

DOCKET SECTION

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

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF BROOKLYN UNION GAS COMPANY
(BUG/USPS-T23-11 THROUGH 13)**

The United States Postal Service hereby files the responses of witness Miller to the following interrogatories of Brooklyn Union Gas Company, dated September 16, 1997: BUG/USPS-T23-11 through 13.

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


Michael T. Tidwell

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(202)268-2998/FAX: -5402
September 30, 1997

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF BROOKLYN UNION GAS COMPANY**

BUG/USPS-T23-11. Please refer to your responses to BUG/USPS-T23-4 and 6. Please confirm that your model examines the cost differences between two pieces of reply mail, one hand-addressed and the other prebarcoded and automation compatible. In addition, each of these pieces includes all of the cost savings attributes exhibited in general of reply mail pieces that are delivered to a recipient in very large quantities. If you cannot confirm, please explain.

RESPONSE:

My testimony measures the mail processing cost avoidance between a preapproved, prebarcoded reply mail piece and a handwritten reply mail piece. The delivery attributes would have been the same for both mail pieces and were not included in my testimony as they would not have contributed to further increasing the magnitude of the cost avoidance.

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BUG/USPS-T23-12. Please refer to your responses to BUG/USPS-T23-1,3 and 5:

(a) Is the reason why you applied USPS witness Hatfield's First-Class non-carrier route presort CRA adjustment factor of 1.1586 (See Exhibit USPS-25A, page 2.) (1) to account for bin capacity constraints, barcoding limitations, REC keying errors, system failures, and REC productivity, or (2) to account for other variable costs that your (and Mr. Hatfield's) cost models do not pick up but which contribute to further increasing the cost avoidance, or (3) both (1) and (2). If your answer is not (3), please explain.

(b) Do you agree that Mr. Hatfield's First-Class non-carrier route presort CRA adjustment factor of 1.1586 was derived "to account for the difference in cost between the benchmark (CRA unit cost) and the models"? (USPS-T-25, p.5). If not, please explain.

(c) Do you agree that when Mr. Hatfield derived his First-Class non-carrier route presort CRA adjustment factor of 1.1586, he measured CRA cost pools for First-Class non-carrier route presorted letters. If you do not agree, please explain.

(d) During the Base Year in this proceeding, what percentage of First-Class non-carrier route presorted letters had handwritten addresses? Please provide a source for your answer or estimate.

(e) Please identify which cost pools shown in USPS-T-25 Appendix V, p. 3 are affected by letters that have handwritten addresses.

(f) Please identify where in Mr. Hatfield's cost models he measured costs associated with handwritten addressed letters whose costs are affected by bin capacity restraints, barcoding limitations, REC keying errors, RBCS system failures and REC productivity.

RESPONSE:

(a) I did not develop full-scale models because single piece density information was not available at the time of the filing. Therefore, I was not able to compare the model costs to single piece CRA unit costs. I applied the First-Class non-carrier route presort CRA adjustment factor to show that, had full-scale models been developed, there would have been differences between the model costs and the CRA costs. Some of the reasons why these cost differences might have occurred include: bin capacity constraints, barcoding limitations, REC keying errors, system failures, and REC

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productivity. The cost avoidance would have decreased from 4.016 cents to 3.466 cents were the CRA adjustment factor not to have been applied.

(b) Yes.

(c) Yes.

(d) I am not aware of any study that has attempted to analyze the amount (if any) of First-Class non-carrier route presort mail pieces that might contain handwritten addresses. By applying the First-Class non-carrier route presort CRA adjustment factor, I was not attempting to imply that mail pieces within this rate category had handwritten addresses. I was trying to illustrate the general concept that there will always be a difference between mail processing model costs and CRA unit costs. CRA adjustment factors can be used to account for those differences. Since I was not able to develop a single piece CRA adjustment factor, I used the First-Class non-carrier route presort adjustment factor to estimate any possible differences. The cost avoidance would have decreased from 4.016 cents to 3.466 cents were the CRA adjustment factor not to have been applied.

(e) My testimony did not involve an analysis of these cost pools. I am not aware of any study that has attempted to determine how these costs are affected (if at all) by letters with handwritten addresses.

(f) I am not aware of any point within Mr. Hatfield's testimony where the specific costs associated with bin capacity constraints, barcoding limitations, REC keying errors, RBCS system failures, and REC productivity were identified.

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BUG/USPS-T23-13. Please refer to your response to BUG/USPS-T-23-7.

(a) How will the Postal Service handle an "old" PRM letter that is addressed to a recipient who has moved (1) if the recipient no longer agrees to pay for PRM, or (2) if the recipient still pays for PRM but at a different location from the address on the PRM letter in question?

(b) How will the Postal Service handle an "old" PRM letter that is addressed to a recipient who has not moved but no longer agrees to pay for PRM?

(c) Please state the percentage of First-Class nonpresorted letters that were forwarded or returned during the Base Year in this proceeding. Please provide the source of information.

(d) Please state the percentage of First-Class presorted or automated letters that were forwarded or returned during the Base Year in this proceeding. Please provide the source of your information.

RESPONSE:

(a) Any First-Class single piece mail piece that has been addressed to a recipient that has moved would be subject to the Postal Computerized Forwarding System (CFS). In most cases, large volume recipients would not have distributed reply envelopes with outdated addresses. In other instances, when Postal employees have been made aware of potential addressing problems, sort plans can be constructed which send both the old and new address to the same bin. In cases where the postage associated with a PRM mail piece has not been accounted for and the recipient refuses to pay the postage, that mail piece will be returned to sender for adequate postage at the full single-piece rate.

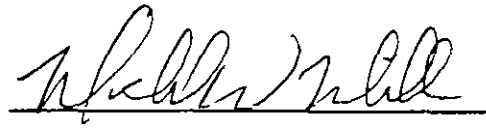
(b) As stated in (a), in cases where the postage associated with a PRM mail piece has not been accounted for and the recipient refuses to pay the postage, that mail piece will be returned to sender for adequate postage at the full single-piece rate.

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(c), (d) Please reference the response to ABA&EEI&NAPM/USPS-T25-29.

DECLARATION

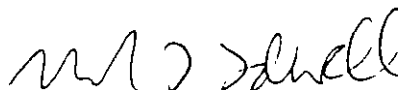
I, Michael W. Miller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Michael W. Miller", is written over a horizontal line.

Dated: 9/30/97

CERTIFICATE OF SERVICE

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

A handwritten signature in cursive script, appearing to read "Michael T. Tidwell", written in black ink.

Michael T. Tidwell

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