

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 VAN-TY-SMITH TO INTERROGATORY OF  
TIME WARNER, INC.  
(TW/USPS-T17-26)

The United States Postal Service hereby provides the response of witness Van-Ty-Smith to the following interrogatory of Time Warner, Inc.: TW/USPS-T17-26, filed on March 29, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



Susan M. Duchek

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April 12, 2000

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

**TW/USPS-TI7-26** Please refer to your answer to TW/USPS-TI7-20b, in which you say, referring to the window service related not handling costs in mail processing related costs pools:

"The costs for these tallies are 100% volume-variable in all cost pools where the econometric volume-variability factors were not derived in BY98."

- a. Please confirm that the mail processing cost pools with the largest number of window service related not handling tallies are LD48-ADM, LD48 OTH, LD44 and L043, in that order. If not confirmed, please explain.
- b. Please confirm that none of the pools listed in part a above have econometrically determined volume variability factors in this docket, but that the IOCS based volume variability factor is less than 100% for each pool.
- c. Does your statement quoted above mean that in assigning IOCS based volume variability factors for the pools without econometrically determined factors, you assumed 100% variability for the portion in each pool that consists of window service related tallies? If not, please explain.
- d. If, for example, the LD48 - ADM pool has a volume variability factor of 0.534, and the window service related component within that pool is considered 100% volume variable, does it then follow that the average variability for the remaining components within the pool must be less than 0.534? If not, please explain.
- e. Is the determination of IOCS based volume variability factors for pools without econometrically determined factors based on the activity codes for the costs within each pool? If not, please explain precisely what these factors are based on. If so, is any other information besides activity codes used to determine this variability?
- f. Please specify, for each IOCS activity code, how tallies with that code contribute to the IOCS based volume variability of the pools the tallies are in. In particular, which activity codes are assumed to correspond to fixed costs, which are assumed to represent 100% volume variable costs, etc.?
- g. Are break time and clocking in/out tallies in fact ignored in the process of assigning IOCS based volume variability factors to individual pools? If not, what role do they play in determining volume variability? Which other types of tallies (by activity code) are ignored in determining IOCS based variability factors?

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**RESPONSE TO TW/USPS-T17-26**

- a. Confirmed - see the dollar-weighted tallies for these cost pools relative to all other cost pools in the attached table to this question. It is my understanding that the presence of a relatively large number of tallies with window-related activity codes in LDC 48 is symptomatic of the operational basis for including window service costs in the Function 4 Support distribution key described by witness Degen at pp.57-58 (USPS-T-16).
- b. Confirmed.
- c. Yes, I made the 100% variability assumption when I applied the pre-R97-1 method without adjusting for the so-called "migrated" costs at MODS offices, consistently with witness Degen's treatment of the "migrated" tallies (see pp. 55-58 of his testimony). In following this procedure, tallies with activity codes 5020-5195 and 6000-6200 are neither "overhead" nor "fixed" tallies. Consequently, they are included in the 100% volume-variable category of activity codes.
- d. Yes, if we were to remove the tallies with activity codes 5020-5195 and 6000-6200 from the cost pool.
- e. In response to the first part of your question, yes, the volume variability factors are based on the activity codes (see section II.B.2 of my testimony. and my response to AAP/USPS-T17-6c).

In response to the second part of your question, no, no other information besides activity codes are used to determine the volume-variability factor.

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**RESPONSE TO TW/USPS-TI7-26 (continued)**

- f. Please refer to USPS-LR-H 1 filed in Docket No. 97-1 and my response to e. above.
- g. In response to the first part of your question, yes, the overhead tallies are ignored in the computation of the volume-variability factor for the cost pool. But they are not ignored in the pool volume-variable costs. When the pool cost (which includes the overhead costs) is multiplied by the volume-variability factor, the volume-variable portion of the overhead costs is included in the resulting pool volume-variable costs that get distributed to the subclasses. Note that the same pool volume-variable costs can be obtained by adding the total pool costs associated with the 100 percent volume-variable activity codes, and the pool volume-variable overhead costs obtained by multiplying the pool total overhead costs by the pool volume-variability factor.

In response to the second part of your question, no tallies, other than the overhead tallies, are excluded from the computation of the IOCS based variability factors.

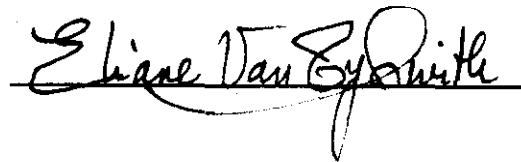
Table Provided in Response to TW/USPS-T17-26a.

Dollar-weighted Tallies by Pool and for actv=5020-5195, 6000-6200 within each Pool

SAS code	MODS 1 & 2 Facilities Cost Pool title	Total Pool Dollar-Weighted Tallies (a)	Percent (c) / (a)	Dollar-Weighted Tallies for actv= 5020-5195, & 6000-6200 (c)
	<b>Automated Equipment</b>			
BCS/ OCR/	BCS, BCS on OCR	1,075,041	0.0%	41
	OCR	230,236	0.1%	117
	<b>Mechanized, Letters &amp; Flats</b>			
FSM/ LSM/	SPFSM, FSM & FSM/BCR	948,037	0.1%	809
	LSM, MPLSM & SPLSM W/BCR	78,093	0.1%	52
	<b>Mechanized, Other</b>			
1SACKS_M MECPARC	Mechanical Sort - Sack Outside	55,885	0.0%	-
	Mechanized Parcels	13,946	0.5%	70
SPBS OTH	SPBS - Non Priority	296,736	0.1%	246
SPBSPRIO	SPBS - Priority	78,593	0.1%	86
	<b>Manual Distribution Operations</b>			
MANF	Manual Flats	460,877	0.1%	419
MANL	Manual Letters	1,538,123	0.2%	3,677
MANP	Manual Parcels	73,211	0.1%	52
PRIORITY LD15	Manual Priority	187,612	0.2%	321
	<b>LDC 15 - RBCS</b>	23,608	0.0%	-
	<b>Allied Operations</b>			
1SCAN	Air Contract DCS and Incoming	55,589	0.0%	15
1BULKPR	Bulk Presort	15,060	1.4%	213
1CANCMP	Cancellation & Mail Preparation - metered	311,888	0.2%	616
1SACKS_H	Manual Sort - Sack Outside	155,581	0.0%	67
1OPPREF	Opening Unit - Preferred Mail	686,360	0.1%	666
1OPBULK	Opening Unit - BBM	267,930	0.1%	184
1PLATFRM	Platform	1,060,393	0.0%	237
1POUCHG	Pouching Operations	424,928	0.0%	124
	<b>Other Operations</b>			
BUSREPLY	Business Reply / Postage Due	37,754	0.0%	-
REWRAP	Damaged Parcel Rewrap	15,862	0.0%	-
1EEQMT	Empty Equipment	49,363	0.0%	-
EXPRESS	Express Mail	94,035	1.0%	943
MAILGRAM	Mailgram	334	15.6%	52
1SUPPORT	Mail Processing Support	212,943	0.6%	1,323
1MISC	Miscellaneous Activity	142,997	0.8%	1,202
REGISTRY	Registry	158,703	0.3%	425
INTL	International	130,155	0.4%	526
LD41	LDC 41 - Unit Distribution - Automated	46,336	0.5%	219
LD42	LDC 42 - Unit Distribution - Mechanized	9,168	3.2%	290
LD43	LDC 43 - Unit Distribution - Manual	615,671	1.3%	7,801
LD44	LDC 44 - Post-Office Box Distribution	153,598	5.3%	8,100
LD48 EXP	LDC 48 - Customer Service / Express	4,400	5.3%	231
LD48_ADM	LDC 48 - Customer Service / Admin	175,576	12.7%	22,358
LD48_SSV	LDC 48 - Customer Service / Spec.Servc.	94,741	5.4%	5,158
LD48 OTH	LDC 48 - Customer Service / Other .	151,047	11.9%	18,034
LD49	LDC 49 - Computerized Forwarding Syst.	293,963	0.0%	-
LD79	LDC 79 - Mailing Req' & Bus. Mail Entry	153,370	1.3%	1,957
	<b>MODS 1 &amp; 2 Subtotal</b>	<b>10,577,743</b>	<b>0.7%</b>	<b>76,631</b>

**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.

A handwritten signature in cursive script that reads "Eliane Van Ty Smith". The signature is written in black ink and is positioned above a horizontal line.

Dated: 4-12-00

## 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 horizontal line.

Susan M. Duchek

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