

DOCKET SECTION

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

RECEIVED
OCT 1 4 46 PM '97
POSTAL RATE COMMISSION
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
THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-T29-30-32)

The United States Postal Service hereby provides responses of witness Daniel to the following interrogatories of the Alliance of Nonprofit Mailers: ANM/USPS-T29-30-32, filed on September 17, 1997.

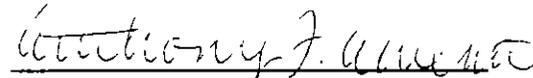
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anthony F. Alverho

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax -5402
October 1, 1997

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T29-30

The unit mail processing cost (cents per piece) for Standard A Regular Rate Automation letters in Docket Nos. MC95-1 and [sic] R97-1 are shown below, and are taken from USPS-T-12C, page 2 (revised 6/20/95) and USPS-29A, page 1, and [sic] respectively.

	Docket No <u>MC95-1</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Basic	5.8752	5.2736	-0.6016	-10.2
3-Digit	5.0942	4.7225	-0.3687	-7.2
5-Digit	3.3317	3.4227	+0.0910	+2.7

- a. Please confirm that the unit costs shown here are correct. If you do not confirm, please supply the correct unit costs.
- b. Please explain all factors that caused the mail processing unit cost of Automation Basic Letters to decline between Docket No. MC95-1 and Docket No. R97-1.
- c. Please explain all factors that caused the mail processing unit cost of Automation 3-Digit Letters to decline between Docket No. MC95-1 and Docket No. R97-1, but by a lesser amount than Basic Automation letters.
- d. Please explain all factors that caused the mail processing unit cost of Automation 5-Digit Letters to increase between Docket No. MC95-1 and Docket No. R97-1. In particular, please explain why the unit mail processing cost of Automation 5-Digit letters increased while the unit mail processing cost of Automation Basic and 3-Digit letters decreased.

RESPONSE:

- a. Confirmed.
- b.-d. As stated in footnote 1 in my response to ANM/USPS-T29-10, many factors in this docket have tended to increase modeled costs. Comparing the *modeled* cost instead of the *total* costs of the categories in the table above would result in the following table:

	Docket No <u>MC95-1</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Basic	3.7416	4.2210	+0.4794	+12.8
3-Digit	3.2441	3.7092	+0.4651	+14.3
5-Digit	2.1218	2.4871	+0.3653	+17.2

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

Next, a table comparing the CRA adjustment made in each docket follows:

	Docket No <u>MC95-1</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Basic	2.1336	1.0526	-1.0810	-50.7
3-Digit	1.8501	1.0133	-0.8368	-45.2
5-Digit	1.2099	0.9356	-0.2743	-22.7

Therefore, I would conclude that the primary reason for the decline in total cost for Automation Basic and 3-Digit in Docket No. R97-1 is the smaller CRA adjustment. The smaller change in the CRA adjustment, coupled with the slightly higher percent increase in modeled cost for Automation 5-Digit, would tend to explain that category's slight increase.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T29-31

The unit mail processing cost (cents per piece) for Standard A Nonprofit Automation letters in Docket Nos. MC95-1 and R97-1 are shown below, and are taken, from respectively, USPS-5C, page 1 and USPS-29B, page 1.

	<u>Docket No</u> <u>MC96-2</u>	<u>Docket No</u> <u>R97-1</u>	<u>Difference</u>	<u>Percent</u> <u>Change</u>
Basic	3.9332	4.0747	+0.1415	+3.6
3-Digit	3.5135	3.6227	+0.1092	+3.1
5-Digit	2.3064	2.6390	+0.3326	+14.4

- a. Please confirm that the unit costs shown here are correct. If you do not confirm, please supply the correct unit costs.
- b. In light of the reduction in the volume variability of mail processing costs proposed in this docket, please explain all factors that caused the unit mail processing costs of nonprofit Automation Basic letters to increase between Docket No. MC96-2 and Docket No. R97-1.
- c. Please explain why the unit mail processing unit cost of Nonprofit Automation Basic letters increased while the unit costs of Regular Rate Automation Basic letters decreased.
- d. In light of the reduction in the volume variability of mail processing costs proposed in this docket, please explain all factors that caused the unit mail processing costs of nonprofit Automation 3-Digit letters to increase between Docket No. MC96-2 and Docket No. R97-1.
- e. Please explain why the unit mail processing unit cost of Nonprofit Automation 3-Digit letters increased while the unit costs of Regular Rate Automation 3-Digit letters decreased.
- f. Please explain what caused the unit mail processing unit cost of Nonprofit Automation 5-Digit letters to increase so much more (both in absolute and percentage amount) between Docket No. MC96-2 and Docket No. R97-1.
- g. Please explain what caused the unit mail processing unit cost of Nonprofit Automation 5-Digit letters to increase so much more (both in absolute and percentage amount) than Regular Rate Automation 5-Digit letters.

RESPONSE:

- a. Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

b.-e. As stated in footnote 1 in my response to ANM/USPS-T29-10, many factors in this docket have tended to increase modeled costs. Comparing the *modeled* cost instead of the *total* costs of the categories in the table above would result in the following table:

	Docket No <u>MC96-2</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Basic	3.5349	4.9285	+1.3936	+39.4
3-Digit	3.1577	3.7417	+0.5840	+18.5
5-Digit	2.0728	2.5299	+0.4571	+22.1

Next, a table comparing the CRA adjustment made in each docket follows:

	Docket No <u>MC96-2</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Basic	+0.3983	-0.8538	-1.2521	-314.4
3-Digit	+0.3558	-0.1190	-0.4748	-133.4
5-Digit	+0.2336	+0.1091	-0.1245	-53.3

Therefore, I would conclude that the primary reason for the slight increase in total cost for Automation Basic and 3-Digit in Docket No. R97-1 is that the CRA adjustment did not offset the increase in modeled cost as it did for the Regular subclass.

f.-g. In addition to the reasons described in response to ANM/USPS-T29-10, the CRA adjustment did not sufficiently offset the increase in modeled costs for Automation 5-Digit as show in the table in the subpart above. Additionally, the increase in acceptance costs as shown in the table below may help to explain why the cost for Nonprofit Automation 5-Digit increased more than Regular Automation 5-Digit.

	Docket No <u>MC95-1/MC96-2</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Nonprofit Acceptance	0.0425	0.2664	0.2239	+526.8
Regular Acceptance	0.0311	0.1844	0.1533	+493.0

An increase of 0.2239 cent in nonprofit acceptance costs accounts for almost 10 percent of Nonprofit Automation 5-Digit's total costs. The increase of 0.1533 cent in

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

commercial acceptance costs accounts for less than 5 percent of total costs for Regular
Automation 5-Digit.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T29-32

Please refer to USPS-29A, page 2 and USPS-29B, page 2. Please explain why the operation "BMCs/spb" is treated as proportional for Regular Rate letters and fixed for Nonprofit letters. If either entry is in error, please identify which one and explain what adjustments should be made.

RESPONSE:

The operation BMCs/spb on page 2 of Exhibit USPS-29B should be treated as proportional. A correction to page 2 of Exhibit USPS-29B will be filed in conjunction with other changes.

DECLARATION

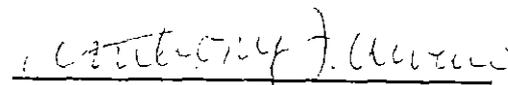
I, Sharon Daniel, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


SHARON DANIEL

Dated: October 1, 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

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 1, 1997