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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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

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-T1-19 - T1-32)**

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 April 9, 1999: OCA/USPS-T1-19 through T1-32.

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



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April 16, 1999  
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OCA/USPS-T1-19. The following questions relate to witness Schenk's prepared testimony filed in MC99-2:

- a. Please indicate the applicable year for the sample periods randomly chosen as listed on witness Schenk's Exhibit USPS-3A.
- b. Please confirm that later additional dates will be selected randomly for all future accounting periods of the weight-averaging program?
- c. On page 11 of witness Schenk's testimony, it indicates the cost estimates for the weight-averaging method were developed using data collected during the special cost study and data collected on volumes processed using the weight-averaging method at experiment sites during a twelve-month data collection phase at each site.
  1. Please explain how volume data during the special cost study was collected inasmuch as the Instructions and Form for the special cost study contained in Exhibit USPS-3B do not provide for the collection of volume data.
  2. Please explain what is meant by the "twelve-month data collection phase at each site." When did the twelve-month data collection phase occur?
  3. What was the last date from which the annual and monthly volume data are projected for use in the cost study?
  4. Are the costs for the "twelve-month data collection phase" reflected in the costs provided in response to previous interrogatories? If so, please explain. If not, please provide those costs.
  5. Please refer to pages 11-12 of the testimony. Inasmuch as the permanent authorization filing would not become effective until March 2000, the estimated wage rate for wage increases, COLA and health benefits is increased in FY2000 by 2.93 percent. Because the extension of the experiment would relate to an earlier period, please recalculate and provide the unit cost per piece eliminating the estimated 2.93 percent increase in wage rate in FY 2000.
  6. Does the Postal Service intend to continue sampling 20 sacks per sample period throughout the extended experimental phase until final authorization is received, at which time the sample would reduce to 10 sacks per sample period?

RESPONSE:

- a. The sample periods given in witness Schenk's Exhibit USPS-3A are for the data collection phase of the experiment, which began in October or November 1997 for each mailer, and ended in October 1998 (see response to c.2. below).
- b. Confirmed.

RESPONSE to OCA/USPS-T1-19 (Continued)

c.

1. Volume data are being provided by each site to witness Schenk after each sample period as part of the experiment data collection plan (see page 3 of the Appendix to witness Schenk's testimony). As such, there was no need to ask the BRM clerks to provide this information on the cost study forms.
2. The twelve-month data collection phase started on the first day that weight averaging (using the experiment design) was used at each site, and ended one year later. The data collection phase began at the end of the first sample period at each site (as soon as the first sample period was completed, conversion factors that were derived using the experiment design were available to count and rate this mail). The start dates for the twelve-month data collection phase are given below. A general description of the data collection plan chronology is also given below.

<u>Site</u>	<u>Data Collection Phase</u>
1	October 11, 1997 – October 10, 1998
2	October 22, 1997 – October 21, 1998
3	November 1, 1997 – October 31, 1998

Nonletter-Size BRM Experiment  
 Data Collection Chronology

<u>Date</u>	<u>Event</u>
June 7, 1997:	Experiment begins.
October/November 1997:	Sites begin using experiment weight averaging procedures, after customers completed the application process.
June 29 – July 10, 1998:	Cost Study conducted at site 1.
July 20 – July 31, 1998:	Cost Study conducted at site 3.
September 14 – 26, 1998:	Cost Study conducted at site 2.
October 1998:	Data collection phase of experiment ends at weight averaging sites. Weight averaging procedures continue to be used at each site after the data collection phase ends.

RESPONSE to OCA/USPS-T1-19 (Continued)

3. October 1998.
4. Yes. The cost estimates provided in USPS-T-3 were developed using volume estimates from the data collection phase, as well as the workload figures obtained during the special cost study, which was conducted during the data collection phase. The costs reflected in the responses to previous interrogatories are the costs provided in USPS-T-3.
5. The unit cost per piece and the fixed cost per AP eliminating the estimated 2.93 percent increase in wage rate in FY 2000 are shown in attached Tables A and B. Note that since the wage rate used in these estimates (\$26.30, as derived in witness Schenk's testimony on pages 11-12) reflects only changes through FY 1999, the costs reflected in attached Tables A and B relate only to FY 1999, which ends on September 10, 1999.
6. In her testimony in Docket MC99-2 (USPS-T3), witness Schenk indicated that sampling 10 sacks (approximately 2,500 pieces) would enable the Postal Service to estimate postage due with acceptable precision. The Postal Service's permanent monthly fee proposal in Docket No. MC99-2 reflects the acceptance of Dr. Schenk's recommendation, and post offices expect to sample 10 sacks (approximately 2,500 pieces) per accounting period if a permanent weight averaging classification is implemented. At this time, no decision has been made whether to change the experimental protocol to reduce the sample size to 10 sacks.

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RESPONSE to OCA/USPS-T1-19 (Continued)

**TABLE A**  
**Costs for Weight Averaging – Experiment Procedures**  
**(20 sample sacks per sample period)**

		Average across sites	Explanation
Per Piece Cost (daily weighing)	Daily Weighing (time in minutes)	68.38 [1]	Cost Survey (adjusted to reflect average daily workload over data collection period)
	Average daily pieces	8,288 [2]	Experiment data collection results
	Average number of pieces weighed per hour	7,365.7 [3]	$[2] / ([1] / 60)$
	Daily hours per piece	0.00014 [4]	$([1] / 60) / [2]$
	Wage Rate	\$26.30 [5]	R97-1, PRC-LR10, adjusted to reflect FY 1999 APWU wage agreement (through FY 1999)
	Attributable cost per piece	\$0.0038 [6]	$[4] * [5]$
	Piggyback factor	1.4624 [7]	R97-1, PRC LR-10 (Chapter IV, page 2)
	Cost per piece (daily weighing)	\$0.0053 [8]	$[6] * [7]$
		Average across sites	Explanation
Fixed Cost Per AP (accounting and sampling)	Average number of pieces sampled per AP	4,838 [9]	Experiment data collection results
	Daily Accounting (time in minutes per day)	.14.48 [10]	Cost Survey
	Sampling (time in minutes per AP)	618.47 [11]	Cost Survey (adjusted to reflect average daily workload over data collection period)
	Average number of pieces sampled per hour	491.93 [12]	$[9] / [11]$
	Total time per AP for non-volume variable activities (in hours)	16.34 [13]	$([10] * 25 + [11]) / 60$
	Wage Rate	\$26.30 [14]	R97-1, PRC-LR10, adjusted to reflect FY 1999 APWU wage agreement (through FY 1999)
	Attributable cost per AP	\$429.73 [15]	$[13] * [14]$
	Piggyback factor	1.4624 [16]	R97-1, PRC LR-10 (Chapter IV, page 2)
Fixed cost per AP	\$628.44 [17]	$[15] * [16]$	

RESPONSE to OCA/USPS-T1-19 (Continued)

**TABLE B**  
**Costs for Weight Averaging – Recommended Procedures**  
**(10 sample sacks per sample period)**

		Average across sites	Explanation
Per Piece Cost (daily weighing)	Daily Weighing (time in minutes)	68.38 [1]	Cost Survey (adjusted to reflect average daily workload over data collection period)
	Average daily pieces	8,288 [2]	Experiment data collection results
	Average number of pieces weighed per hour	7365.7 [3]	[2] / ([1] / 60)
	Daily hours per piece	0.00014 [4]	([1] / 60) / [2]
	Wage Rate	\$26.30 [5]	R97-1, PRC-LR10, adjusted to reflect FY 1999 APWU wage agreement (through FY 1999)
	Attributable cost per piece	\$0.0036 [6]	[4] * [5]
	Piggyback factor	1.4624 [7]	R97-1, PRC LR-10 (Chapter IV, page 2)
	Cost per piece (daily weighing)	\$0.0053 [8]	[6] * [7]
		Average across sites	Explanation
Fixed Cost Per AP (accounting and sampling)	Average number of pieces sampled per AP	2,419 [9]	Experiment data collection results
	Daily Accounting (time in minutes per day)	14.48 [10]	Cost Survey
	Sampling (time in minutes per AP)	309.24 [11]	Cost Survey (adjusted to reflect average daily workload over data collection period)
	Average number of pieces sampled per hour	491.93 [12]	[9] / [11]
	Total time per AP for non-volume variable activities (in hours)	11.19 [13]	([10] * 25 + [11]) / 60
	Wage Rate	\$26.30 [14]	R97-1, PRC-LR10, adjusted to reflect FY 1999 APWU wage agreement (through FY 1999)
	Attributable cost per AP	\$294.19 [15]	[13] * [14]
	Piggyback factor	1.4624 [16]	R97-1, PRC LR-10 (Chapter IV, page 2)
	Fixed cost per AP	\$430.22 [17]	[15] * [16]

OCA/USPS-T1-20. Please indicate what ongoing or additional data gathering is provided for in the data collection plan presented by witness Fronk and approved by the Commission in the opinion in Docket No. MC97-1. What actions are being taken at this time to comply with the terms of the data collection plan?

RESPONSE: In my Docket No. MC99-2 testimony (USPS-T-4), I describe how the Postal Service, with assistance from its contractors, conducted the Data Collection Plan and met the goals of the experiment (pages 8-11). In terms of ongoing data and additional data collection, the Postal Service intends to abide by the Presiding Officer's Ruling on Postal Service Motions for Waiver of Certain Requirements, dated April 9, 1999.

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OCA/USPS-T1-21. Please confirm that other than on-going costs, neither witness Schenk's cost study nor any other information filed in Docket Nos. MC99-1 or MC99-2 include any developmental or related start-up costs for the experimental nonletter-size business reply mail category and fee program. If this is not confirmed, please explain and indicate where these costs are located in the documents filed.

RESPONSE: Confirmed. However, please also see my responses to OCA/USPS-T1-23, OCA/USPS-T1-24, OCA/USPS-T1-26, OCA/USPS-T1-27, and OCA/USPS-T1-31 for further information and specific cost data.

OCA/USPS-T1-22. Your testimony in Docket No. MC99-2, on page 12, states that charging a fee to recover set-up costs is appropriate in the experiment but should not be a part of the permanent weight averaging classification.

- a. Please confirm that the subsequent discussion at pages 18-20 of the same testimony indicates the reference is to specific set-up costs for an individual customer to commence weight-averaging as distinct from development costs for the entire weight averaging program.
- b. What is your view as to when and how development costs related to the entire program ought to be recovered in the fees for weight-averaging: during the experiment or during the permanent phase, or not at all?

RESPONSE:

a. Not confirmed. The discussion at pages 18-20 of my Docket No. MC99-2 testimony provides a number of reasons why we have eliminated the set-up fee in our proposal. That testimony is not intended to make the distinction between program development costs and individual customer costs referred to in the question. Indeed, since the development of a viable weight averaging program by necessity involved working with individual experiment participants, program development and individual customer costs are intertwined.

It is also important to keep in mind why this setup fee was proposed in the first place. As I stated on page 19 (at lines 18-22) of my Docket No. MC99-2 testimony, the Postal Service decided to propose a set-up fee for the experiment chiefly because we had preliminary evidence that there were problems with the reverse manifest method reaching the target level of precision in estimating postage due. (See the testimony of witness DeMay in Docket No. MC97-1 for the details of the problems.) It is my understanding that the Postal Service was concerned that experimental costs associated with this method could be substantial if the experiment attracted several reverse manifest participants. It is my further understanding that the Postal Service was concerned that weight averaging sites might experience similar difficulties as they became operational.

RESPONSE TO OCA/USPS-T1-22 (Continued)

As it turned out, only one participant used the reverse manifest method, and that participant discontinued use of the method in favor of weight averaging when it merged with a firm already using the weight averaging method. With no existing reverse manifest participants, and our market research demonstrating no interest in this method, the concern about reverse manifesting became moot. At the same time, our experience with the weight averaging method allayed any similar concerns because we have set up this method at four sites without significant setup problems.

In addition, it is useful to recall that the Postal Service did not have any detailed cost data underlying the set-up fees it proposed in Docket No. MC97-1. The reverse manifest set-up fee was set at the level of the monthly fee (Docket No. MC97-1, USPS-T-3, page 18 at lines 18-20). As noted above, the Postal Service had preliminary evidence that there were problems with the reverse manifest method reaching the target level of precision. In parallel to the reverse manifest fee structure, the weight averaging set-up fee was also set at the level of the monthly fee (Docket No. MC97-1, USPS-T-3, page 23 at lines 1-2).

b. The premise of this question appears to assume that all development costs associated with a new product or program must always be borne exclusively by that product or program. While the question of how to deal with such costs is a valid one, it needs to be addressed on a case-by-case basis.

In the case of the weight averaging method, it appears that identifiable development costs have already been recovered, rendering this question moot (see response to OCA/USPS-T1-25).

OCA/USPS-T1-23. What was the first Postal Service fiscal year in which the experiment for new mail classification and fees for nonletter-size Business Reply Mail was budgeted?

RESPONSE: The Postal Service's decision to request a nonletter-size BRM experiment evolved out of discussions that arose during the Special Services case (Docket No. MC96-3). The Postal Service's Classification and Product Development office assumed the lead in coordinating the development and execution of the experiment, since part of the purpose of that office is to manage work needed to design and realize new postal products and classifications. The Classification and Product Development office has a budget for such development activities. Separate budgets are not developed for specific projects such as the nonletter-size BRM experiment.

OCA/USPS-T1-24. Please provide the total amounts budgeted by the Postal Service, by fiscal year, to develop the classification and fees for weight-averaged and reverse manifest business reply mail from inception of the program through the current fiscal year, 1999.

RESPONSE: The Postal Service did not budget any amount specifically to develop the classification and fees for weight-averaged and reverse manifest BRM. As described in the response to OCA/USPS-T-23, the office of Classification and Product Development has a budget that is available to fund activities such as those undertaken to develop and manage the nonletter-size BRM experiment and the request for a permanent nonletter-size BRM weight averaging classification, among others. In addition to the resources contributed by the Classification and Product Development office, the project used resources from many other components of the Marketing Systems department, such as the Pricing office and the Mail Preparation and Standards office. Persons from other components of postal management and the Law Department also contributed. Most of the resources contributed by these other departments, as well as much of the resources contributed or paid for by the Classification and Product Development office, were of a managerial and administrative nature. The Postal Service treats these and other research and development costs as institutional costs. The nonletter-size BRM experiment and the research and development activities related to a permanent weight averaging classification represent a small project for the Postal Service, one designed to develop and test a relatively minor enhancement to an existing service. The Postal Service does not specifically budget for or keep its books in a way that tracks the amounts or resources used in R&D work associated with such changes to specific products or services.

OCA/USPS-T1-25. You state at page 10 of your prepared testimony in Docket No. MC99-2 that witness Schenk's testimony and study "shows that the fees charged during the experiment more than cover ongoing costs." Has witness Schenk undertaken any study determining the extent to which the fees for the experiment cover any or all start-up costs for development including but not limited to consulting fees, data-collection, the special cost study, hardware, software, training, software user manual costs, or other start-up costs which are not included as part of the cost study presented in her testimony? If so, please provide the study or studies.

RESPONSE: Neither USPS witness Schenk nor any other person, to my knowledge, has conducted any of the studies described in the question. Nevertheless, a relatively simple calculation based on the data contained in witness Schenk's Docket No. MC99-2 testimony (USPS-T-3, Table 3) will demonstrate that the experimental fees paid by the experiment's original three weight averaging participants have more than covered the costs of the experiment. Assuming 18 months of participation for each of the three participants so far, the total fixed (monthly plus setup) fees paid have been:

$$18 \times 3 \times \$3,000 + 3 \times \$3,000 = \$171,000.$$

Assuming 25 processing days per month, and 8,288 average daily pieces per participant, the total per piece fees paid have been:

$$25 \times 18 \times 3 \times 8,288 \times \$0.03 = \$335,664.$$

Together, the three participants have paid  $(\$171,000 + \$335,664) = \$506,664$  in fees. Witness Schenk's Table 3 shows fixed costs of \$646.84 per AP, or  $(\$646.84 \times 13/12) = \$700.74$  per month. The total fixed costs for the three

RESPONSE to OCA/USPS-T1-25 (Continued)

participants for 18 months would then be:

$$18 \times 3 \times \$700.74 = \$37,840.$$

Table 3 shows per piece costs of \$0.0054, yielding total per piece costs of:

$$25 \times 18 \times 3 \times 8,288 \times \$0.0054 = \$60,420.$$

The total costs of the three participants would then be  $(\$37,840 + \$60,420) = \$98,260$  in fees. Subtracting these costs from total fees paid, we have  $(\$506,664 - \$98,260) = \$408,404$ . While there has been no specific accounting of setup/development costs for the nonletter-size BRM experiment, it appears likely that the costs fall well below \$400,000. See also responses to OCA/USPS-T1-26 and OCA/USPS-T1-31.

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OCA/USPS-T1-26. Please provide the total amount of funds expended on the experimental nonletter-size business reply mail program since the inception of the program until the most recently available date for which information on expenditures is available and which are not included in the cost estimates in the testimony in Docket No. MC99-2.

RESPONSE: The request asks for a detailed breakdown of historical institutional costs, such as setup/development and administrative costs, by product or program. The Postal Service does not track these institutional costs by product or program. Please see also the responses to OCA/USPS-T1-23 and OCA/USPS-T1-24. The Postal Service does have a record of the equipment costs incurred to conduct the experiment. Total equipment costs for the four weight averaging sites amounted to \$4,876.82, for the purchase of four mail scales and one personal computer. Three of the sites used PCs already on hand at the respective post offices.

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OCA/USPS-T1-27. Please provide the total amount of funds currently expected to be expended for the experimental nonletter-size business reply mail program (including the requested extension period) from the date, relied upon in the response to OCA/USPS-T1-26, of the most recently available expense information until the anticipated end of the experiment, on or before February 29, 2000.

RESPONSE: The request asks for a detailed breakdown of projected institutional costs, such as setup/development and administrative costs, by product or program. The Postal Service does not track these institutional costs by product or program. Please see also the responses to OCA/USPS-T1-23, OCA/USPS-T1-24, OCA/USPS-T1-26, and OCA/USPS-T1-31.

Even if such estimates were available, at this stage they would be extremely preliminary and highly likely to change, since we do not know yet what the final configuration of the weight averaging accounting system will be. Hence, we do not know exactly all of the design work and other supporting development activities that we will have to accomplish during the remaining term of the experiment (including any extension). Nor do we know whether any new participants will be admitted into the experiment and what Postal Service expenditures related to their participation would entail.

OCA/USPS-T1-28. Please provide the breakdown of the total expenditures identified in response to OCA/USPS-T1-26 and 27 for start-up of the experiment into the various components, such as hardware, software, consulting, training, training manual, user's manual, and marketing or such other components for which the expense information is available.

RESPONSE: Please see the responses to OCA/USPS-T1-23, OCA/USPS-T1-24, OCA/USPS-T1-26, OCA/USPS-T1-27, and OCA/USPS-T1-31 for available information.

OCA/USPS-T1-29. If the Commission determines that development and start-up costs, as listed in OCA/USPS-T1-28, are to be collected in the fees for the weight-averaging service, and if they have not been or will not be recovered prior to the end of the initial experimental phase on June 7, 1999:

- a. Please indicate whether, in your opinion, they ought to be recovered through the per-piece fee, through the monthly fee, or a set-up fee during the experimental phase.
- b. Please indicate what minimum fee schedule would insure recovery of the development costs during the entire experiment phase, including the extension, and provide for a markup of both 25 percent and 50 percent.

RESPONSE:

a. Although we have not developed any formal estimates of the total amount of funds to be expended during the remaining term of the experiment (including any extension), we believe that the original three experimental participants have already covered, not only their attributable costs, but also all start-up/development costs for the experiment to date (see the calculations contained in my response to OCA/USPS-T1-25). Hence no further recovery is needed.

In any event, the Postal Service does not believe that there should be any set-up fee for the collection of start-up costs for the reasons set forth in my testimony. The Postal Service would also strongly oppose the collection of development/start-up costs through either the weight averaging monthly fee or per-piece fee during the experimental period. In this instance, product development costs are largely institutional costs, and other institutional costs are not collected in this piecemeal fashion from individual rate classes or subclasses.

b. Since the Postal Service believes that the experimental development costs to date have already been recovered (see my response to OCA/USPS-T1-25), and has made no estimate of the total development expenditures that will be incurred between the present and the end of the experiment (see my response to OCA/USPS-T1-27), it does not have the information required to develop the fee schedule requested by the question.

OCA/USPS-T1-30. Using witness Schenk's cost methodology, please calculate the mark-up for the weight-averaging service during the extended experimental phase if the fees were:

- a. \$.03 cents per piece and the monthly fee is \$3000;
- b. \$.02 cents per piece and the monthly fee is reduced to \$1000;
- c. \$.01 cent per piece and the monthly fee is reduced to \$600.

**RESPONSE:**

a - c. See the following table. In performing these calculations I have used cost and average daily volume figures from witness Schenk's Docket No. MC99-2 testimony (USPS-T3, Tables 3 and 4), and have also assumed a total of 25 processing days per month.

**Markup for Weight Averaged BRM**

Per-Piece Fee	Per Month Fee	Sacks Sampled	Per-Piece Cost	Monthly Fixed Cost	Annual Fee Total	Annual Cost Total	Cost Coverage
\$0.03	3,000	20	\$0.0053	\$680.81	\$331,776	\$64,043	518%
\$0.03	3,000	10	\$0.0053	\$466.07	\$331,776	\$56,312	589%
\$0.02	1,000	20	\$0.0053	\$680.81	\$185,184	\$64,043	289%
\$0.02	1,000	10	\$0.0053	\$466.07	\$185,184	\$56,312	329%
\$0.01	600	20	\$0.0053	\$680.81	\$96,192	\$64,043	150%
\$0.01	600	10	\$0.0053	\$466.07	\$96,192	\$56,312	171%

OCA/USPS-T1-31. The response to OCA/USPS-T1-3 states "Marketing Systems has requested a waiver for hardware/software work related to the stand-alone PC system."

- a. Please provide a copy of the entire request for waiver submitted by Marketing Systems and any follow-up documents submitted in support which are related to the request.
- b. Please provide copies of any responses received in response to the Marketing Systems request and indicate any formal oral responses that have been received in response to the request.
- c. Please state when Marketing Systems expects to receive a decision on the waiver request.

RESPONSE:

a. The request is attached; there are no follow-up documents. Note that the section of the form "Financial Value of the Exception Request" indicates that \$100,000 has been expended on the software project to date, and that \$25,000 is requested for the freeze period. Both of these values are estimates provided to assist the review committee in comparing the relative magnitudes of various projects. These estimates represent ballpark, back-of-the-envelope calculations that do not meet formal accounting, budgetary, or ratemaking standards. What they represent are rough estimates of the amounts expended on nonletter-size BRM software development to date, and the amount to be expended to complete the stand-alone PC activities described in the "Project Description" section of the form. No other estimates of the software development costs have been made.

b - c. No formal response, either written or oral, has yet been received. While no formal timetable for issuing decisions has been established by the Postal Service, Marketing Systems expects to receive a decision in May or June.



# Freeze Exception Request



<b>Requesting Organization:</b> Mktng. Systems		<b>Change Request Number:</b>	
<b>Request Type:</b> Enhance stand-alone PC application running in 4 locations and deploy to up to 12 additional sites.			
<b>Project Name:</b> Nonletter-size BRM Accounting		<b>Planned Deployment Date:</b> Oct. 1999	
<b>Project Description:</b> The Postal Service is offering an experimental service for accounting for nonletter-size BRM. Four locations are involved at present, and the accounting software runs on stand-alone PCs. The software was developed by Christensen Associates and is Y2K compliant. Because the experiment has been a success, on March 1 the BOG approved two filings with the Postal Rate Commission related to this service. The first filing requests a permanent classification and fees for this service, and the second asks for an extension of the experiment until 2/29/2000. The existing software needs improvements to guard against operator error, and deployment in up to about 12 locations is likely as the classification becomes permanent. Also, need revisions to allow remote access to the PC and off-site troubleshooting by the system administrator.			
<b>Business Value of Making the Change:**</b>			
<ol style="list-style-type: none"> <li>1. Provides better service and lower fees for nonletter-size BRM customers. Customers receiving 300k pieces annually will save close to \$14k.</li> <li>2. Reduces the labor hours associated with counting and rating this BRM. In Brentwood, they are saving an estimated four person days each day with the new method.</li> </ol>			
<b>Financial Value of the Exception Request: (Freeze Period 3/9/99 to 3/31/2000)</b>			
What funding are you requesting for the freeze period?		\$ 25,000	
What is the amount of funds that has been expended on this project to date?		\$ 100,000	
What is the amount expected to be required to fund the project through completion?		\$ 25,000	
How much was budgeted for this project during the freeze period?		\$ 25,000	
(Note: Values are estimated; funding is included in a contractor work assignment which includes other activities supporting nonletter-size BRM accounting.)			
<b>Implications of Not Making the Change:**</b>			
<ol style="list-style-type: none"> <li>1. Will contradict the directive of the BOG to make the experimental classification permanent.</li> <li>2. Will jeopardize USPS reputation at the Postal Rate Commission.</li> <li>3. Will diminish service to our customers.</li> </ol>			
<b>Potential Risk to Business and Operations of Making the Change:**</b>			
Minimal risk and expense to enhance software and deploy elsewhere.			

\*\* Attach additional information as necessary

Functional Management Approval

Business Case Developed by: (Sponsoring Manager)	Don O'Hara Phone #: x2460	Signature: <i>Don O'Hara</i>	Date: 3/31/99
Business Approval: (Sponsoring Vice President)	Michele Denny	Signature: <i>Michele Denny</i>	Date: 3/31/99
Risk Assessment Score: (See attached Worksheet)			
Approved / Denied:		Date:	
Signature of Portfolio CRC Chair:			
Senior Vice President Approval:			
Date Escalated to Enterprise CCB:			
Date Approved/Denied by Enterprise CCB: (underline one)			
Signature of Enterprise CCB Chair:			

Post-Implementation Work Item

10/11/99

**Potential Risk to Business and Operations of Making the Change:**

Is this project mandated by Legislation? no. If yes, provide the legislative act that applies:

Will failure to proceed with this project cause financial, legal or image damage? yes.

If Yes, describe: The BOG on March 1 directed us to file for the extension and the permanent classification. Not proceeding will also damage our reputation at the Postal Rate Commission and among nonletter-size BRM customers.

Will there be an additional contractual or penalty cost incurred by delaying this Project? \$ \_\_\_\_\_

Does the project involve the movement or delivery of mail? Yes (Yes or No)

Does this project involve other core areas of the business? \_\_\_\_\_ (Yes or No). If yes, state the core area: \_\_\_\_\_.

To what degree does this project involve:

Score

Changes to or additional data logic within application code? \_\_\_\_\_

- 0 = limited or no changes,
- 3 = moderate number of additions or changes,
- 6 = extensive number of additions or changes

Impacts to other Systems? \_\_\_\_\_

+3 for each impact to another system

List systems impacted: \_\_\_\_\_

Requires critical resources? \_\_\_\_\_

- 0 = few resources required,
- 3 = medium potential for resource conflicts
- 6 = significant resources required, high potential conflicts

Requires computing environment infrastructure upgrade or new component? \_\_\_\_\_

- 0 = change to standalone environment,
- 3 = change to mainframe environment,
- 6 = change to distributed environment

Timing of implementation? \_\_\_\_\_

- 0 = April - September, 1999
- 3 = October - November, 1999 or February - March, 2000
- 6 = December - January, 2000

Fallback Capability? \_\_\_\_\_

- 0 = Immediate
- 3 = Up to two weeks
- 6 = Greater than two weeks

Total Risk Assessment Score: \_\_\_\_\_

OCA/USPS-T1-32. Are the film processors responsible for the cost of the Priority Mail service to send the sacks of mail which are trans-shipped from Boston, New York, and Philadelphia to the D.C. location for weight-averaging processing? Would these trans-shipment costs be incurred absent the weight-averaging program? Does the trans-shipment of the sacks of mail during the weight-averaging program cause the Postal Service to incur any additional costs related to the trans-shipment that would not occur under manual processing of the film processors business reply mail?

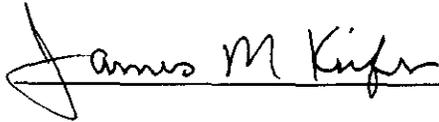
RESPONSE: The film processors receiving Priority Mail reship service to experimental weight averaging sites pay the appropriate Priority Mail rates for their shipments. As a result of Docket No. R97-1, Priority Mail has a 166% cost coverage, so Priority Mail rates more than cover Priority Mail's attributable costs.

Since the decision to reship is made by the film processor and not by the Postal Service, we don't know whether the film processors would continue to reship absent the weight averaging program.

I assume that the "additional costs" cited in the question refer to costs that might occur if sacks were reshipped for weight averaging accounting, but would not occur if the same sacks were reshipped for manual accounting. If this is the question, the answer is no.

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.

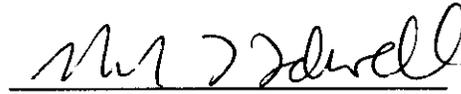
 \_\_\_\_\_

James M. Kiefer

Date: 4-16-99

**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

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April 16, 1999