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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000–1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS VAN–TY-SMITH TO INTERROGATORIES OF
THE ASSOCIATION OF AMERICAN PUBLISHERS
(AAP/USPS–T17–2-4, 6, 8, 11, 14, 15, and 17)

The United States Postal Service hereby provides the responses of witness
Van–Ty-Smith to the following interrogatories of the Association of American
Publishers: AAP/USPS–T17-2-4, 6, 8, 11, 14, 15, and 17, filed on March 17, 2000.
Interrogatories AAP/USPS–T17-1,5, 9, 10, 12 and 13 were redirected to witness Degen
and interrogatories AAP/USPS-T17-7 and 16 were redirected to witness Bozzo.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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

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 facilitates.

(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.

RESPONSE TO AAP/USPS-T17-1

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

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

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.

RESPONSE TO AAP/USPS-T17-2

The BY98 mail processing clocking in/out subclass adjustments are relevant only

to the BMC and Non-MODS facilities, and are done separately for each facility

grouping. See footnote 3 of my testimony and witness Meehan's response to

AAP/USPS-T11-4.

The subclass premium adjustments are done for all combined facilities. See

Workpapers A-2, p. 1-4 of Witness Meehan (USPS-T-11).

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

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.

RESPONSE TO AAP/USPS-T17-3

The IOCS tally file in USPS-LR-I-12 contains encrypted finance numbers. To partition that file into BMC, MODS, and Non-MODS facilities, please refer to:

1. The SAS program "MBC" contained in one of the two diskettes filed in USPS-LR-I-106, which lists the BMC encrypted finance numbers under the caption "BMC encrypted finance numbers."

2. The "MODFIN98" file contained in one of the two diskettes in USPS-LR-I-106, which lists the MODS 1 & 2 encrypted finance numbers.

3. The remaining finance numbers (i.e. those not listed in 1. or 2.above) in the IOCS tally file consist of the Non-MODS encrypted finance numbers.

Please refer to USPS-LR-I-1, sections 3.0, 3.1.2, 3.1.3 and 3.1.4 for a general narrative description of these three groups, which underlies these group assignments.

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

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.

RESPONSE TO AAP/USPS-T17-4

Please refer to Chapter 11 of Handbook F-45, In-Office Cost System, Field Operating

Instructions filed in USPS LR-I-14.

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

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.

RESPONSE TO AAP/USPS-T17-5

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

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

AAP/USPS-T17-6 On page 11 (lines 17-18) or 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 not-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.

RESPONSE TO AAP/USPS-T17-6

a.   It is my understanding that the file MP-97-99.xls, contained in USPS-LR-I-233

provides the comparable information -- total and volume-variable costs -- for mail

processing based on the LIOCATT method, which was used by the Postal

Service prior to Docket No. R97-1 method.

b.   Data comparable to Table 1 and Table 3 based on the method proposed by the

Postal Service in Docket No. R97-1 are contained in the diskette filed in USPS-

LR-I-251 (See Resp to 6b Tab1.xls, Resp to 6b Tab3MODS.txt, Resp to 6b

Tab3BMCS.txt and Resp. to 6b Tab3 NMOD.txt). Also note that the mail

processing FY 98 data for Table 1 can also be found in USPS-LR-I-1, pp. 3-3

and 3-4.

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

c.   With respect to the first question in (c), the non-volume variable tally activities are listed in the description of SAS programs, MOD1VARB, NONMODVB, and BMCSVARB contained in Part II of USPS LR-I-106 (p.II-40, p.II-49, p.II-56), and in the USPSFIXD and the MODSVARB (at lines 00162000-00169000) SAS program codes contained in one the two diskettes filed in USPS-LR-I-106.

The 100 percent volume-variable tally activities consist of all the remaining tally activities, except for those associated with the overhead activities (6521, 6522, 6523)

With respect to the second question in (c), it is my understanding that the FY 96 Summary Description of USPS Development of Costs by Segments and Components contained in USPS-LR-H-1, and filed in Docket No. R97-1, provides such information.

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

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).

RESPONSE TO AAP/USPS-T17-7

Redirected to Witness Bozzo (USPS-T-15).

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

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.

RESPONSE TO AAP/USPS-T17-8.

By definition, the 'not-handling' tallies exclude both the direct tallies (which have recorded subclass or mail class information), and the mixed tallies (which are item and container handling tallies with no recorded subclass or mail class information). For additional details on how the SAS programs identify the not-handling tallies, please refer to the description of the SAS programs MOD1DIR (p.II-41), NONMOD1 (p.II-48) and BMC1 (p.II-54) in Part II of USPS-LR-I-106.

Thus, the not-handling tallies contain no data for IOCS Questions 21-25 which are skipped for these tallies (see Chapters 12-17 of Handbook F-45, In-Office Cost System, Field Operating Instructions filed in USPS LR-I-14). For data included in all other fields, please refer to Appendix A, p.2-34 in USPS-LR-I-12, and USPS-LR-I-14.

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

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.

RESPONSE TO AAP/USPS-T17-9

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

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

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.

RESPONSE TO AAP/USPS-T17-10

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

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

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.

RESPONSE TO AAP/USPS-T17-11.

The responses to this interrogatory and to interrogatory No.14 are contained in the diskette filed in USPS-LR-I-251. For a step by step calculation, see the "Overview of SAS programs", and the description of SAS programs BMC1 and BMC2, in Part II of USPS-LR-I-106.

Tables 1a, 2a and 2b in USPS-LR-I-251 are relevant to this interrogatory.

Table 1a provides, for all cost pools combined, the subclass direct tallies (tallies refer to dollar-weighted tallies) by piece shape, item type and container type. The subclass distribution factor for a piece shape or item type is obtained by dividing the subclass tallies by the total tallies for all subclasses for the piece shape or item type.

Each column total in Table 2a provides the Platform cost pool tallies associated with handling mixed single items, by item type. When the column total for an item type in Table 2a is multiplied by the subclass distribution factor of the same item type from Table 1a, it produces the subclass distributed mixed tallies shown in Table 2a.

Each column total in Table 2b provides the Platform cost pool tallies associated with handling "identified" containers, pro-rated by the percentages of volume occupied by shapes of loose mail pieces and/or types of items (see footnote 14 of my testimony). When the pro-rated tallies (or column total) for a piece shape or an item type in containers from Table 2b is multiplied by the subclass distribution factor of the

corresponding piece shape or item type from Table 1a, they produce the subclass

distributed mixed tallies, shown in Table 2b.

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

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.

RESPONSE TO AAP/USPS-T17-12

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

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

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.

RESPONSE TO AAP/USPS-T17-13

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

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

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.

RESPONSE TO AAP/USPS-T17-14.

The response to this interrogatory (and interrogatory No.11) is contained in the diskette filed in USPS-LR-I-251. For a step by step calculation, see the "Overview of SAS programs", and the description of SAS programs BMC1-BMC4, in Part II of USPS-LR-I-106.

Table 1 provides the direct tallies distributed to subclasses. For the distribution of mixed tallies associated with single items and identified containers, see my response to AAP/USPS-T17-11.

Each column total in Table 2c provides the Platform cost pool tallies associated with handling "unidentified" and empty containers, by container type. The numerator for the subclass distribution factor for these tallies is obtained by adding the Platform subclass distributed tallies (or row total) for an identified container type from Table 2b with the Platform subclass direct tallies for direct containers of the same type from Table 1c. The denominator for the subclass distribution factor for these tallies is obtained by adding the total Platform tallies for an identified container type from Table 2b with the total Platform direct tallies for containers of the same type from Table 1c.

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

When the tallies for a type of "unidentified" or empty container in Table 2c are multiplied by the subclass distribution key for a container of the same type, they generate subclass distributed tallies for "unidentified" or empty containers, by container type, in Table 2c.

Table 2 shows the total distributed mixed tallies for all cost pools.

Table 3 provides the Platform total not-handling tallies (cumulative total).

Table 4 provides the distribution key for the Platform not-handling tallies. The numerator for a subclass distribution factor is obtained by adding the subclass tallies (row total) from Table 1 to the corresponding subclass tallies (row total) from Table 2. The denominator is obtained by adding the grand total from Table 1 to the grand total from Table 2. The distribution key is then applied to the total Platform not-handling tallies from Table 3 to obtain subclass distributed not-handling tallies.

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

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.

RESPONSE TO AAP/USPS-T17-15

The 49 percent was obtained from the same table as the BMCS Table in USPS-LR-I-184, by adding the not-handling dollar-weighted tallies for the PLA and OTHR cost pools and dividing them by the total not-handling dollar-weighted tallies ((62,270 + 98,168)/329,607). These numbers did not include the cost pool portion of the break time which is shown as a separate cost pool in that table. Thus, they are revised below to include the break time.

The distributed breaks for the PLA and OTHR cost pools are:

OTHR   45,704 obtained as $(251,839 - 206,018)$[a] x $(791,481/793,500)$.

PLA   31,907 obtained as $(207,947 - 175958)$[a] x $(791,481/793,500)$

[a] see Tables I-3 and I-3B, OTHR and PLA pool costs before and after distributed breaks.

A revised percentage for the OTHR and PLA not-handling tallies (which now includes the distributed break time for these cost pools) is then 72 percent ((62,270 + 45,704 + 98,168 + 31,907)/329,607).

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

AAP/USPS-T17-16 In footnote 20 on page 18 of you 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.

RESPONSE TO AAP/USPS-T17-16

Redirected to Witness Bozzo (USPS-T-15).

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

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.

RESPONSE TO AAP/USPS-T17-17

The IOCS activity codes provide the information necessary to classify the

Administrative service (Cost Segment 3.3) tallies into those where the sampled

employee was handling mail with identified subclass(es) (i.e. "directly associated with

subclasses") and those where the sampled employee was not handling mail. Also, see

the description of the SAS program ADMIN in Part IV of USPS-LR-I-106. It is my

understanding that all subparts related to Section 3.3 of the FY 98 Summary

Description of USPS Development of Costs by Segments and Components, filed in

USPS-LR-I-1, provide information on the classification of the activity codes into volume-

variable and non-volume-variable.

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: 3/31/00

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.

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March 31, 2000