

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

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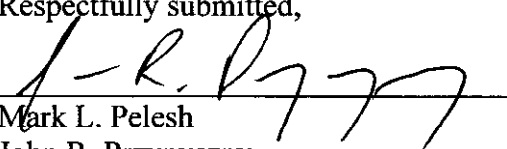
POSTAL RATE AND FEE CHANGES, 2000 )

Docket No. R2000-1

**FIRST SET OF INTERROGATORIES OF  
ASSOCIATION OF AMERICAN PUBLISHERS  
TO USPS WITNESS DEGAN AAP/USPS-T16-1-9**

Pursuant to Section 25 and 26 of the Commission's Rules of Practice and Procedure, the Association of American Publishers (AAP), hereby submits the following interrogatories and request for production of documents to USPS witness Degan (USPS-T-16). AAP incorporates by reference the instructions in OCA interrogatories OCA/USPS-1-14 (filed January 24, 2000). If the designated witness is unable to respond to any interrogatory, or any part therein, we request a response by some other qualified witness.

Respectfully submitted,

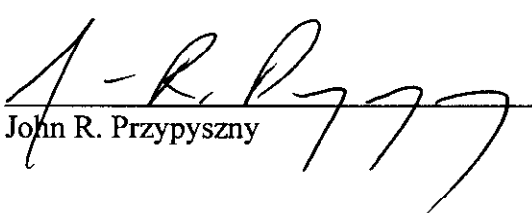
  
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**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document, by First-Class Mail, upon the participants in this proceeding.

Date: March 14, 2000

  
John R. Przepyszny

**FIRST SET OF INTERROGATORIES OF  
ASSOCIATION OF AMERICAN PUBLISHERS  
TO UNITED STATES POSTAL SERVICE WITNESS DEGAN**

**AAP/USPS-T16-1** On page 8 (lines 9-13) of your testimony, you discuss the Postal Service's use of base year and test year estimates of volume-variable costs for mail processing. Please confirm that if the percent of volume variability used by the Postal Service for a particular pool of mail processing costs during the base year in this case is higher than the actual volume variability of that cost pool, the predicted level of attribution for that cost pool during the test year will be higher than the actual volume variable costs for that pool experienced by the Postal Service during the test year. Please provide a complete explanation for any answer that does not confirm this statement.

**AAP/USPS-T16-2** On page 10 (lines 11-13) of your testimony, you state that "[e]conometric models are well-suited to measuring expected changes in cost as volume changes, but are ill-suited for predicting changes in the underlying technology." With respect to this statement, please explain fully why econometric models are ill-suited for predicting changes in the underlying technology.

**AAP/USPS-T16-3** On page 12 (lines 8-11) of your testimony, you discuss an hours and workload recording system for BMCs known as the Productivity Information Reporting System ("PIRS"). Please identify and provide all manuals and other USPS documents that fully describe the current PIRS system.

**AAP/USPS-T16-4** On page 44 (lines 18-20) of your testimony, you state that "[i]n total, volume variability of manual parcel sortation should be substantially less than 100 percent, primarily because set-up and take-down time are substantial relative to time spent actually sorting the parcels." In view of this statement, please explain why in this case, the Postal Service used a pool volume variability function of .997 for manual parcels at non-MODS offices as shown in Table 1 on page 25 of your testimony.

**AAP/USPS-T16-5** On page 50-51 of your testimony, you discuss platform operations. Please confirm that your description of platform operations pertains both to BMCs and MODS offices. Please identify any portion of your description that applies only to BMCs or to MODS offices.

**AAP/USPS-T16-6** On page 50 (line 19) of your testimony, you state that "[t]he waiting time is not volume variable." With respect to this statement, please explain the extent to which any

costs associated with waiting time in platform operations have been included as volume variable costs for platform operations at BMCs in this proceeding.

**AAP/USPS-T16-7** On page 69 of your testimony, you describe the estimated volume variabilities developed by Postal Service witness Bozzo (USPS-T-15) for allied operations that were not incorporated by the Postal Service in R2000-1. Please provide any estimates or analyses that shows the effect on mail processing costs that would result if Dr. Bozzo's analyses of the variabilities of allied operations had been incorporated into the current filing.

**AAP/USPS-T16-8** On page 69 (lines 11-14) of your testimony, you state that “[t]o compensate for the use of 100 percent volume-variability for the allied cost pools, the not-handling tallies in those pools are distributed to subclasses using a key developed for all cost pools in Cost segment 3.1.” With respect to this statement, please explain fully the derivation of the new distribution key for not-handling tallies, how it differed from previous keys used for not-handling tallies and how this key affected the mail processing costs distributed to Bound Printed Matter (“BPM”) in this case.

**AAP/USPS-T16-9** On page 69 (lines 16-20) of your testimony, you state “[t]he broad distribution of allied costs is used as a compromise, since the Postal Service was not ready to resubmit a method incorporating estimated volume-variabilities for allied costs pools. This compromise yields reasonable results (i.e. subclass costs) when compared to those based on estimated volume-variabilities and distribution keys specific to each cost pool.” With respect to this statement:

(a) Please provide a complete set of calculations showing the derivation of mail processing costs for BPM that results from adopting the “compromise” proposal and from adopting estimated volume variabilities and distribution keys for each cost pool. Please explain fully why this compromise is “reasonable” for BPM.

(b) Please provide all workpapers and supporting calculations showing the derivation of mail processing costs for BPM that would have resulted from adopting the Postal Service's estimated volume variabilities for allied cost pools in conjunction with any other alternative distribution keys for not-handling tallies that were considered by the Postal Service but not proposed in this case.