

DOCKET SECTION

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

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MAIL ROOM

Postal Rate and Fee Changes

Docket No. R97-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 14

(February 27, 1998)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within seven (7) days.

1. USPS LR-H-126 calculates the changes in mail processing labor costs for First-Class and Standard (A) Mail stemming from reclassification reform and other mail volume mix changes that occurred between BY 1996 and FY 1997. It is stated that a number of changes in these cost adjustments were made too late to be included in the cost roll forward; however, it is indicated the library reference does reflect those changes (LR H-126 at II-3).

a. A comparison of table II-4 of LR H-126 which shows the calculated cost changes and witness Patelunas Workpaper B, table A6, page 83, which shows the cost adjustment implementation in the roll forward, does show differences. The amount of the adjustment in LR H-126 is \$-66.0 million and the amount in witness Patelunas Workpaper B is \$-77.5 million. Additionally, the First-Class cost adjustment in LR H-126 applies to presort letters and presort cards. The adjustment in witness Patelunas Workpaper B applies to single-piece letters and presort cards.

Please indicate which volume mix adjustment, LR H-126 or witness Patelunas Workpaper B, is the correct adjustment. If the adjustment shown in witness Patelunas Workpaper B is correct, please provide a revised LR H-126.

b. On page II-8, the unit mail processing labor cost for post-reclassification enhanced carrier route prebarcoded letters is 1.126 cents. The source for this number is given as page III-6. The unit cost for enhanced carrier route prebarcoded letters given on page III-6 is .2007. Please reconcile these numbers and provide the correct unit cost and cite for use in section II-8.

c. On page II-10, the unit mail processing labor cost for post-reclassification nonprofit enhanced carrier route prebarcoded letters is 1.092 cents. The source for this number is given as page III-8. The unit cost for enhanced carrier route prebarcoded letters given on page III-8 is .2197. Please reconcile these numbers and provide the correct unit cost and cite for use in section II-10.

d. Refer to page III-20. Please provide specific cites and any necessary calculations for the column (1) Total Cost figures.

e. Refer to chapter 8, section I, page 5. Please provide specific cites for column 2 (Bundle Sort Cost). If these costs are derived from the First-Class bundle sorting costs on page 4 of chapter 11, please provide all necessary calculations.

2. Refer to witness Thress Testimony (USPS-T-7), pages 224 through 230 and LR H-295, Spreadsheet SF_R97AR.WK4, page SHARE FORECASTS, cells AN9 through AN27 and cells BE9 through BE27.

a. In this docket, the Postal Service proposes that Standard (A) regular automation 5-digit letters be priced 0.4 cents below ECR basic letters and, as a result, witness Thress projects that 29.643 percent of regular ECR basic letter volume will migrate to automation 5-digit letters in the test year. Please provide the formula and calculate the percentage of regular ECR basic letters that will migrate to automation 5-digit letters in the test year under the following rate scenarios: (1) automation 5-digit letters are priced 0.2 cents below ECR basic letters; (2) automation 5-digit letters and ECR basic letters have the same price; and (3) automation 5-digit letters are priced 0.2 cents above ECR basic letters.

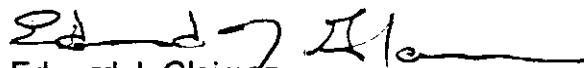
b. In this docket, the Postal Service prices Standard (A) nonprofit automation 5-digit letters 0.6 cents below nonprofit ECR basic letters in the test year and, as a result, witness Thress projects that 25.788 percent of nonprofit ECR basic letter volume will migrate to automation 5-digit letters. Please provide the formula and calculate the percentage of nonprofit ECR basic letters that will migrate to automation 5-digit letters in the test year under the following rate scenarios: (1) automation 5-digit letters are priced 0.3 cents below ECR basic letters; (2) automation 5-digit letters and ECR basic letters have the same price; and (3) automation 5-digit letters are priced 0.3 cents above ECR basic letters.

3. Refer to witness O'Hara's response to POIR No. 8, Item 15.

a. Please explain why the income figures for Correction and ZIP Coding of Mailing Lists, Meter Setting Fee, and Permit Imprint Fee in FY 1996 Billing Determinants, Section N, differ from the 1996 income balances of accounts 43381, 43330, and 43383 shown in the attachment to the response to POIR No. 8, Item 15.

b. Witness Plunkett's Workpaper 14 (USPS LR H-207) referred to by witness O'Hara in his response to POIR No. 8, Item 15, details cost adjustments to Special Services, without explaining the \$1,711,000 increase in Other Income from TYBR to TYAR "due to growth in fees." Please provide all of the sources of the \$1,711,000 increase in Other Income and show, in detail, how this increase is calculated.

4. Witness Needham (USPS-T-39) proposes an increase in the fee for Carrier Sequencing of Address Cards without providing the volume and revenue for this service. Please provide the volume and revenue for FY 1996, TYBR and TYAR, and also identify where the revenue and cost for this service are included in witness O'Hara's summaries of finances.


Edward J. Gleiman
Presiding Officer