

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-1000

RECEIVED

NOV 17 4 56 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 SMITH
TO INTERROGATORY OF ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-ST46-1)**

The United States Postal Service hereby files the response of witness Marc Smith to the following interrogatory of the Alliance of Nonprofit Mailers, filed November 6, 1997: ANM/USPS-ST46-1.

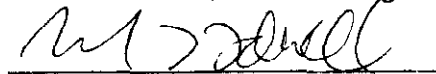
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202)268-2998/FAX: -5402
November 17, 1997

RESPONSE OF U.S. POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

ANM/USPS-ST46-1. Please refer to the errata to Library Reference LR-H-111, filed October 28, 1997 that adds references to USPS LR-H-195 at pages 4, 14, 15, and also at Appendix A, Table 1; Appendix C, Tables 5-7; Appendix C, Table 8; and Appendix E, Table 1, 2, 3 and 8.

a. For the reference to LR-H-195 at page 4, please indicate precisely by page, line, and column, or cell, where the "[e]stimates for the percentage of mail dropshipped to origin and destination facilities (Y^{origin} , Y^{DBMC} , and Y^{DSCF})" can be found in LR-H-195.

b. If each datum referenced in preceding part (a) does not appear in LR-H-195, but must be computed from other data on nonprofit mail presented there, please indicate all data and computations necessary to derive (Y^{origin} , Y^{DBMC} , and Y^{DSCF}) for nonprofit Standard A Mail and exactly which data was used and the precise source of the data by document, page, line, and column.

c. Please provide a precise reference to the document, page, line and column where all nonprofit entry point profile data used in LR-H-111 and referred to in LR-H-195 at page 14 came from.

d. Please provide a precise reference by line, and column for all nonprofit pieces per container data used in LR-H-111 and referenced as being from LR-H-195 at page 15.

e. Please refer to the reference to LR-H-195 in Appendix A, Table 1, and indicate precisely where the nonprofit ODU data referred to in footnote 1 are located in LR-H-195 by page, line, and column.

f. In Appendix C, Table 5, please provide a precise reference by page, line, and column to all data in LR-H-195 that are associated with, or were used to compute, the costs per pound shown in Table 5. If the nonprofit data in LR-H-195 are not identical to the data in Table 5, please indicate precisely by page, line and column all nonprofit data from LR-H-195 that were used, provide the formulas in which they were used, and show how they were used to derive the data that appear in Table 5.

g. In Appendix C, Table 8, please provide a precise reference to the page, line, and column to all data in LR-H-195 that are associated with, or were used to compute, the array of data shown in Table 8. If the nonprofit data in LR-H-195 are not identical to the data in Table 8, please indicate precisely all nonprofit data from LR-H-195 that were used, provide the formulas in which they were used, and show how they were used to derive any data in Table 8 that were derived from data in LR-H-195.

h. In Appendix E, Tables 1, 2, and 3, please provide a precise reference to the page, line and column where all data in LR-H-195 that were used to compute the input percentages for sack, tray and pallet models shown in those three tables are presented. If the nonprofit data in LR-H-195 are not identical to the data in Tables 1, 2 and 3, please indicate precisely all nonprofit data from LR-H-195 that were used, provide the formulas in which they were

**RESPONSE OF U.S. POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

used, and show how they were used to derive the data that appear in those three tables.

i. In Appendix E, Table 8, please provide a precise reference by page, line and column to the nonprofit pieces per sack, tray and pallet in LR-H-195 that appear in Table 8. If the data in LR-H-195 do not correspond to the figures shown in Table 8 (indicated by footnote 7), please indicate precisely all nonprofit data from LR-H-195 that were used, provide the formulas in which they were used, and show how they were used to derive the pieces per sack, tray and pallet data that appear in Table 8.

RESPONSE:

- a. It is important to note that the dropship cost savings calculated for Standard Mail (A) shows the aggregate savings for both Regular Rate and Nonprofit. Therefore, all of the regular rate and nonprofit inputs into the dropship analysis have been aggregated.

The numbers used in estimating the percentage of mail dropshipped to origin and destination facilities (Y^{origin} , Y^{DBMC} , and Y^{DSCF}) are from Table 18 on page 26 in LR-H-195 and Table 18 on page 26 in LR-H-105. These two tables are structurally identical; they differ only in that Table 18 from LR-H-105 is the Standard Mail (A) Regular Rate mail entry profile and Table 18 from LR-H-195 is the Standard Mail (A) Nonprofit mail entry profile. In order to calculate the percentage of all mail dropshipped to origin and destination facilities, the Regular Rate and Nonprofit weight figures from each corresponding Table 18 were added together and divided by the aggregate total. For example, in Table 18 of LR-H-105, under "Weight (Thousands)," the first row shows all Standard Mail (A)

RESPONSE OF U.S. POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

Regular Rate pounds that were either dropshipped or plantloaded to the Originating Delivery Unit (ODU). The figures from this table were added together with the corresponding row from Table 18 of LR-H-195 (Standard Mail (A) Nonprofit pounds) in order to calculate the aggregate regular rate and nonprofit entry profile percentages by weight at the ODU. The same exercise was repeated for the OSCF, OBMC, DBMC, DSCF, and DDU. The combined Standard Mail (A) Regular Rate and Nonprofit entry profile in pounds is shown in LR-H-111, Appendix A, Table 1. The 4.61 percent of ODU entry shown in Appendix A, Table 1 is calculated from Table 18 from both library references by taking ratio of total (Regular and Nonprofit) Standard A pounds entered at the ODU which is $366,639 + 47,105$ and total Standard A pounds which is $8,160,261 + 822,827$.

- b. Please see the response to (a). Again, it is important to note that Y^{origin} , Y^{DBMC} , and Y^{DSCF} are not computed solely for Standard Mail (A) Nonprofit in LR-H-111. Rather, these percentages are calculated for Standard Mail (A) Regular Rate and Standard Mail (A) Nonprofit on an aggregate level.
- c. See the response to (a).
- d. Much like the entry point profile, the pieces per container were also aggregated for Standard Mail (A) Regular Rate and Standard Mail (A)

RESPONSE OF U.S. POSTAL SERVICE WITNESS SMITH TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

Nonprofit. Table 17 on page 25 in LR-H-105 and Table 17 on page 25 in LR-H-195 each contain the Containers, Pieces, and Pieces per Container for Standard Mail (A) Regular Rate and Standard Mail (A) Nonprofit, respectively. In a similar manner as was done for the mail entry point profile, the data from the two Table 17s were summed together to produce aggregate containers, aggregate pieces, and then aggregate pieces per container across both Standard Mail (A) regular rate and nonprofit. The aggregate pieces per container were the figures used in LR-H-111. For instance, the 141 pieces per sack shown in Appendix E, Table 8 is calculated by first totaling the Regular and Nonprofit pieces in sacks, $9,467,614,022 + 1,603,427,193 = 11,071,041,215$. Then compute the total number of sacks $66,612,945 + 12,095,157 = 78,708,102$. Pieces per sack is $11,071,041,215 / 78,708,102 = 140.66$.

- e. The ODU data referred to in footnote 1 of LR-H-111, Appendix A, Table 1, is from Tables 18 of LR-H-195 and LR-H-105, in the table under the "Weight (Thousands)" heading. Please note again that the regular rate and nonprofit data are combined in the Standard Mail (A) portion of the dropship analysis. Therefore, although footnote 1 of LR-H-111, Appendix A, Table 1 refers to LR-H-195, it also refers to LR-H-105, since the data from both regular rate and nonprofit are aggregated in this analysis. LR-H-111, Appendix A, Table 1 shows the results of the aggregation for the

RESPONSE OF U.S. POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

mail entry point profile. For a detailed description of how the data was aggregated, see the response to (a).

- f. The costs per pound shown in LR-H-111, Appendix C, Table 5 are calculated in LR-H-111, Appendix D as noted above Table 5 and does not rely on LR-H-195. Table 8 (which is based on LR-H-195 and LR-H-105), however, incorrectly indicates that the results of Table 8 are used in Table 5. This will be revised to indicate that the results of Table 8 are used in Table 6 and that Table 5 along with Table 6 are used to obtain Table 7. Table 6 is taken directly from Table 8, which is discussed in part g of this question.
- g. Appendix C, Table 8 is calculated by adding together the total pieces or pounds that are dropshipped and plantloaded at each facility type from Table 18 on page 26 of LR-H-195 (Standard Mail (A) Nonprofit) and the corresponding Table 18 on page 26 from LR-H-105 (Standard Mail (A) Regular Rate). The total pieces or pounds for sacks is calculated by adding the pieces or weight of regular rate and nonprofit "Loose Sacks" for each facility type. The total pieces or pounds for trays is calculated by adding the pieces or weight of regular rate and nonprofit "Loose Trays" for each facility type. The total pieces or pounds for pallets is calculated by adding the pieces or weight of "Trays on Pallets" and "Bundles or Sacks on Pallets" for each facility type in both regular rate and nonprofit.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

- h. The first table in Appendix E, Table 1 shows the total number of pounds of sacked mail (excluding sacked mail on pallets) that is dropshipped and plantloaded at each entry point. It is this portion of Table 1, the first table, which is based on the mail entry profile data of LR-H-105 and LR-H-195. The total pounds in the column labeled "Dropshipped" is calculated by adding the data from Table 18 on page 26 of LR-H-195 in the column labeled "Loose Sacks, DS" to the corresponding data from Table 18 on page 26 of LR-H-105 for each entry type. The column labeled "Plantloaded" in the first table of Appendix E, Table 1 is calculated from the column marked "Loose Sacks, PL" in Table 18 of both LR-H-105 and LR-H-195. The same is true for the top portions of Tables 2 and 3 of Appendix E. For Table 2, the total pounds that is dropshipped and plantloaded for trays is calculated from the (DS and PL) columns labeled "Loose Trays" in the Weight Table from Table 18 of both LR-H-105 and LR-H-195. Table 3 of Appendix E, the top portion, is calculated by adding the pounds from the (DS and PL) columns labeled "Trays on Pallets" and "Bundles or Sacks on Pallets." The bottom two tables in Appendix E, Tables 1, 2, and 3 use the pound totals from the top of each page to determine the percent of pound volume that is on each flowpath. The flowpaths and the proportion of mail on each flowpath are shown in

**RESPONSE OF U.S. POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

Appendix A, Table 3. These proportions were calculated in MC95-1 and MC96-2 and do not rely on any of the new mail characteristics data.

In responding to this question, it was determined that the data from Table 18 of LR-H-195 had been erroneously omitted from the top portions of Tables 1,2, and 3 in Appendix E. Only the data from Table 18 of LR-H-105 was incorporated. Revised Tables 1, 2, and 3 of Appendix E will be filed showing the combined Regular and Nonprofit entry profile and the revised calculation of non-transportation costs. The impact of this change on the cost avoidances is very small. The only impact is that the Destination SCF cost avoided declines from 11.05 cents per pound to 11.04 cents per pound. The other cost avoidances are unchanged.

- i. See response to part d.

DECLARATION

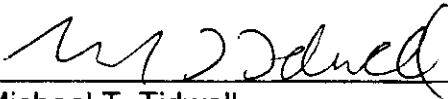
I, Marc A. Smith, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

11/17/97
Date

Marc A. Smith
Marc A. Smith

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.


Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
November 17, 1997