

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  
TO INTERROGATORIES OF  
TIME WARNER, INC.  
(TW/USPS-3-5)

The United States Postal Service hereby provides its responses to the following interrogatories of Time Warner, Inc.: TW/USPS-3-5, filed on April 11, 2000.

Each 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



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May 2, 2000

**Response of the United States Postal Service  
To Interrogatories of Time Warner Inc.**

**TW/USPS-3 Please confirm that the Postal Service recently (e.g., within the last few years) has modified some of the conversion factors used in MODS to estimate first handling pieces (FHP) at distribution operations. If not confirmed, please specify when the latest such change took place.**

**TW/USPS-3 Response.**

**Confirmed.**

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**TW/USPS-4 Please provide documentation of all conversion factors currently used in MODS. Additionally, please answer the following.**

- a. Precisely how do the new conversion factors differ from those previously used?**
- b. Why are the new factors more accurate than those they replaced?**
- c. Besides the impact on FHP calculations, has there been any recent change in the way that total pieces handled (TPH) at manual operations are calculated once the FHP are known? If yes, please explain all such changes.**
- d. For which of the cost pools used in the Postal Service's current rate filing would the new conversion factors affect estimates of TPH?**
- e. For which cost pools would the recent change in conversion factors tend to lower the estimated TPH?**
- f. What is the first accounting period and fiscal year in which MODS volumes were based entirely on the new conversion factors?**

**TW/USPS-4 Response.**

- a. Please see the table of MODS conversion factors provided in response to ADVO/USPS-3.**
- b. The new conversion factors are based upon a random sample of mail weighed for conversion to FHP in FY 1998. Thus, the updated conversion factors would tend to better reflect current mail characteristics.**
- c. No.**
- d. Application of the new conversion factors would affect measured FHP, and therefore TPH, for the MODS mail processing cost pools representing manual letter and flat sorting operations. Conversion factors are also used to develop TPH for MODS cancellation and meter mail prep operations (1CancMPP cost**

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pool) for which exact piece counts are not available (note that most cancellation volume is worked on the AFCS). While FHP and TPH in manual parcel operations are partly determined by conversion factors, please note that the parcel conversion factors did not change.

- e. Most, but not all, of the updated conversion factors are lower than the conversion factors they replaced.
- f. The first AP in which the affected MODS volumes reflect the new conversion factors is AP1, FY 1999.

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**TW/USPS-5.** Please refer to the MODS volume data for FY98 provided in LR-I-190. It indicates a base year volume of 137.883 million at cost pool 1Sacks\_M, representing mechanized sorting of sacks and outsides in MODS offices.

- a. Please confirm that with the base year incurred costs according to witness Van-Ty-Smith (\$55.538 million) and the piggyback factor indicated by witness Smith (1.693) the base year unit cost at this pool is approximately 68.2 cents per sack. If not confirmed, please give an alternative estimate.
- b. What categories of employees are typically included in the 1SackS\_M cost pool? Specifically, does it include: (1) employees unloading sacks to be sorted from inbound trucks; (2) employees taking outbound sacks from a sawtooth area where the sacks have been brought by the mechanized sack sorting system and loading the sacks on outbound trucks; or (3) employees taking working sacks from a slide area to an opening belt?
- c. Approximately what percentage of sacks arriving at the destinating SCF, excluding those that might be in containers already marked for crossdocking to the DDU, receive mechanized, rather than manual, sorting?
- d. Is manual sack sorting and movement of sacks either to the outbound dock or the location where they will be opened in MODS offices more or less expensive than the mechanized sort? Please answer assuming: (1) facilities of similar size with and without mechanized sack sorting; and (2) the actual sizes of facilities that have and do not have mechanized sack sorting.
- e. What are the typical assignments of employees working in the 1SackS\_H (manual sort - sack outside) pool?

**TW/USPS-5 Response.**

- a. Confirmed that the product of \$55.538 million and 1.693, divided by 137.883 million, rounds to 69.2 cents (volume-variable cost) per TPH.
- b. Please see Handbook M-32, Appendix A, p. 10 (Docket No. R97-1, USPS-LR-H-147) for a description of the associated MODS operations 238 and 239. Of the activities specifically listed, activities (1) and (2) are defined as part of, would typically be performed by, employees assigned to the MODS

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operations 210-234, which are assigned to the MODS 1Platform cost pool. Activity (3) would typically be performed by employees assigned to MODS operations associated with the 1Platform, manual sack sorting (1SackS\_H), or Opening cost pools.

- c. The available data do not permit sorting of sacks at the destinating SCF to be distinguished from total sack sorting. However, since the total cost associated with the 1SackS\_H cost pool is approximately 3.2 times larger than that associated with the 1SackS\_M cost pool, it is reasonable to expect that the majority of the specified sack sorting is performed manually.
- d. The Postal Service has not analyzed this.
- e. Please see Handbook M-32, Appendix A, p. 10 (Docket No. R97-1, USPS-LR-H-147) for a description of the associated MODS operations 235-237.

## 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 solid horizontal line.

Susan M. Duchek

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