that the Postal Service has awarded a firm-fixed price contract to Lockheed Martin Federal Systems (herein Lockheed Martin) for scanners. If you do not confirm, please explain
- b. Please confirm that the contract to Lockheed Martin was valued at \$218 million. If you do not confirm, please explain and provide the correct figure.
- c. Please confirm that the contract to Lockheed Martin was for the purchase of 300,000 scanners. If you do not confirm, please explain and provide the correct figure
- d. Please confirm that the contract to Lockheed Martin will involve the integration and deployment, and in-office computer systems infrastructure, of scanners at 32,000 postal facilities. If you do not confirm, please explain and provide the correct figure.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Not confirmed. The contract to Lockheed Martin will involve the integration and deployment, and in-office computer systems infrastructure, of scanners at more than 32,000 postal facilities.

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OCA/USPS-T22-10. Please refer to your Worksheet C-1, concerning the scanning infrastructure capital and program costs.

- a. Please confirm that the capital and program costs listed in Worksheet C-1 can be characterized as the purchase, deployment and integration of scanners, and development of in-office computer systems infrastructure. If you do not confirm, please explain.
- b. Please confirm that figure, \$185,543,800, represents the estimated total capital and program costs. If you do not confirm, please explain.

RESPONSE:

- a. Partially confirmed. The capital and program costs listed in Worksheet C-1 include the purchase, deployment and integration of scanners, and development of in-office computer systems infrastructure. In addition, the worksheet includes call center development, training, and other miscellaneous costs. See also my response to UPS/USPS-T22-7.
- b. Not confirmed. The figure \$185,543,800 represents only those capital and program costs projected to affect the Test Year.

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OCA/USPS-T22-11. Please refer to your Worksheet C-1, concerning the scanning infrastructure capital and program costs. Please confirm that the estimated "Total capital and program costs" of \$185,543,800, and the \$218 million contract awarded to Lockheed Martin are comparable figures. If you do not confirm, please explain the relationship of these two figures, and reconcile any differences.

RESPONSE:

Not confirmed. The \$218 million Lockheed Martin contract includes only capital costs, not program costs. Thus, any comparison with Worksheet C-1 must be restricted to the \$65,313,200 in capital costs rather than the \$185,543,800 total capital and program costs.

The \$218 million figure differs from the \$65.3 million figure in two ways. First, \$65.3 million represents only those capital costs estimated to be reported as depreciation in the Test Year; \$218 million represents a total purchase amount, not an appropriate depreciation figure. Second, the capital purchases procured through the Lockheed Martin contract represent a subset of all capital purchases planned for the delivery confirmation program.

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OCA/USPS-T22-12. Please refer to your Worksheet C-1 and C-2, concerning the scanning infrastructure capital and program costs and the distribution key for volume variable costs. Please update your Worksheet C-1 and C-2 to reflect the \$218 million contract awarded to Lockheed Martin.

RESPONSE:

An objection to this question has been filed.

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OCA/USPS-T22-13. Please refer to Input Sheet B-3, and the 5 percent of delivery confirmation mail items undeliverable by carrier.

- a. Please confirm that the 5 percent of delivery confirmation items undeliverable by the carrier refers to both city and rural carriers. If you do not confirm, please explain.
- b. Please identify the "several sources" indicated in note 2 to Input Sheet B-3 that were reviewed in developing this estimate. If those sources are documents not provided with the Postal Service's request in this proceeding, please provide a copy of each such document. If those sources are Postal Service employees, or contractors of the Postal Service, please identify those employees or contractors.
- c. Please identify and explain those considerations that lead you to believe the 5 percent figure represents a reasonable estimate.
- d. Is it your testimony that 95 percent (1 - .05) of Standard B and Priority Mail items are delivered by city and rural carriers? If you answer in the negative, please explain.

RESPONSE:

- a. Confirmed.
- b. The sources were not specific documents. Rather, I spoke with Postal Service Delivery personnel and Price Waterhouse data collectors who rode with city and rural carriers. Knowledgeable officials in Delivery provided information which was either specific to one mailer or which was not fully representative of all delivery situations. Price Waterhouse data collectors offered first hand knowledge from riding with city and rural carriers in Florida and Northern Virginia, but no specific information on undeliverable Standard B and Priority Mail was collected.

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- c. Information from Postal Service Delivery personnel and Price Waterhouse data collectors (as discussed in OCA/USPS-T22-13b) in conjunction with personal observation have led me to believe that the 5 percent figure represents a reasonable estimate for undeliverable items by city and rural carriers.
- d. Confirmed, based on my understanding of the question. To clarify, it is my testimony that approximately 95 percent of Standard B and Priority Mail items addressed to customers served by city and rural carriers are successfully delivered by the carrier. It is not accurate to say that approximately 95 percent of Standard B and Priority Mail items are delivered by city and rural carriers because a substantial portion are delivered to PO boxes, over the window, and through other means.

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OCA/USPS-T22-14. Please refer to Worksheet B-3, and the figures, 12,346,993 and 4,478,707, in the column entitled "Transactions", and Worksheet B-2.

- a. Please confirm that the figure, 12,346,993, is obtained from the box section "Delivered" volume of 4,112,282 plus the firm holdouts "Delivered" volume of 6,861,985 plus the firm holdouts "Attempted" volume of 1,372,726 from Worksheet B-2. If you do not confirm, please explain.
- b. Please confirm that the figure, 4,478,707, is obtained from box section "Attempted" volume of 3,105,980, and the firm holdouts "Attempted" volume of 1,372,726 from Worksheet B-2. If you do not confirm, please explain.
- c. Please explain the rationale for including the firm holdouts "Attempted" volume of 1,372,726 in the "Transactions" figure of 12,346,993.
- d. Please explain the rationale for having the box section clerk scan the firm holdouts "Attempted" volume twice.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c-d. The box section clerk does not scan the firm holdouts "Attempted" volume twice per se; the first time is an attempted scan, the second time is a delivered scan. The inclusion of the "Attempted" volume of 1,372,726 in the "Transactions" figure of 4,478,707 represents the attempted scan for the 1,372,726 items that cannot be successfully delivered the day they arrive at the delivery unit. The inclusion of the "Attempted"

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volume of 1,372,726 in the "Transactions" figure of 12,346,933 represents the delivered scan of the same 1,372,726 items that were previously unsuccessfully delivered.

Note that in Worksheet B-3, the number of transactions for "Window clerk scans delivered DC mail item barcode" is the sum of "Attempted" volume for city carriers, rural carriers, and the box section. Each of these "Attempted" volumes appears twice in the worksheet; once to represent the attempted scan and once to represent the delivered scan. Similarly, firm holdouts "Attempted" volume also appears twice as explained above.

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OCA/USPS-T22-15. Please refer to Input Sheet B-7, and the "Scans per delivery confirmation parcel." Please confirm that the ratio of 1.1003 reflects the fact that 1) for parcels where delivery is effected by the carrier, the delivery confirmation barcode will be scanned once by the carrier, and 2) for parcels where delivery is attempted by the carrier, the delivery confirmation barcode will be scanned twice, once by the carrier when delivery is attempted and a second time when the parcel is "delivered" to the recipient by the window clerk. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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OCA/USPS-T22-16. Please refer to Input Sheet B-7, and the "Mailer manifest toll-free line charge" of \$0.0008. Please show the derivation of this figure. Please show all calculations and provide citations to any figures used.

RESPONSE:

Part 1: Set-up costs		Source
1	Set-up time/call	1 minute USPS Information Systems
2	Toll charge/minute	\$0.07 USPS Information Systems
3	Set-up cost/call	\$0.07 Line 1 * line 2
4	Number of customers	39 USPS LR-H-163, p. 222
5	Dial-up days	250 5 days/week excluding holidays
6	Daily dial-ups/customer	2 1 upload and 1 download/day
7	Annual set up costs	\$1,365 Line 3 * line 4 * line 5 * line 6
Part 2: Data transmission costs		Source
8	Transfer rate (records/minute)	1,500 USPS Information Systems
9	Volume of Standard B electronic delivery confirmation	4,404,949 USPS-T-22 Input Sheet B-4
10	Daily upload volume/customer	452 Line 9 / (line 4 * line 5)
11	Daily upload time/customer (minutes)	0.301 Line 10 / line 8
12	Daily download volume/customer	4,518 Line 10 * 10 (assumes each customer retrieves previous 10 days records each day)
13	Daily download time/customer (minutes)	3.012 Line 12 / line 8
14	Total daily transfer time/customer (minutes)	3.313 Line 11 + line 13
15	Annual data transfer time/customer (minutes)	828 Line 14 * line 5
16	Annual data transfer cost/customer	\$58 Line 15 * line 3
17	Total annual data transfer cost	\$2,261 Line 16 * line 4
Part 3: Unit volume variable cost calculation		Source
18	Set-up costs	\$1,365 Line 7
19	Data transmission costs	\$2,261 Line 17
20	Total	\$3,626 Line 18 + line 19
21	Volume variable unit cost	\$0.0008 Line 20 / line 9

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OCA/USPS-T22-17. Please refer to your response to OCA/USPS-T22-1, at page 11, and Exhibit C-2 in your testimony from Docket No. MC97-2.

- a. In your response to OCA/USPS-T22-1, you state that "only one label is used . . ." Please confirm that the label identified in your response is the label shown in Exhibit C-2. If you do not confirm, please explain and provide a copy of the label identified.
- b. With respect to Standard B parcels, please confirm that the delivery confirmation label must be affixed to the parcel on the same side as the address block and postage. If you do not confirm, please explain.
- c. For a Standard B parcel that is too small to accommodate on the same side of that parcel the address block, postage and delivery confirmation label, please explain where on the parcel the Postal Service proposes to place the delivery confirmation label.
- d. Please provide an estimate of the number of delivery confirmation Standard B parcels for which the side of the parcel containing the address block and postage will also be too small to accommodate the delivery confirmation label.

RESPONSE:

- a. Not confirmed. The label identified in my response is not the label shown in Exhibit C-2; rather, it is similar to that shown in Exhibit C-3. I am unable to supply a copy of the label identified beyond referring to Exhibit C-3 because the Postal Service has not yet finalized the graphic design of the label.
- b. Confirmed. To clarify, as much of the delivery confirmation label as possible should be affixed to the side of the parcel with address block and postage.
- c. It is proposed that as much of the delivery confirmation label as possible should be placed on the side of the parcel containing the address block and postage. As long as

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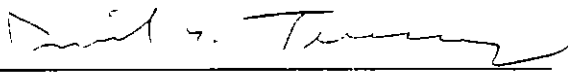
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some portion of the label is visible on the side with address block and postage and the label can be easily identified by a postal employee and scanned as delivery confirmation, the size of the Standard B parcel will not affect successful delivery confirmation.

- d. All Standard B parcels should be able to accommodate a delivery confirmation label. Please see my response to OCA/USPS-T22-17c.

DECLARATION

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



DAVID E. TREWORGY

Dated: 9/16/97

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.


Kenneth N Hollies

475 L'Enfant Plaza West, S.W.
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September 16, 1997