

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

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS BOZZO TO INTERROGATORIES OF
THE ASSOCIATION OF AMERICAN PUBLISHERS,
REDIRECTED FROM WITNESS VAN-TY-SMITH
(AAP/USPS-T17-7, 16)

The United States Postal Service hereby provides the response of witness Bozzo to the following interrogatories of the Association of American Publishers: AAP/USPS-T17-7, 16, filed on March 17, 2000 and redirected from witness Van-Ty-Smith.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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March 31, 2000

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers
(Redirected from Witness Van-Ty-Smith, USPS-T-17)**

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-T17-7 Response.

- a. Please see Docket No. R97-1, USPS LR-H-1, section 3.1.1 ("Activities Related to Mail Processing").**

- b. The volume-variable "overhead" costs for BPM would be included in the Cost Segment 3.1 results (and, of course, any totals including Cost Segment 3.1) provided in witness Meehan's Exhibit USPS-11A and witness Kashani's Exhibits USPS-14B through USPS-14K. It is my understanding that witness Kashani's Exhibit USPS-14A presents a variety of factors from the rollforward model that are substantially if not completely unrelated to the treatment of volume-variable costs for "overhead" activities.**

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In the table provided in Attachment 1 to this response, I derive an estimate of the portion of the BPM volume-variable cost presented in witness Van-Ty-Smith's Table 3 (USPS-T-17 at pages 27-40) under the assumption that the "overhead" activities are volume-variable to the same extent as the non-overhead activities in the same cost pool. Please note that the Table 3 results are inputs to worksheet 3.1.1a in witness Meehan's Workpaper B; see the spreadsheet file CS03.xls in USPS LR-1-80

Column		(1)	(2)	(3)
Column Source		USPS-T-17, Table 3	Analysis of LR- I-12 tallies; LR-I-106	Col. 1 x Col. 2
Cost Pool		BPM Volume- Variable Cost	Overhead Fraction	Est. BPM Volume- Variable "Overhead"
MODS 11	BCS/	11	26.2%	3
MODS 11	OCR/	5	26.8%	1
MODS 12	FSM/	3,766	25.5%	960
MODS 12	LSM/	1	18.7%	0
MODS 13	MECPARC	204	30.7%	63
MODS 13	SPBS OTH	3,602	34.5%	1,243
MODS 13	SPBSPRIO	100	31.8%	32
MODS 13	1SACKS_M	513	37.4%	192
MODS 14	MANF	1,652	25.0%	414
MODS 14	MANL	611	22.9%	140
MODS 14	MANP	1,830	32.2%	589
MODS 14	PRIORIT	179	30.2%	54
MODS 15	Y LD15	0	19.3%	0
MODS 17	1BULK P	37	43.7%	16
MODS 17	R 1CANCMP	127	26.1%	33
MODS 17	1OPBULK	2,496	37.3%	932
MODS 17	1OPPREF	4,144	36.2%	1,502
MODS 17	1PLATFRM	6,105	35.2%	2,146
MODS 17	1POUCHNG	1,747	34.9%	610
MODS 17	1SACKS_H	1,451	36.7%	532
MODS 17	1SCAN	130	30.7%	40
MODS 18	BUSREPLY	23	12.7%	3
MODS 18	EXPRESS	9	23.2%	2
MODS 18	MAILGRAM	0	32.4%	0
MODS 18	REGISTRY	5	18.1%	1
MODS 18	REWRAP	4	29.6%	1
MODS 18	1EEQMT	220	82.4%	182
MODS 19	INTL	163	23.3%	38
MODS 41	LD41	11	23.5%	2
MODS 42	LD42	0	24.9%	0
MODS 43	LD43	7,141	28.0%	1,997
MODS 44	LD44	580	18.1%	105
MODS 48	LD48 EXP	0	11.4%	0
MODS 48	LD48_SSV	720	11.5%	83

Column	(1)	(2)	(3)
Column Source	USPS-T-17, Table 3	Analysis of LR- I-12 tallies; LR-I-106	Col. 1 x Col. 2
Cost Pool	BPM Volume- Variable Cost	Overhead Fraction	Est. BPM Volume- Variable "Overhead"
MODS 49 LD49	1,624	17.8%	289
MODS 79 LD79	176	14.0%	25
MODS 99 1SUPP_F1	491	13.0%	64
MODS 99 1SUPP_F4	1,452	14.1%	205
Subtotal MODS	41,331		12,499
Non-MODS ALLIED	5,965	23.7%	1,412
Non-MODS AUTO/MEC	37	17.0%	6
Non-MODS EXPRESS	0	9.1%	0
Non-MODS MANF	3,293	12.7%	419
Non-MODS MANL	74	13.9%	10
Non-MODS MANP	8,749	21.5%	1,878
Non-MODS MISC	1,197	11.3%	135
Non-MODS REGISTRY	6	11.1%	1
Subtotal Non-MODS	19,321		3,861
BMC NMO	3,090	39.9%	1,233
BMC OTHR	23,623	37.7%	8,911
BMC PLA	19,998	31.6%	6,313
BMC PSM	16,526	19.8%	3,271
BMC SPB	2,412	31.8%	767
BMC SSM	2,217	22.3%	493
Subtotal BMC	67,866		20,989
Total	128,518		37,348

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers
(Redirected from Witness Van-Ty-Smith, USPS-T-17)**

AAP/USPS-T17-16. In footnote 20 on page 18 of you [sic] testimony, you state that "[i]n Docket No. R97-1, the Postal Service's proposed volume variability factor for the LD48 [sic] 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 [sic] 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 [sic] cost pool.

AAP/USPS-T17-16 Response.

I am unable to locate any Docket No. R97-1 testimony specifically justifying the zero variability for the LD48 ADM cost pool proposed in Docket No. R97-1. The justification for the variabilities applied to the other LDC 48 cost pools was provided in Dr. Bradley's Docket No. R97-1 direct testimony, USPS-T-14, at pages 89-90.

DECLARATION

I, A. Thomas Bozzo, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A. Thomas Bozzo

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.

A handwritten signature in black ink, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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