

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS VAN-TY-SMITH TO INTERROGATORIES OF
TIME WARNER, INC.
(TW/USPS-T17-17, 18, 20 and 21)

The United States Postal Service hereby provides the responses of witness Van-Ty-Smith to the following interrogatories of Time Warner, Inc.: TW/USPS-T17-17, 18, 20 and 21, filed on March 10, 2000. Interrogatory TW/USPS-T17-19 was redirected to witness Degen.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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March 24, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
TW INTERROGATORIES**

TW/USPS-TI7-17 There appear to be 453 IOCS tallies for mail processing in MODS offices, with a combined tally dollar value of \$22.729 million, that are shown as "not handling" but have assigned activity codes 30, 50, 60 and 90. Such tallies appear in the four "support" pools (I Misc, I Support, LD48-Adm and LD480th) as well as in pools BusReply, Express, Intl, LD48-SSV, and Registry.

- a. Please confirm the above figures, or if incorrect please correct them.
- b. Why is the "not handling" designation used with activity codes that normally represent direct tallies?

RESPONSE TO TW/USPS-TI7-17.

- a. Confirmed.
- b. Please see Chapter 11 of Handbook F-45, In-Office Cost System, Field Operating Instructions filed in USPS LR-I-14, Question 20, Option C on p.11-34 and p.11-35).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
TW INTERROGATORIES**

TW/USPS-TI7-18. Please refer to Table I and Table 1-4B in LR-1-1 06, and your answer to TW/USPS-TI7-2d and e.

- a. Confirm that in order to transform the breakdown of NonMODS mail processing costs into cost pools that is shown in Table 1-4B to the breakdown into eight cost pools shown in part 2 of Table 1, you simply distributed the costs from the ZBREAKS pool, formed from the tallies with activity code 6521 (breaks/personal needs), proportionately among the other eight pools. If not confirmed, which method did you use?
- b. Confirm that you did not use any Question 18 or Question 19 data to distribute the ZBREAKS costs. If not confirmed, what information did you use and how?
- c. Confirm that the portions of the ZBREAKS costs that are distributed to other pools are as shown below. If not confirmed, please give correct figures.

ALLIED	55,211,285
AUTO/MEC	14,025,832
EXPRESS	1,871,710
MANF	46,806,559
MANL	69,155,339
MANP	12,383,701
MISC	25,256,203
REGISTRY	2,904,047
Total ZBREAKS Costs	227,614,677

- d. Assume that instead of a proportional distribution of the NonMODS break time costs you had distributed those costs by applying Question 18 and Question 19 data for the break time tallies in the same way as you did for other tallies. Please show what the distribution of ZBREAKS costs to NonMODS cost pools, and the distribution of NonMODS volume variable costs to subclasses and special services, would be in that case.

RESPONSE TO TW/USPS-TI7-18.

- a. Confirmed.
- b. Confirmed if you mean, as in d. below, that I did not use Questions 18 or 19 for the break time tallies as I did for the other tallies. Please note that because the Non-Mods cost pools are based on Questions 18 or 19, a proportional distribution of the ZBREAKS costs based on these cost pools carries an association with Questions 18 and 19.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
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RESPONSE TO TW/tUSPS-T17-18 (continued).

- c. confirmed.
- d. The attached Table 1 shows a comparison of the distributed ZBREAKS costs to NonMODS cost pools between between the USPS BY 98 method (where the ZBREAKS costs are proportionately distributed among the other eight pools) and the method described in TW/USPS-T17-18d (where the ZBREAKS costs are distributed based on Questions 18 and 19).

The attached Table 2 provides a comparison of the volume-variable mail processing costs for subclasses and special services between the USPS BY 98 method (where the ZBREAKS costs are proportionately distributed among the other eight pools) and the method described in TW/USPS-T17-18d (where the ZBREAKS costs are distributed based on Questions 18 and 19).

Response to TW/USPS-T17-18d. Table 1

Non-MODS Pools	Distributed ZBREAKS Costs		Total Pool Costs	
	Proportional Distribution of Zbreaks	Method Described in TW-T17-18d	Proportional Distribution of Zbreaks	Method Described in TW-T17-18d
Allied	55,211	37,743	609,324	591,856
Auto/Mec	14,026	11,035	154,792	151,801
Express	1,872	478	20,657	19,263
Manf	47,509	47,624	516,567	516,682
Manl	69,156	96,855	763,214	790,913
Manp	12,383	15,871	136,669	140,157
Misc	25,256	16,655	278,733	270,132
Registry	2,904	2,056	32,050	31,202
Total	228,317	228,317	2,512,006	2,512,006

Response to TW/USPS-T17-18d. Table 2

Response to TW/USPS-T17-18d. Table 2				
Subclasses	Non-MODS Volume-Variable Costs			
	Proportional Distribution of Zbreaks	Method Described in TW-T17-18d	Difference	Percent
	(a)	(b)	(b) - (a)	(b - a)/a
First-Class Mail:				
Single Piece Letters	979,647	986,656	7,009	0.7%
Presort Letters	257,466	258,457	991	0.4%
Single Piece Cards	32,822	33,579	757	2.3%
Presort Cards	11,583	11,822	239	2.0%
Total First	1,281,518	1,290,514	8,996	0.7%
Priority Mail	118,259	118,355	96	0.1%
Express Mail	14,423	13,685	(738)	-5.4%
Periodicals				
In-County	5,378	5,403	25	0.5%
Outside C. - regular	127,642	126,655	(987)	-0.8%
Outside C. - non Prof	19,261	18,998	(263)	-1.4%
Outside C. - Classrm	1,489	1,483	(6)	-0.4%
Total Second	153,770	152,539	(1,231)	-0.8%
Standard Mail (A)				
Single Piece Rate	16,045	15,868	(177)	-1.1%
Commercial Standard				
Enhanced Carrier Route	78,440	77,230	(1,210)	-1.6%
Regular	452,110	453,604	1,494	0.3%
Total Commercial	530,550	530,834	284	0.1%
Aggregate NonProfit				
Enhanced Carrier Route	8,711	8,642	(69)	-0.8%
NonProfit	82,300	83,269	969	1.2%
Total Non-Profit	91,011	91,911	900	1.0%
Total Standard (A)	637,606	638,613	1,007	0.2%
Standard Mail (B)				
Parcel Zone-Rate	39,931	39,704	(227)	-0.6%
Bound Printed Matter	19,321	19,285	(36)	-0.2%
Special 4th Class	9,548	9,609	61	0.6%
Library Rate	2,054	2,057	3	0.1%
Total Standard (B)	70,854	70,655	(199)	-0.3%
U.S. Postal Service	19,630	19,488	(162)	-0.8%
Free - Blind & Hndc - S	3,059	3,029	(30)	-1.0%
International	10,242	10,306	64	0.6%
Special Services				
Registered	3,988	3,833	(155)	-4.0%
Certified	16,843	15,453	(1,390)	-9.0%
Insured	538	494	(44)	-8.9%
COD	322	296	(26)	-8.8%
Other Services	7,712	7,075	(637)	-9.0%
Total Special services	29,403	27,151	(2,252)	-8.3%
TOTAL	2,338,764	2,344,315	5,551	0.2%

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
TW INTERROGATORIES**

TW/USPS-TI7-19. The following questions concern your attribution and distribution of costs in the two Function I and two Function 4 "support" pools.

- a. Please confirm that the direct tallies, identifying specific subclasses and special services, in cost pools IMisc, Isupport, LD48 - Adm and LD480th represent \$89.713 million in "tally dollars" or \$83.192 million in accrued BY98 costs. If not confirmed, please supply corrected figures.
- b. Confirm that your method distributes the volume variable portion of these direct costs in a manner that ignores all subclass and handling specific information recorded by IOCS clerks for these tallies.
- c. Granted that many other (not handling) tallies in these cost pools indicate general and administrative functions for which a broad distribution over all mail processing costs may be justified, what exactly is your justification for ignoring the specific information on the direct tallies instead of simply distributing the costs of those tallies to the subclasses and services indicated?
- d. List all reasons you have, if any, to believe that ignoring the subclass and service specific information on the direct tallies referred to above leads to a more accurate distribution than you would get by simply using the ignored information.

RESPONSE TO TW/USPS-TI7-19

Redirected to Witness Degen (USPS-T-16).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
TW INTERROGATORIES**

TW/USPS-TI7-20 The MODS mail processing "not handling" tallies appear to include tallies showing window service activities, represented by activity codes 5020-5195 and 6000-6200, with a total "tally dollar" value of \$79.63 million. This includes \$12.48 million in Function I cost pools with the rest in Function 4 pools.

- a. Please confirm the above numbers.
- b. What are the volume variable costs represented by these tallies?
- c. What portion of these costs is attributed to each Periodicals subclass under your distribution method?

RESPONSE TO TW/USPS-TI7-20.

- a. Not confirmed for \$79.63 million: it should be \$76.63 million in tally dollar for the not-handling tallies with activity codes 5020-5195 and 6000-6200. Confirmed for \$12.48 million in Function 1 cost pools.
- b. The costs for these tallies are 100% volume-variable in all cost pools where the econometric volume-variability factors were not derived in BY98. For the twelve cost pools where the volume-variability factors were econometrically derived, the not-handling tallies are not considered separately and have no role: the total pool volume-variable cost is multiplied by the pool distribution key, which is based on the handling tallies. If we assume these not-handling tallies to represent a proportion of the total cost in each these twelve cost pools, and if we assume the pool volume-variability factor applies to these costs, then the "volume-variable" costs associated with not-handling tallies with activity codes 5020-5195 and 6000-6200 amount to \$69.85 million in total, with \$10.28 million in Function I cost pools.
- c. The volume-variable costs associated with the not-handling tallies with activity codes 5020-5195 and 6000-6200 are distributed to each Periodicals subclass as follows:

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
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RESPONSE TO TW/USPS-T17-20 (continued).

	(in million)
In-County	\$ 0.119
Outside County Regular	\$ 2.738
Outside County Non-Profit	\$ 0.549
Outside County Classroom	\$ 0.021
TOTAL	\$ 3.427

For (a)-(c) , please refer to pp. 55-58, Section III A. and B. of witness Degen's testimony
(USPS-T-16) for a discussion of the 'migrated' tallies

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
TW INTERROGATORIES**

TW/USPS-T17-21 What are the accrued and volume variable costs associated with not handling tallies with activity codes equal to, respectively, 6220 (Special Delivery), 6230 (Registry) or 6231 (Express Mail)? Please also indicate what portion of these costs is attributed to Periodicals mail under your methodology.

RESPONSE TO TW/USPS-T17-21

The MODS accrued costs associated with not-handling tallies with activity codes 6220, 6230, and 6231 are respectively \$4.017 million, \$60.892 million and \$39.997 million.

For all cost pools where the volume-variability factors were not econometrically derived, the costs associated with those three activity codes are considered fixed (see USPS-LR-I-106, Part II C, Description of SAS Programs, Section 2, MOD1VARB, p.II-41). For the twelve cost pools where the volume-variability factors were econometrically derived, and given the assumptions stated in my response to TW/USPS-T17-20 b, the "volume-variable" costs associated with activity codes 6220, 6230 and 6231 total to \$1.215 million. The portion of these volume-variable costs which is distributed to Periodicals amounts to \$0.032 million.

DECLARATION

I, Eliane Van-Ty-Smith, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Eliane Van Ty Smith

Dated: 3/24/00

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 cursive script, appearing to read "Susan M. Duchek", is written over a solid horizontal line.

Susan M. Duchek

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