

DOCKET SECTION

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

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

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF
MAJOR MAILERS ASSOCIATION REDIRECTED FROM WITNESS HATFIELD AND
MOTION FOR LATE ACCEPTANCE
(MMA/USPS-T25-1(C))

The United States Postal Service hereby provides a supplemental response to the following interrogatory of Major Mailers Association: MMA/USPS-T25-1(C), filed on August 13, 1997 and redirected from witnesses Hatfield. This response is provided pursuant to Order No. 1197, issued October 1, 1997. The initial response was filed on October 16, 1997.

The Postal Service moves for acceptance of this response four business days late. As indicated in the initial response to MMA/USPS-T25-1(C), the information requested was burdensome to produce. As indicated previously, the closing of Postal Service headquarters the weekend before last as well ongoing hearings also have contributed to the delay.

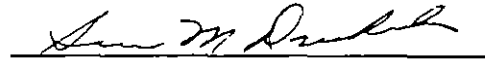
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 21, 1997

**RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF
MMA/USPS-T25-1(C) OF MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS HATFIELD**

MMA/USPS-T25-1.

On page 3 of USPS-T-25, you indicate that, for your analysis of First-Class bulk mail cost savings, your benchmark is a "shape specific, product specific mail processing unit cost that included all volume variable mail processing costs that are captured in the CRA."

- (B) Does this mean that your unit benchmark processing cost differ from those that would be produced under the Commission's approved costing methodology as provided in the last omnibus rate proceeding, Docket No. R94-1? Please explain any no answer.
- (C) Please refer to your answer to Paragraph (B) of this Interrogatory. If you had used the Commission-approved methodology, what would be the effect upon the costs for First-Class letters that are shown in Table II-2 on page 4 of your testimony, USPS-T-25? Please provide a version of Table II-2 that shows how the costs for First-Class letters would change if you had used the Commission-approved methodology.

MMA/USPS-T25-1 RESPONSE:

- (B) Answered previously.
- (C) Attachment I to this response provides Table II-2 Total Mail Processing Unit Cost Results for all First-Class rate categories listed in the table. These costs are based on the following elements:
 - (1) Witness Hatfield's models with productivities based on volume variabilities of 100 percent;
 - (2) Operation-specific piggyback factors developed based on LR-H-215; and

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- (3) Benchmark costs (or costs by shape) based on the piggyback factors developed as stated in item 2, and based on LR-H-196 and 215, and LIOCATT. The benchmark costs are calculated consistent with LR-MCR-10 in Docket No. MC95-1, with the following modifications. *Modifications were made (a) to better account for RBCS growth between the base year and the test year; (b) to reflect additional CSBCS processing for automation carrier route presort; (c) to better reflect RBCS piggyback costs; and (d) to reconcile only labor costs by shape for the benchmarks, as opposed to total costs, with test year costs because overall piggyback factors for First-Class presort were not available based on LR-H-215.*

TABLE II-2

TOTAL MAIL PROCESSING UNIT COST RESULTS

First-Class Rate Category	Cost (in cents)
Nonautomation presort letters	9.3779
Automation basic presort letters	6.5947
Automation 3-digit presort letters	5.5707
Automation 5-digit presort letters	3.5113
Automation carrier route presort letters	2.3136
Nonautomation presort cards	6.7976
Automation basic presort cards	4.7802
Automation 3-digit presort cards	4.0379
Automation 5-digit presort cards	2.5452
Automation carrier route presort cards	0.9337

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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