

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

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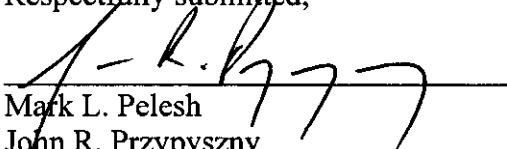
POSTAL RATE AND FEE CHANGES, 2000)

Docket No. R2000-1

**FIRST SET OF INTERROGATORIES OF
ASSOCIATION OF AMERICAN PUBLISHERS
TO USPS WITNESS VAN-TY-SMITH AAP/USPS-T17-1-17**

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 Van-Ty-Smith (USPS-T-17). 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,

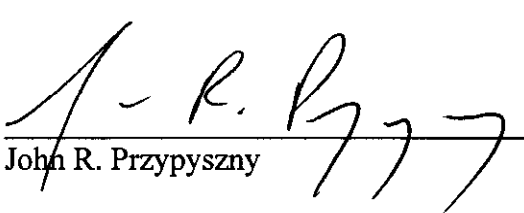

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CERTIFICATE OF SERVICE

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

Date: March 17, 2000


John R. Przypyszny

**THIRD SET OF INTERROGATORIES OF
ASSOCIATION OF AMERICAN PUBLISHERS
TO UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH**

AAP/USPS-T17-1 On page 8 of your testimony, you state that in Part II of LR-106 “[a] pool-specific distribution key is then applied to the volume variable cost to obtain costs in that pool for each subclass.” In addition, Table 1 of your testimony shows pool total costs for six mail processing cost pools at BMCs and shows pool total costs for eight mail processing cost pools at non-MODS facilities.

(a) With respect to the six mail processing cost pools at BMCs shown in Table 1, please describe each pool-specific distribution key that was used within each pool, the Postal Service’s justification for its choice of each distribution key and the value of that key for the Bound Printed Matter (“BPM”) subclass.

(b) With respect to the eight mail processing cost pools at non-MODS facilities shown in Table 1, please describe each pool-specific distribution key that was used within each pool, the Postal Service’s justification for its choice of each distribution key and the value of that key for the BPM subclass.

AAP/USPS-T17-2 On page 8 (lines 9-11) of your testimony, you state that “Table 3 in the attachment lists the subclass volume-variable costs (before clocking in/out and premium adjustments) and distribution factors (Col Pct) for all mail processing cost pools for the BMC, MODS 1& 2 and non-MODS facilities.” With respect to each cost pool allocated to BPM in Table 3, please show separate clocking in/out and premium cost adjustments that are required in order to derive total mail processing costs for BPM in Base Year 1998.

AAP/USPS-T17-3 On page 9 (lines 13-14) of your testimony, you state that “[t]he IOCS tallies are grouped into the BMCs, MODS and non-MODS facilities, based on finance numbers sampled in the IOCS.” With respect to this statement, please list all finance numbers sampled in the IOCS that were assigned to each the three groups. Please provide a general narrative description as to how these group assignments were made.

AAP/USPS-T17-4 On page 10 (lines 5-8) of your testimony, you state that “[f]or the BMC and non-MODS sampled finance numbers, the cost pool tally mapping, which relies on the IOCS Uniform Operation codes and Questions 18 and 19 responses, is the basis for partitioning the total BMC and non-MODS costs into cost pools in Part I of LR-I-106.” With respect to this statement, please provide the exact language used in Questions 18 and 19.

AAP/USPS-T17-5 Footnote 7 on page 10 of your testimony categories specific activities as allied operations. Please confirm that the activities listed (i.e., Platform) are exactly the same, when performed at non-MODS offices, MODS offices or BMCs. Please explain any answer that does not confirm this statement.

AAP/USPS-T17-6 On page 11 (lines 17-18) of your testimony, you state that “[t]he procedure used to derive volume-variable cost fractions in this docket is based on the Postal Service’s pre-R97-1 method, but is applied by cost pool. This method separates non-overhead tally activities into those that are volume-variable and those that are not 100% volume variable.” With respect to this statement:

- (a) Please provide data comparable to Table 1 and Table 3 showing the effect of using the Postal Service’s pre-R97-1 method, but not applying that method by cost pool.
- (b) Please provide data comparable to Table 1 and Table 3 showing the effect of using the Postal Service’s R97-1 method exactly as that method was proposed by the Postal Service in R97-1.
- (c) With respect to each “non-overhead tally activity” referenced in this statement, please provide separate lists of all non-volume variable tally activities and all 100 percent volume-variable tally activities. With respect to each of the 100 percent volume variable tally activities listed, please explain fully, with examples, why the non-overhead tally activity is considered 100 percent volume variable.

AAP/USPS-T17-7 On page 12 (lines 1-2) of your testimony, you state that “[c]osts associated with ‘overhead’ activities are considered volume variable to the same degree as the non-overhead activities.” With respect to this statement:

- (a) Please provide the justification for considering costs associated with “overhead” activities to be volume variable to the same degree as the non-overhead activities.
- (b) Please state the amount that costs associated with “overhead” activities were treated as costs attributable to the BPM subclass during BY 1998 and show where these costs are or would be included in (i) Exhibit USPS 11-A, appended to the testimony of Postal Service witness Meehan (USPS-T-11) and (ii) Exhibit USPS 14-A, appended to the testimony of Postal Service witness Kashani (USPS-T-14).

AAP/USPS-T17-8 On page 14 of your testimony (lines 2-3) of your testimony, you state that “not-handled tallies” do not contain information on mail shapes and item types. With respect to not-handled tallies, please list and identify each datum of information that is contained in such tallies.

AAP/USPS-T17-9 On page 14 (lines 3-6) of your testimony, you that state “[m]ixed tallies and not-handled tallies are subsequently *distributed* to subclasses or mail classes, using all available tally information based on operational associations, from which the subclass or mail class distribution mix can be reasonably inferred.” With respect to this statement:

- (a) Please explain how non-handled tallies can be associated with individual subclasses since, as noted on page 14 (lines 1-3) of your testimony, these tallies do not contain information such as mail shape or item type that can be associated with subclasses.
- (b) Please define “operational associations” and list all operational associations that were used in this case to distribute not-handled tallies to subclasses.
- (c) Please define “reasonably inferred,” and provide all studies, reports, data or other evidence that you relied upon to make a determination that a distribution of not-handled tallies to the BPM subclass was based on a “reasonable” inference.

AAP/USPS-T17-10 On page 14 (lines 21-23) of your testimony, you state that “[m]ixed item and non-empty container tallies are then distributed to subclasses by ‘filling’ the mixed/empty single items and the piece/item in non-empty containers in proportion to the direct tally subclasses from the same item and piece shapes.” Please provide any studies, reports, data or other evidence that supports the use of this procedure.

AAP/USPS-T17-11 On page 15 of your testimony (lines 12-13), you state that “[f]or the BMC platform pool, the ‘filling’ of items and non-empty containers is with direct piece and item subclasses from all BMC cost pools.” With respect to this procedure, please provide a step-by-step calculation showing how the procedure was used by the Postal Service to distribute mixed tally BMC platform pool costs to the BPM subclass.

AAP/USPS-T17-12 On page 16 (lines 2-4) or your testimony, you state that in this docket, “the not-handling tallies for *non-allied* cost pools are proposed by the USPS to be distributed to subclasses using the direct and distributed mixed tallies within the same cost pool.” Please provide any studies, reports, data or other evidence that support the use of this procedure.

AAP/USPS-T17-13 On page 16 (lines 9-13) of your testimony, you state that in this docket “the not-handling tallies for the *allied* cost pools are distributed to subclasses, based on the aggregated handling tallies in all distribution and allied operations for each of the BMC, MODS and non-MODS facility groupings.” With respect to this statement:

(a) Please provide any studies, reports, data or other evidence that support the use of this procedure.

(b) Please explain why the Postal Service has chosen, in this docket, to depart from the procedure for not-handling tallies for the allied cost pools relied upon by the Postal Service in Docket R97-1.

AAP/USPS-T17-14 On page 16 (lines 22-23) of your testimony, you state that “[f]or the BMCs the same distribution key for the not-handling tallies on the Platform is now extended to the ‘Allied Labor and Other Mail Processing’ Cost Pool.” With respect to this statement, please provide a step-by-step calculation for the Platform cost pool at BMCs separately showing 1) distribution of direct tallies to the subclasses, 2) distribution of mixed tallies to the subclasses, 3) distribution of not-handling tallies to the subclasses and 4) use of the same distribution key that was used for not-handling tallies on the Platform to distribute the Allied Labor and Other Cost pool to the subclasses.

AAP/USPS-T17-15 On page 16 (line 24) and page 17 (line 1-2) of your testimony, you state “[t]he not-handling tallies in the Platform and Allied cost pools represent about 49 percent of all not-handling tallies for the mail processing costs pools in the BMCs.” Please provide all calculations used to derive this percentage.

AAP/USPS-T17-16 In footnote 20 on page 18 of your testimony, you state that “[i]n Docket No. R97-1, the Postal Service’s proposed volume variability factor for the LD48 cost pool was 0. Thus, there were no volume-variable subclass costs associated with the LD48 ADM pool.” With respect to this statement, please explain why the Postal Service proposed this volume variability factor for the LD48 cost pool in Docket No. R97-1 and identify all Postal Service testimony in R97-1 that explains the volume variability factor for the LD48 cost pool.

AAP/USPS-T17-17 On page 21 (lines 11-13) of your testimony, you state that “[i]n W/S 3.3, the inputs enable the Administrative Service activities to be classified with those directly associated with subclasses, or with not-handling mail activities, some of which are determined to be non-volume variable.” With respect to this statement, please describe the procedures and

methods by which Administrative Services activities were classified. Please state fully the bases upon which these classifications were made.