

ORIGINAL

882

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

RECEIVED
APR 5 5 29 PM '99
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

RENEWAL OF EXPERIMENTAL CLASSIFICATION AND
FEES FOR WEIGHT-AVERAGED NONLETTER-SIZE
BUSINESS REPLY MAIL, 1999

Docket No. MC99-1

**RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS KIEFER TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-1 - T1-7)**

The United States Postal Service hereby files the responses of witness Kiefer to the following interrogatories of the Office of the Consumer Advocate, filed on March 29, 1999: OCA/USPS-T1-1 through T1-7.

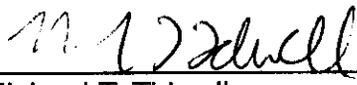
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
April 5, 1999
(Tel: (202) 268-2998/ FAX: -5402)

POSTAL RATE COMMISSION
DOCKETED
APR 5 1999
OFFICE OF THE SECRETARY

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE (OCA)

883

OCA/USPS-T1-1. Please refer to the errors and problems enumerated in your testimony at page 5. Will the Y2K moratorium imposed in the memorandum of March 9, 1999 by the Year 2000 Executive Council (see Exhibit USPS-RT-1A, attached to witness Garvey's prepared testimony in Docket No. MC98-1, filed March 22, 1999) have any effect on implementing "national postal network," which you refer to on page 6 of your testimony, as a potential solution to these problems? Please explain.

RESPONSE: The Postal Service's Year 2000 freeze policy and approach were under development at the time the extension filing was finalized and voted on by the Board of Governors at its March 1 meeting. While the March 9 memorandum referenced above outlines the freeze policy and a freeze exception process, it is my understanding that specific details of implementing the policy are still being formulated.

As I noted on page 6 of my testimony, one solution that the Postal Service is currently considering to address certain technical problems that arose during the experiment is to relocate the nonletter-size BRM accounting application from individual local PCs to a network, possibly a national postal network. The Postal Service's general consideration of a network solution is not affected by the Year 2000 freeze. Development and implementation of a network solution, however, are covered by the Freeze and would need to be cleared with a review board. It is likely that this freeze exception process will be a factor in determining how workable a network solution will be while the freeze is in place over the next year. In other words, I can conceive of a situation where we determine that a network solution would be best for the long-run, but that the stand-alone alternative is the only feasible route over the next year given the press of Y2K-related work.

OCA/USPS-T1-2. On page 6 of your testimony, you indicate that "Implement[ation] of a network-based solution will require significant rewriting of the software. . . ." Also, you state that the rewritten software for a national network would need to be thoroughly tested for reliability and compatibility with existing network software.

- a. Please give your best estimate on the amount of time which would be required for this rewriting and testing?
- b. If the above referenced Y2K moratorium applies through March, 2000, it appears that the networking, software development and testing could not be accomplished by the end of the extended experiment, February 29, 2000. Please explain why an extension to February 29 is requested in view of the moratorium.

RESPONSE:

(a) If the Postal Service determines that a network-based solution is appropriate, the amount of time that would be required for rewriting and testing the weight averaging software would depend on what network the software will be resident on, how the data entry computers are wired into the network, and other network related issues. The software rewriting and testing could take as long as six-eight months, or less, depending on the final specifications decided upon. Again, assuming that the Postal Service determines that a network-based solution is appropriate, additional time over and above this estimate could be needed due to the Y2K freeze; see responses to OCA/USPS-T1-1 and OCA/USPS-T1-3.

(b) See response to OCA/USPS-T1-1. In addition, regardless of Y2K issues, there are a number of other deployment issues that need to be addressed in order to best serve the customers who request weight averaging if permanent classification and fees are approved. These other deployment issues, as addressed in my testimony, relate to the organization of the appropriate management oversight structure that will ensure proper implementation of a permanent classification and fees. The objectives that must be completed to ensure that the appropriate management structure is in place to best serve our customers include (p. 7, USPS-T-1):

RESPONSE to OCA/USPS-T1-2 (continued)

- To develop and document standard operating procedures for implementation, reporting, accounting and oversight for the new permanent classification similar in intent to those described in the Draft Publication 405 (Docket No. MC97-1 USPS Library Reference EBR-3);
- To refine and implement supervisor and postage due clerk training procedures for the national roll-out of the weight averaging methodology;
- To determine the system/database administrator for the program, and the software, hardware, and training needed to set up remote access to all weight averaging sites;
- To establish the appropriate channels of communication and management responsibility and control and test these out before national roll-out;
- To develop a process for monitoring the weight averaging results, especially the precision of the revenue estimates.

An extension of the experiment is required to work out these administrative issues. However, depending on how long this takes and on when the Commission issues its Opinion and Recommended Decision, we may, as stated in my testimony, be able to implement the permanent classification well before February 29, 2000.

OCA/USPS-T1-3. Please refer to page 6 of your testimony. If the current local PC-based system is maintained, you state "it still would be necessary to revise the hardware and software to allow remote access and off-site troubleshooting by the system administrator."

- a. Can this be accomplished while the Y2K moratorium is in effect? Please explain.
- b. Would an exception to the moratorium need to be obtained to complete this work during the proposed extended experimental phase? If so, do you expect that it would be given?

RESPONSE:

(a) - (b) My understanding is that these revisions can be accomplished while the Y2K freeze is in effect if a waiver, or freeze exception, is obtained. As indicated in the response to OCA/USPS-T1-1, it is my understanding that all of the details associated with implementing the freeze are still under development.

Marketing Systems has requested a waiver for hardware/software work related to the stand-alone PC system. While no decision has yet been made on this request, my understanding is that obtaining an exception for work of this type is not expected to be a problem.

I would note that because the Postal Service has not yet determined whether a network-based solution is appropriate, Marketing Systems has not requested a waiver at this point to cover the development and implementation of this alternative. See also response to OCA/USPS-T1-1.

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE (OCA)

887

OCA/USPS-T1-4. On page 8 of your testimony, you state "we do not anticipate needing that much time [until February 29, 2000] to be ready to implement the permanent classification and fees." What is the currently anticipated minimum amount of time needed?

RESPONSE: See response to OCA/USPS-T1-2(b).

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE (OCA)

888

OCA/USPS-T1-5. If the experiment terminates on June 7, 1999 and the four postal facilities revert to charging the 8 cent per piece accounting fee for mail currently subject to the experimental BRM rates, please estimate the total dollar impact on the customers in the experiment:

- a. on a monthly or accounting period basis;
- b. between June 7, 1999 and February 29, 2000?

RESPONSE:

(a) - (b) As described in her testimony, witness Schenk develops her cost estimates for weight averaging using data from the three sites which had more than a half-year's experience with weight averaging. Because the fourth site switched from reverse manifesting to weight averaging just as field data collection was being completed, its volume was not used in developing her cost estimates (Docket No. MC99-2, USPS-T-3, page 1). For the three sites included in her analysis, it is possible, however, to derive an estimate.

To develop an estimate for the three sites, I consulted witness Schenk's Table 4, (USPS-T-3) which reports that the average daily volume for the three sites analyzed is 8,288 pieces. Multiplying this average by three, and then multiplying the total result by an average 25 processing days in a month yields 621,600 pieces for the month for the three sites combined.

On a monthly basis, I estimate the total dollar impact as follows. Reverting to the 8 cent per piece fee, 621,600 pieces monthly would result in fees of \$49,728. Under the experimental fee structure of \$3,000 per month and 3 cents per piece, 621,600 pieces would result in per piece fees of \$18,648 and monthly fees of \$9,000 ($3 * \$3,000$), for a total of \$27,648. Thus, an estimate of the total monthly dollar impact is that the customers for these three sites would pay \$22,080 more in fees if the experiment terminates (\$49,728 less \$27,648).

The June 7, 1999 through February 29, 2000 time period covers approximately nine months. Thus, an estimate of the total dollar impact over this period is that the customers for these three sites would pay \$198,720 more in fees if the experiment terminates (\$22,080 per month * 9 months).

-
- 889

RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE (OCA)

OCA/USPS-T1-6. If the rates charged under the renewed experiment were changed to the rates proposed in Docket No. MC99-2 on June 8, 1999, please estimate the total revenue impact on the customers currently in the experiment:

- a. on a monthly or accounting period basis;
- b. between June 7, 1999 and February 29, 2000?

RESPONSE:

(a) - (b) As described in her testimony, witness Schenk develops her cost estimates for weight averaging using data from the three sites which had more than a half-year's experience with weight averaging. Because the fourth site switched from reverse manifesting to weight averaging just as field data collection was being completed, its volume was not used in developing her cost estimates (Docket No. MC99-2, USPS-T-3, page 1). For the three sites included in her analysis, it is possible, however, to derive an estimate.

To develop an estimate for the three sites, I consulted witness Schenk's Table 4, (USPS -T-3) which reports that the average daily volume for the three sites analyzed is 8,288 pieces. Multiplying this average by three, and then multiplying the total result by an average 25 processing days in a month yields 621,600 pieces for the month for the three sites combined.

On a monthly basis, I estimate the total dollar impact as follows. Under the proposed fees of \$600 per month and 1 cent per piece 621,600 pieces monthly would result in per piece fees of \$6,216 and monthly fees of \$1,800 ($3 * \600), for a total of \$8,016. Under the experimental fee structure of \$3,000 per month and 3 cents per piece, 621,600 pieces would result in per piece fees of \$18,648 and monthly fees of \$9,000 ($3 * \$3,000$), for a total of \$27,648. Thus, an estimate of the total monthly dollar impact is that the customers for the three sites would pay \$19,632 less in fees under the proposed fee structure (\$27,648 less \$8,016).

The June 7, 1999 through February 29, 2000 time period covers approximately nine months. Thus, an estimate of the total dollar impact over this period is that the customers for the three sites would pay \$176,688 less in fees under the proposed fee structure ($\$19,632$ per month * 9 months).

- 890 -

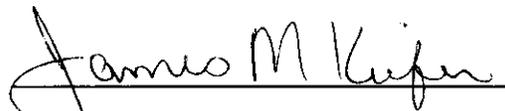
RESPONSE OF U.S. POSTAL SERVICE WITNESS KIEFER TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE (OCA)

OCA/USPS-T1-7. On page 10 of your testimony you state witness Schenk's cost estimates in her testimony filed in Docket No. MC99-2 (USPS-T-3) indicate "the current experimental accounting fees more than cover the Postal Service's costs of counting, rating and billing for this BRM." Would the costs of counting, rating and billing for weight-averaged nonletter-sized BRM be covered during the extended experimental phase if the fees charged were those proposed in Docket No. MC99-2?

RESPONSE: Yes, when per piece and monthly fees are taken in total. Looking at the monthly fee separately, the monthly sample would need to be reduced to the 10 sacks per month proposed for the permanent classification to cover monthly costs.

DECLARATION

I hereby declare under penalty of perjury that the foregoing responses to interrogatories are true to the best of my knowledge, information, and belief.


James M. Kiefer

April 5, 1999

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being mailed today to all parties of record in accordance with Rule 12 of the Commission's Rules of Practice and Procedure.



Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998; Fax -5402
April 5, 1999