

DOCKET SECTION

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

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DOCKET NO. R97-1

Docket No. R97-1


**THE BROOKLYN UNION GAS COMPANY  
RESPONSES TO UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO WITNESS BENTLEY  
(USPS/BUG-T1-1-8)**

The Brooklyn Union Gas Company hereby provides responses to the following interrogatories of the United States Postal Service (USPS/BUG-T1-1-8). Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

The Brooklyn Union Gas Company

By:

  
\_\_\_\_\_  
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Dated: Washington, D.C.  
January 30, 1998

Attorneys for  
The Brooklyn Union Gas Company

USPS/BUG-T1-1. Please refer to pages 3 and 4 of Exhibit BUG-1A.

(a) Please confirm that in the unit cost calculations, you identify Exhibit USPS-T-23D as the source for the piggyback factors you used in the Outgoing Primary operations.

(b) Is Exhibit USPS-T-23D the source of the piggyback factors you used in those operations? If not please identify the source.

RESPONSE:

(a) Confirmed.

(b) The piggyback factors I used were not correct. The correct piggyback factors are shown on Exhibit USPS-T23D. Relevant corrections to my Exhibit BUG-1A are shown on Attachment I. The corrections also slightly affect four numbers my testimony: (1) in the first line of footnote 7 on page 8, the range of PRM unit costs should be changed to 3.9 to 5.6 cents; and (2) in the line labeled "Average PRM" on Table 1, which appears on page 10, the numbers in the second and fourth columns should be changed to 5.0 and 25.0 cents, respectively. Appropriate revisions will be incorporated in my testimony and exhibits at the hearing.

The magnitude of these changes is quite small and is in the direction that further supports my conclusion that "the cost to process and deliver these reply letters [PRM] is comparable to, if not less than, the cost of processing and delivering a First-Class Automation letter." (BUG-T-1, p. 8).

# Attachment I

## Exhibit BUG-1A (Revised 1/30/98)

Estimation Of Labor Plus Delivery Costs for  
PRM, Average Automation and Average First-Class Letters

First-Class Rate Category	(1) Total Labor Cost	(2) Delivery Operations	(3) Total Labor Plus Delivery (1) + (2)	(4) USPS Proposed 1-Ounce Revenue	(5) Revenue Less (Labor Plus Delivery) (4) - (3)
PRM (Basic after primary sort)	5.6 1/	0 2/	5.6	30.0	24.4
PRM (3-Digit after primary sort)	5.5 1/	0 2/	5.5	30.0	24.5
PRM (5-Digit after primary sort)	3.9 1/	0 2/	3.9	30.0	26.1
<b>Estimated Average PRM</b>	<b>5.0 1/</b>	<b>0 2/</b>	<b>5.0</b>	<b>30.0</b>	<b>25.0</b>
Basic Automation	5.3 3/	3.7 3/	9.0	27.5 4/	18.5
3-Digit Automation	4.5 3/	3.7 3/	8.2	26.5 4/	18.3
5-Digit Automation	3.0 3/	3.6 3/	6.6	24.9 4/	18.3
<b>Average Automation</b>	<b>4.2 3/</b>	<b>3.6 3/</b>	<b>7.9</b>	<b>26.2 4/</b>	<b>18.3</b>
<b>Average Non-presorted</b>	<b>11.7 5/</b>	<b>5.0 6/</b>	<b>16.7</b>	<b>33.0</b>	<b>16.3</b>

1/ See page 2

2/ Assumed to be zero because of high volume received

3/ See page 4

4/ See page 5

5/ LR H-106, p. II-5

6/ Exhibit USPS-29C, p. 1

Estimation of Labor Costs for PRM

	(1)	(2)	(3)	(4)	(5)
Outgoing PRM Sort Depth	Modeled	Non-Modeled			TY BR
<u>After Outgoing Primary Sort</u>	Unit Labor	Unit Labor	Mail	Unit Labor	Est. Volume
	<u>Cost</u>	<u>Cost</u>	<u>Preparation</u>	<u>Cost</u>	<u>Percentage</u>
	(Cents)	(Cents)	(Cents)	(1) + (2) + (3)	
Basic	3.9699	0.9869	0.683	5.6398	33%
3-Digits	3.8123	0.9619	0.683	5.4572	33%
5-Digits	2.4782	0.7503	0.683	3.9115	33%
Weighted Average				5.0023	

Col (1) Derived on pages 3 and 4

Col (2) Col (1) x .1586 + .3573; see Exhibit USPS-25A, p. 1

Col (3) Attachment to POIR No. 5 Question 19 response

Col (5) The exact volume mix after the outgoing primary sortation is unknown. Due to the lack of data, assume an equal distribution. This is a conservative assumption since PRM will exhibit very high densities, especially near the delivery office, because of the high volumes received by each PRM recipient.

Development of First-Class PRM Mail Processing Model Unit Costs  
(If Sorted to Basic After the Outgoing Primary)

Outgoing Pri	TPE	Pieces	Wage	Cents	Piggyback	Premium	Cents	Weighted
		Per Hour	Rate	Per Piece	Factor	Pay Adj	Per Piece	Cost
MPBCS/DBC	9,818	7,467	25.445	0.3408	1.719	0.0037	0.5895	0.5788
Manual	673	662	25.445	3.8437	1.372	0.0423	5.3158	0.3578

Source: Exhibit USPS-T-23D

ADC/AADC Distribution

Manual	398	759	25.445	3.3524	1.372	0.0369	4.6364	0.1845
BCS	5,569	7,467	26.445	0.3542	1.719	0.0039	0.6127	0.3412

SCF Operations

Manual	58	896	29.445	3.2863	1.327	0.0361	4.3970	0.0255
BCS	3,397	7,467	30.445	0.4077	1.719	0.0045	0.7054	0.2396

Incoming Primary

Manual	322	562	\$25.45	4.5276	1.372	0.0498	6.2616	0.2016
BCS	1,496	7,467	\$25.45	0.3408	1.719	0.0037	0.5895	0.0882

Incoming Secondary

Manual/Non-	1,347	1,143	\$25.45	2.2262	1.372	0.0245	3.0788	0.4147
Manual/Auto	1,482	646	\$25.45	3.9389	1.372	0.0433	5.4474	0.8073
BCS	2,231	6,633	\$25.45	0.3836	1.719	0.0042	0.6636	0.1481
DBCS First-P	5,724	8,393	\$25.45	0.3032	2.434	0.0033	0.7412	0.4243
CSBCS First-	5,438	17,124	\$25.45	0.1486	1.948	0.0016	0.2911	0.1583

Source: Exhibit USPS-T-25, Appendix I, p. 13

MODEL COST 3.9699

Development of First-Class PRM Mail Processing Model Unit Costs  
(If Sorted to 3-Digits After the Outgoing Primary)

	TPE	Pieces	Wage	Cents	Piggyback	Premium	Cents	Weighted
		Per Hour	Rate	Per Piece	Factor	Pay Adj	Per Piece	Cost
<u>Outgoing Primary</u>								
MPBCS/DBCS	9,818	7,467	25.445	0.3408	1.719	0.0037	0.5895	0.5788
Manual	673	662	25.445	3.8437	1.372	0.0423	5.3158	0.3578

Source: Exhibit USPS-T-23D

<u>Incoming Primary</u>								
Manual	935	562	\$25.45	4.5276	1.372	0.0498	6.2616	0.5855
BCS	9,657	7,467	\$25.45	0.3408	1.719	0.0037	0.5895	0.5693

<u>Incoming Secondary</u>								
Manual/Non-Auto Sites	1,345	1,143	\$25.45	2.2262	1.372	0.0245	3.0788	0.4141
Manual/Auto Sites	1,242	646	\$25.45	3.9389	1.372	0.0433	5.4474	0.6766
BCS	2,306	6,633	\$25.45	0.3836	1.719	0.0042	0.6636	0.1530
DBCS First-Pass	5,916	8,393	\$25.45	0.3032	2.434	0.0033	0.7412	0.4385
CSBCS First-Pass	1,330	17,124	\$25.45	0.1486	1.948	0.0016	0.2911	0.0387

Source: Exhibit USPS-T-25, Appendix I, p. 16

MODEL COST 3.8123

Development of First-Class PRM Mail Processing Model Unit Costs  
(If Sorted to 5-Digits After the Outgoing Primary)

	TPE	Pieces	Wage	Cents	Piggyback	Premium	Cents	Weighted
		Per Hour	Rate	Per Piece	Factor	Pay Adj	Per Piece	Cost
<u>Outgoing Primary</u>								
MPBCS/DBCS	9,818	7,467	25.445	0.3408	1.719	0.0037	0.5895	0.5788
Manual	673	662	25.445	3.8437	1.372	0.0423	5.3158	0.3578

Source: Exhibit USPS-T-23D

<u>Incoming Secondary</u>								
Manual/Non-Auto Sites	1,345	1,143	\$25.45	2.2262	1.372	0.0245	3.0788	0.4141
Manual/Auto Sites	852	646	\$25.45	3.9389	1.372	0.0433	5.4474	0.4641
BCS	2,427	6,633	\$25.45	0.3836	1.719	0.0042	0.6636	0.1611
DBCS First-Pass	6,227	8,393	\$25.45	0.3032	2.434	0.0033	0.7412	0.4616
CSBCS First-Pass	1,400	17,124	\$25.45	0.1486	1.948	0.0016	0.2911	0.0408

Source: Exhibit USPS-T-25, Appendix I, p. 18

MODEL COST 2.4782

Estimation of Labor and Delivery Costs  
for Average First-Class Automation Letters

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Modeled	Non-Modeled				USPS Proposed		TY BR
Automation	Unit Labor	Unit Labor	Unit Labor	Unit Delivery	Labor + Del	1-Ounce	TY BR	Volume
<u>Presort Level</u>	<u>Cost</u>	<u>Cost</u>	<u>Cost</u>	<u>Cost</u>	<u>Unit Cost</u>	<u>Unit Revenue</u>	<u>Volume</u>	<u>Percentage</u>
	(Cents)	(Cents)	(1) + (2)	(Cents)	(3) + (4)	(Cents)	(Mill)	(7) / 34,303
Basic	4.2822	1.0365	5.3187	3.7110	9.0297	27.5	4,285	12%
3-Digits	3.6167	0.9309	4.5476	3.6520	8.1996	26.5	20,643	60%
5-Digits	2.3038	0.7227	3.0265	3.5730	6.5995	24.9	9,375	27%
Weighted Average			4.2282	3.6378	7.8660	26.2	34,303	100%

Col (1) Exhibit USPS-25A, p. 1

Col (2) Id.

Col (4) Exhibit USPS-29C, p. 1

Col (7) Exhibit USPS-25A, p. 2



USPS/BUG-T1-2. Please refer to pages 3 and 4 of Exhibit BUG-1A.

- (a) Please confirm that in the unit cost calculations, you used non-volume variable productivities for the Outgoing Primary operations.
- (b) Please confirm that for all remaining operations in the unit cost calculations, you then used volume variable productivities.
- (c) Please explain why both non-volume and volume variable productivities were used in your unit cost calculations.

RESPONSE:

(a), (b), (c) Please see my answer to USPS/BUG-T1-1(b). The productivity factors I used for the outgoing primary sortation are incorrect. The source for the productivity factors should be Exhibit USPS-T23D and the relevant corrections are shown on Attachment I. The magnitude of the changes is quite small and is in the direction that further supports my conclusion that "the cost to process and deliver these reply letters [PRM] is comparable to, if not less than, the cost of processing and delivering a First-Class Automation letter." (BUG-T-1, p. 8)

USPS/BUG-T1-3. Your unit cost calculations mixed the results from both the single piece cost models used by USPS witness Miller (USPST-23) and the First-Class presort cost models used by USPS witness Hatfield (USPS-T-25). The costs from those models, however, were based on inputs (e.g., coverage factors, premium pay factors) which were not identical for both First-Class single piece mail and First-Class presort mail. Please explain why you used this mixed cost methodology and the impact that this methodology had on your results.

RESPONSE:

Pages 3 and 4 of Exhibit BUG-1A (corrected in Attachment I to my response to Interrogatory USPS/BUG-T-1(b)) analyze PRM labor costs separately for the outgoing primary operation and all other operations. The outgoing primary operation analysis relies on data provided by USPS witness Miller. As you note, *he uses input data that reflect single piece cost models.*

After the outgoing primary operation, PRM will take on unique characteristics that are unknown. I used the characteristics of presorted letters as a proxy for the distribution of PRM. I do not know to what presort depth PRM will be sorted to after the outgoing primary. Therefore, I assumed that one-third of PRM letters would be sorted in the same manner and to the same depth as basic automated letters, one-third would be sorted in the same manner and to the same depth as 3-digit automated letters, and one-third would be sorted in the same manner as 5-digit automated letters.

Because PRM will exhibit very high densities, such an assumption is reasonable and conservative. See footnote for Column 5 on page 2 of Exhibit BUG-1A.

For the premium pay factor, I used 1.1 % for both the outgoing primary and all other operations.

The purpose of Exhibit BUG-1A is to show that the cost to process PRM is comparable to, if not less than, the cost of processing and delivering First-Class Automation letters. Since my analysis indicates that PRM costs almost three full cents less than an average First-Class Automation letter, the impact of understating the PRM cost by anything less than 3 full cents is inconsequential.

USPS/BUG-T1-4. Please refer to page 3 of Exhibit BUG-1A.

(a) Explain why the unit cost calculations (sorted to Basic after the Outgoing Primary) shown on this page did not include any Outgoing Secondary costs.

(b) Confirm that the only way Outgoing Secondary costs could be avoided in this situation is if all Outgoing Primary operations in the Postal Service had the bin capacity necessary to finalize all mail pieces to the ADC/AADC level. If you do not confirm, please explain.

RESPONSE:

(a) I assumed that after the outgoing primary, all PRM would be sorted to at least the ADC/AADC level for three reasons. First, PRM letter mail will be characterized by very high densities. Once recognized in the outgoing primary, such mail should be able to be sorted to at least the ADC/AADC level. Second, as shown in USPS-T-25, Appendix I, page 13, less than 9% of the pieces require an outgoing secondary sort. Finally, my assumption that, after the primary sortation process, one-third of PRM will be sorted to basic, one-third will be sorted to 3-digit, and one-third will be sorted to 5-digit is very conservative. For instance, I did not have any means to reflect situations where very large quantities of local PRM letters completely bypass the incoming primary and secondary operations, as discussed on page 7 of my testimony. The operations of potential PRM recipients, like Brooklyn Union, who distribute reply envelopes locally, provide examples of PRM letters that will bypass the incoming primary sort, the incoming secondary sort, and the sort to carrier operations. In such situations, the mail can be sorted beyond carrier route, directly to the end recipient, in one pass during the outgoing primary sortation process. For these reasons, I felt it was reasonable to omit the outgoing secondary sortation.

Nevertheless, I have calculated the impact on PRM unit costs of omitting the outgoing secondary sortation. As shown in Attachment II, the impact is only .09 cents on the basic portion of PRM mail processing model costs shown on page 3, and zero on the estimated average PRM cost shown on page 1.

(b) Not Confirmed. Outgoing secondary costs can be avoided only if in the outgoing primary operation, the Postal Service has sufficient bins necessary to finalize all mail pieces to the ADC/AADC level or better.

**Estimation Of Labor Plus Delivery Costs for  
PRM, Average Automation and Average First-Class Letters**

First-Class <u>Rate Category</u>	(1) Total <u>Labor Cost</u>	(2) Delivery <u>Operations</u>	(3) Total Labor Plus <u>Delivery</u> (1) + (2)	(4) USPS Proposed 1-Ounce <u>Revenue</u>	(5) Revenue Less (Labor Plus Delivery) (4) - (3)
PRM (Basic after primary sort)	5.7 1/	0 2/	5.7	30.0	24.3
PRM (3-Digit after primary sort)	5.5 1/	0 2/	5.5	30.0	24.5
PRM (5-Digit after primary sort)	3.9 1/	0 2/	3.9	30.0	26.1
<b>Estimated Average PRM</b>	<b>5.0 1/</b>	<b>0 2/</b>	<b>5.0</b>	<b>30.0</b>	<b>25.0</b>
Basic Automation	5.3 3/	3.7 3/	9.0	27.5 4/	18.5
3-Digit Automation	4.5 3/	3.7 3/	8.2	26.5 4/	18.3
5-Digit Automation	3.0 3/	3.6 3/	6.6	24.9 4/	18.3
<b>Average Automation</b>	<b>4.2 3/</b>	<b>3.6 3/</b>	<b>7.9</b>	<b>26.2 4/</b>	<b>18.3</b>
<b>Average Non-presorted</b>	<b>11.7 5/</b>	<b>5.0 6/</b>	<b>16.7</b>	<b>33.0</b>	<b>16.3</b>

1/ See page 2

2/ Assumed to be zero because of high volume received

3/ See page 4

4/ See page 5

5/ LR H-106, p. II-5

6/ Exhibit USPS-29C, p. 1

Estimation of Labor Costs for PRM

	(1)	(2)	(3)	(4)	(5)
	Modeled	Non-Modeled			TY BR
Outgoing PRM Sort Depth	Unit Labor	Unit Labor	Mail	Unit Labor	Est. Volume
<u>After Outgoing Primary Sort</u>	<u>Cost</u>	<u>Cost</u>	<u>Preparation</u>	<u>Cost</u>	<u>Percentage</u>
	(Cents)	(Cents)	(Cents)	(1) + (2) + (3)	
Basic	4.0578	1.0009	0.683	5.7417	33%
3-Digits	3.8123	0.9619	0.683	5.4572	33%
5-Digits	2.4782	0.7503	0.683	3.9115	33%
Weighted Average				5.0363	

Col (1) Derived on pages 3 and 4

Col (2) Col (1) x .1586 + .3573; see Exhibit USPS-25A, p. 1

Col (3) Attachment to POIR No. 5 Question 19 response

Col (5) The exact volume mix after the outgoing primary sortation is unknown. Due to the lack of data, assume an equal distribution. This is a conservative assumption since PRM will exhibit very high densities, especially near the delivery office, because of the high volumes received by each PRM recipient.

**Development of First-Class PRM Mail Processing Model Unit Costs  
(If Sorted to Basic After the Outgoing Primary)**

		Pieces	Wage	Cents	Piggyback	Premium	Cents	Weighted
	TPF	Per Hour	Rate	Per Piece	Factor	Pay Adj	Per Piece	Cost
<u>Outgoing Primary</u>								
MPBCS/DBCS	9,818	7,467	25.445	0.3408	1.719	0.0037	0.5895	0.5788
Manual	673	662	25.445	3.8437	1.372	0.0423	5.3158	0.3578
<u>Outgoing Secondary</u>								
Manual	81	691	25.445	3.6823	1.372	0.0405	5.0927	0.0413
BCS	792	7467	25.445	0.3408	1.719	0.0037	0.5895	0.0467
<u>ADC/AADC Distribution</u>								
Manual	398	759	25.445	3.3524	1.372	0.0369	4.6364	0.1845
BCS	5,569	7,467	26.445	0.3542	1.719	0.0039	0.6127	0.3412
<u>SCF Operations</u>								
Manual	58	896	29.445	3.2863	1.327	0.0361	4.3970	0.0255
BCS	3,397	7,467	30.445	0.4077	1.719	0.0045	0.7054	0.2396
<u>Incoming Primary</u>								
Manual	322	562	\$25.45	4.5276	1.372	0.0498	6.2616	0.2016
BCS	1,496	7,467	\$25.45	0.3408	1.719	0.0037	0.5895	0.0882
<u>Incoming Secondary</u>								
Manual/Non-Auto Sites	1,347	1,143	\$25.45	2.2262	1.372	0.0245	3.0788	0.4147
Manual/Auto Sites	1,482	646	\$25.45	3.9389	1.372	0.0433	5.4474	0.8073
BCS	2,231	6,633	\$25.45	0.3836	1.719	0.0042	0.6636	0.1481
DBCS First-Pass	5,724	8,393	\$25.45	0.3032	2.434	0.0033	0.7412	0.4243
CSBCS First-Pass	5,438	17,124	\$25.45	0.1486	1.948	0.0016	0.2911	0.1583

Source: Exhibit USPS-T-25, Appendix I, p. 13

MODEL COST            4.0578



**Development of First-Class PRM Mail Processing Model Unit Costs  
(If Sorted to 3-Digits After the Outgoing Primary)**

<u>Outgoing Primary</u>	TPF	Pieces	Wage	Cents	Piggyback	Premium	Cents	Weighted
		Per Hour	Rate	Per Piece	Factor	Pay Adj	Per Piece	Cost
MPBCS/DBCS	9,818	7,467	25.445	0.3408	1.719	0.0037	0.5895	0.5788
Manual	673	662	25.445	3.8437	1.372	0.0423	5.3158	0.3578

Source: Exhibit USPS-T-23D

<u>Incoming Primary</u>								
Manual	935	562	\$25.45	4.5276	1.372	0.0498	6.2616	0.5855
BCS	9,657	7,467	\$25.45	0.3408	1.719	0.0037	0.5895	0.5693
<u>Incoming Secondary</u>								
Manual/Non-Auto Sites	1,345	1,143	\$25.45	2.2262	1.372	0.0245	3.0788	0.4141
Manual/Auto Sites	1,242	646	\$25.45	3.9389	1.372	0.0433	5.4474	0.6766
BCS	2,306	6,633	\$25.45	0.3836	1.719	0.0042	0.6636	0.1530
DBCS First-Pass	5,916	8,393	\$25.45	0.3032	2.434	0.0033	0.7412	0.4385
CSBCS First-Pass	1,330	17,124	\$25.45	0.1486	1.948	0.0016	0.2911	0.0387

Source: Exhibit USPS-T-25, Appendix I, p. 16

MODEL COST 3.8123

**Development of First-Class PRM Mail Processing Model Unit Costs  
(If Sorted to 5-Digits After the Outgoing Primary)**

<u>Outgoing Primary</u>	TPF	Pieces	Wage	Cents	Piggyback	Premium	Cents	Weighted
		Per Hour	Rate	Per Piece	Factor	Pay Adj	Per Piece	Cost
MPBCS/DBCS	9,818	7,467	25.445	0.3408	1.719	0.0037	0.5895	0.5788
Manual	673	662	25.445	3.8437	1.372	0.0423	5.3158	0.3578

Source: Exhibit USPS-T-23D

<u>Incoming Secondary</u>								
Manual/Non-Auto Sites	1,345	1,143	\$25.45	2.2262	1.372	0.0245	3.0788	0.4141
Manual/Auto Sites	852	646	\$25.45	3.9389	1.372	0.0433	5.4474	0.4641
BCS	2,427	6,633	\$25.45	0.3836	1.719	0.0042	0.6636	0.1611
DBCS First-Pass	6,227	8,393	\$25.45	0.3032	2.434	0.0033	0.7412	0.4616
CSBCS First-Pass	1,400	17,124	\$25.45	0.1486	1.948	0.0016	0.2911	0.0408

Source: Exhibit USPS-T-25, Appendix I, p. 18

MODEL COST 2.4782

**Estimation of Labor and Delivery Costs  
for Average First-Class Automation Letters**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Modeled	Non-Modeled				USPS Proposed		TY BR
Automation	Unit Labor	Unit Labor	Unit Labor	Unit Delivery	Labor + Del	1-Ounce	TY BR	Volume
<u>Presort Level</u>	<u>Cost</u>	<u>Cost</u>	<u>Cost</u>	<u>Cost</u>	<u>Unit Cost</u>	<u>Unit Revenue</u>	<u>Volume</u>	<u>Percentage</u>
	(Cents)	(Cents)	(1) + (2)	(Cents)	(3) + (4)	(Cents)	(Mil)	(7) / 34,303
Basic	4.2822	1.0365	5.3187	3.7110	9.0297	27.5	4,285	12%
3-Digits	3.6167	0.9309	4.5476	3.6520	8.1996	26.5	20,643	60%
5-Digits	2.3038	0.7227	3.0265	3.5730	6.5995	24.9	9,375	27%
Weighted Average			4.2282	3.6378	7.8660	26.2	34,303	100%

Col (1) Exhibit USPS-25A, p. 1

Col (2) Id.

Col (4) Exhibit USPS-29C, p. 1

Col (7) Exhibit USPS-25A, p. 2

USPS/BUG-T1-5. Please refer to page 1 of Exhibit BUG-1A.

(a) Explain the basis for your assumption that PRM mail pieces would incur zero delivery costs.

(b) Explain why your analysis does not include any function 2 "(Delivery Services)" costs associated with PRM (e.g., carriers collecting outgoing mail at their delivery points, clerks removing collection mail that has been deposited in boxes and slots found at Delivery Units, carriers and clerks consolidating collection mail into rolling stock prior to it being dispatched to a Plant).

RESPONSE:

(a) One of my proposed modifications to the Postal Service's PRM proposal is that all PRM letters would be required to be addressed to and delivered to a post office box. See my testimony, page 7. As such, by definition PRM will bypass the entire delivery network. Accordingly, I have assumed a delivery cost of zero.

(b) If these costs are known and attributable to single piece First-Class mail, then they should be added to the cost of processing and delivering PRM and average First-Class Mail, but not to the cost of processing and delivering First-Class Automation mail. I have not explicitly included these costs in my analysis, although I may have included a portion of them in the same manner as USPS witness Hatfield. Please see his response to Interrogatory ABA&EEI&NAPM/USPS-T25-21.

The purpose of Exhibit BUG-1A is to show that the cost to process PRM is comparable to, if not less than, the cost of processing and delivering First-Class Automation letters. Since my analysis indicates that PRM costs almost three full

cents less than an average First-Class Automation letter, the impact of understating the PRM cost by anything less than 3 full cents is inconsequential.

USPS/BUG-T1-6. On page 5 of Exhibit BUG-1A, the table shows 8 columns, but only 5 corresponding notes are listed below. What are the corresponding notes for columns 6 through 8?

RESPONSE:

As shown in the column headings on that page, Column (3) is equal to Column (1) plus Column (2), Column (5) is equal to Column (3) plus Column (4), Column (8) should be corrected to read as Column (7) divided by 34,303, and the footnote for Col (5) should be changed to Col (7). A corrected page 5 is provided as part of Attachment I in response to Interrogatory USPS/BUG-T1-1(b).

USPS/BUG-T1-7. On page 4, lines 1-5 of your testimony, you state that you recommend modifying the Postal Service's PRM proposal so that the postage is paid on the exact number of pieces when they are delivered.

RESPONSE:

(a) On page 8, lines 3-5, of your testimony, you suggest that the mailer could perform these counting and rating functions by using weight averaging techniques or computers. Please elaborate on how the postage calculation would be performed.

(b) Please confirm that the mail recipient would still pay the \$1,000 monthly fee proposed for PRM to cover Postal Service auditing and administrative activities.

(c) Please describe generally the type of Postal Service audit and verification activities that your proposal contemplates.

RESPONSE:

(a) My proposal does not anticipate any changes from what the Postal Service has proposed, except that the actual number of pieces received will be counted rather than projected first and later counted when they are actually received. Since PRM mailers receive so many pieces it does not make sense to me to count them by hand. Therefore, mailers could either (1) weigh the entire delivery and divide by the average weight of sample pieces to estimate the quantity, and/or (2) obtain an automatic count if data from the letters received are entered into a computer. Brooklyn Union and the Postal Service experimented with such procedures for more than a year.

(b) Confirmed.

(c) I have not proposed any changes from what the Postal Service has proposed with regard to audit and verification procedures. In general, I assume

the Postal Service would perform its own PRM letter count on a periodic basis and compare the results with the counts reported by the PRM recipient.

USPS/BUG-T1-8. On page 13, lines 5-7 of your testimony, you state that, "The Postal Service's own analyses indicate that most of the PRM reply mail volume will come from mailers who migrate to PRM reply mail from BRMAS BRM service." Please confirm that witness Fronk testified (USPS-T-32, page 44, lines 10-11 that, "The total estimate of PRM in the Test year is 847.8 million pieces (the sum of 347.8 million BRM pieces and 500 million courtesy reply pieces).

RESPONSE:

Confirmed. At least at the outset of the PRM program, the major source of potential PRM recipients obviously will be existing BRMAS BRM recipients, like Brooklyn Union, since these mail recipients already pay the postage for their customers. In my opinion, the Postal Service's estimate that 500 million courtesy reply mail (CRM) pieces will migrate to PRM is somewhat optimistic. I suspect that mail recipients who choose not to pay their customers' postage for 34 cents (the existing total rate for BRMAS BRM), may still find it economically infeasible to pay their customers' postage for 30 cents (the PRM rate proposed by the Postal Service).



DECLARATION

I, Richard Bentley, declare under penalty of perjury that the answers to interrogatories USPS/BUG-T1-1-8 of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed 1/30/98

Richard Bentley

**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.

Dated at Washington, D.C., this 30th day of January, 1998.



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