

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF ABA&NAPM
REDIRECTED FROM WITNESS FRONK

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of American Bankers Association and National Association of Presort Mailers, which were filed on March 8, 2000: ABA&NAPM/USPS-T33-10(b)-(d) and 14. The interrogatories have been redirected from witness Fronk to witness Miller for response.

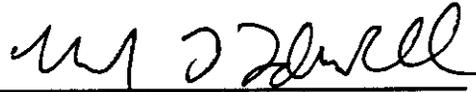
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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March 22, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORY OF AMERICAN BANKERS ASSOCIATION & NATIONAL
ASSOCIATION OF PRESORT MAILERS REDIRECTED FROM WITNESS FRONK**

ABA&NAPM/USPS-T33-10 Refer to footnote 2 on page 18.

b. Do the BMM activities of traying the mail, and metering it, save the Postal Service any costs, and if so what costs at what levels?

c. Please confirm that worksharing mailers perform traying operations that save the Postal Service costs, including the front end activity of building the trays and cardboard flats, and removing USPS tags from the trays.

d. Please confirm that use of the BMM benchmark denies worksharing mailers the avoided costs of traying and metering even though they perform this activity.

RESPONSE:

b. c. d. The worksharing related mail processing unit costs and delivery unit costs for Bulk Metered Mail (BMM) letters are used as the benchmark in this docket for the First-Class Mail nonautomation presort letters and automation basic presort letters rate categories. As stated in my testimony (page 12, lines 9-10), it is assumed that BMM letters are entered in trays. As a result, the unit costs related to the activities specified in this interrogatory have not been studied and are not included in the worksharing related savings calculations.

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ABA&NAPM/USPS-T33-14 Referencing your discussion on page 20, lines 12-21, please confirm that one reason for the smaller cost differences estimated in this case is simply a change in methodology which excludes certain cost pools that were included in the calculation of cost differences in prior rate and classification cases.

RESPONSE:

[Note: The term "worksharing related savings" is used in this docket so as to distinguish the calculations in my testimony from the "cost avoidance" and "full cost difference" approaches that have been used in past rate cases.]

Confirmed. As discussed in page 3 of my testimony (lines 7-13), I have made several improvements to the cost methodology used in this docket which have affected the magnitude of the worksharing related savings results. The change to the CRA mail processing cost pool classifications is one such change. Another major change involves the separation of the nonautomation presort mail processing unit costs from the automation non-carrier route presort mail processing unit costs. In addition, I have constructed new mail flow models and, in some instances, used updated input data. All these improvements have affected the specific worksharing related savings results that are found in Table 1 (page 18) of my testimony.

DECLARATION

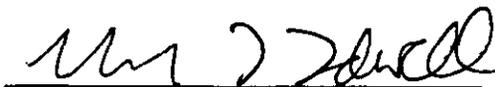
I, Michael W. Miller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Michael W. Miller", written over a horizontal line.

Dated: 2/22/2000

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.

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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