UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001



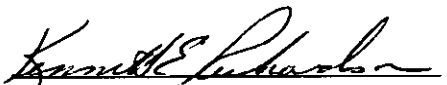
Postal Rate and Fee Changes, 2000 ) Docket No. R2000-1

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
WITNESS: PAMELA A. THOMPSON (USPS/OCA-T9-1-8)
(June 26, 2000)

The Office of the Consumer Advocate hereby submits the answers of Pamela A. Thompson to interrogatories of United States Postal Service, dated June 12, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

OFFICE OF THE CONSUMER ADVOCATE



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ANSWERS OF OCA WITNESS PAMELA A. THOMPSON
TO INTERROGATORIES USPS/OCA-T9-1-8

USPS/OCA-T9-1. Please refer to page 4, lines 5-6 of your testimony. You state that you used PRCEDIT.EXE "to zero-out residual Standard Mail (A), single piece rate costs[.]"[]

a) Why was it necessary to edit the results? What caused the residuals? Please explain fully.
b) If the residuals were the result of rounding, please explain fully the rounding function you used in your program. Please provide an arithmetic example of how the rounding function is performed.

RESPONSE TO USPS/OCA-T9-1. (a) When the USPS transferred out of Standard Mail (A) single piece costs, it moved integer values. I replicated this process. However, in moving integer values in my cost model, decimal values (residuals) remained in the Standard Mail (A), single piece cost category. The residuals that remained resulted in GRMAT.EXE printing a negative zero (-0). To eliminate the negative zero (-0) display, I manually edited the Standard Mail (A) single piece costs for segment 2, components 9, 29, 30, 32, 678; segment 3, component 228; segment 6, component 45; segment 16, component 177; and segment 18, components 199, 201 and 204 by inputting zero (0) into the data file.

(b) My cost model does not restrict the amounts stored in the data files it produces to integers values, rather the program supports reals. GRMAT.EXE does not alter the data file values. However, GRMAT.EXE does round the amounts to integers prior to printing and displaying them. For example, assume a data value of "x." If "x" is a value that is greater than or equal to 0.5 and is less than 1.0, "x" will be rounded up to the nearest integer (in this example, 1) before GRMAT.EXE displays the value. If "x" is less than 0.5, GRMAT.EXE rounds "x"

down (in this example, 0) before the value is displayed. To maintain as much accuracy as possible, segment totals are calculated on the basis of the actual data file values and are not based upon the rounded printed values.

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USPS/OCA-T9-2. Please refer to page 4, lines 10-12. Please confirm that you provided no hard copy version of your programs and data files (or, stated otherwise, you provided only the electronic version of your programs and data files). If you do not confirm, please explain fully.

RESPONSE TO USPS/OCA-T9-2. Confirmed.

ANSWERS OF OCA WITNESS PAMELA A. THOMPSON
TO INTERROGATORIES USPS/OCA-T9-1-8

USPS/OCA-T9-3. Please refer to page 4, line 15 of your testimony. You state "[a] cross-walk for segments 1 through 20 is not needed as the cost model uses the USPS component numbering scheme." Please refer to page 6, lines 9-10 of your testimony. You state "[i]n replicating the USPS data, OCA component 21:173 (USPS component 1453) did not receive a duplicate mail volume adjustment." Please explain fully how the parenthetical explanation on page 6 is necessary if the USPS component numbering scheme is used in OCA's cost model. If the Postal Service's numbering scheme is not used, please provide the cross-walk for segments 1 through 20 described on page 4.

RESPONSE TO USPS/OCA-T9-3. An OCA cross-walk is not needed for segments 1 through 20 as the cost model uses the same numbering scheme as does the Postal Service in those segments. For example, USPS segment 2, component 4 is identified in my model as 2:4 or 2 4. Input into the OCA model must indicate the segment number as well as the applicable component number. An OCA cross-walk was necessary for segments 21 through 23 because those segments are similar to a "scratch pad." Segments 21 through 23 are used to store USPS distribution keys and results of program calculations. Thus, the components in segments 21 through 23 do not use USPS numbers. In the OCA cross-walk file (OCA-LR-I-1, subdirectory USPSREP, file name cross_walk.xls), the segment and component you refer to "21:173" is in segment 21 and is component 173. Depending on the year under review, segment 21, component 173 is similar to USPS component 1339 and 1453. Also, please refer to OCA-LR-I-1, the printed copy of "Postal Rate Commission Cost Model Functions For Analyzing United States Postal Service Costs" at 26-27 and footnote 33 at 27.

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TO INTERROGATORIES USPS/OCA-T9-1-8

USPS/OCA-T9-4. Please refer to page 7, lines 1-3 of your testimony. You state "[i]n the cost model, the method of multiplying the cost reduction of ($102,342,000) by 1.003 to allocate an additional component 35 cost reduction of $240,173 will not produce the intended results." Are you referring to the USPS cost model or the OCA cost model? If you are referring to the USPS cost model, please provide the source you used to decide that the total amount of $102,342,000 be multiplied by 1.003.

RESPONSE TO USPS/OCA-T9-4. I am referring to the OCA cost model.

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TO INTERROGATORIES USPS/OCA-T9-1-8

USPS/OCA-T9-5. Please refer to page 7, lines 16-23 of your testimony.

a) You state "I ... determined that the intended cost reduction amount of $32,363,000 be allocated to component 43." Why do you use the term "intended" to describe the cost reduction amount of $32,363,000? Please explain fully.
b) Please provide all calculations showing "the cost reduction amount to be allocated to component 46 was $27,534,000."
c) The remaining $64,599,000 was "allocated to the remaining segment 6 and 7 components" and this appears to be your last step. Were the three steps outlined in parts a), b) and c) discrete and sequential? Please explain fully.
d) If you[r] response to part c) is affirmative, is it necessary in the OCA's cost model to execute[ ] each step whenever a cost reduction change is made that involves more than a single component? Please explain fully.

RESPONSE TO USPS/OCA-T9-5. (a) In FY 00 the Postal Service indicated that a cost reduction amount of $124,496,000 was to be distributed to all segment 6 and segment 7 components. According to Webster's Ninth New Collegiate Dictionary, the word "intended" means "to have in mind as a purpose or goal." Thus, I used the term "intended" to indicate that of the total cost reduction amount of $124,496,000, it was the Postal Service's goal that segment 6, component 43 receive a total cost reduction amount of $32,363,000.

(b) In USPS witness Kashani's workpaper E, at 326, elemental load, segment 7, component 46, received a total cost reduction amount of $30,828,000. The $30,828,000 was the total of two cost reduction amounts. One cost reduction amount was $3,294,000 for "Delivery Confirm Scan" (see USPS-LR-I-6 \FY00rcr\Ben2fact – factor 244) and $27,534,000 for "LIM-00" (see USPS-LR-I-6 \FY00rcr\Ben2fact – factor 245; note factor 245 is $124,496,000). According to the USPS VBL5 file, $124,496,000 is allocated to the following ten components: segment 6, components 43, 44, and 45; segment 7, components

46, 48, 49, 50, 52, 53, and 54. The $124,496,000 is allocated among the ten previously mentioned components on a weighted average basis. In other words, total costs for each component (after adjusting for any applicable cost level effects, mail volume effects, non-volume workload effects, and additional workday effects) are summed. Then, each component's total costs are divided by the sum of the ten specified components' total costs. The result is a weighted average. The weighted average is subsequently multiplied by the total cost reduction amount ($124,496,000) to yield the amount allocated to each of the ten specified components. Of the total $124,496,000, the amount of the cost reduction allocated to segment 7, component 46 was $27,534,000; and the amount allocated to segment 6, component 43 was $32,363,000. According to information in USPS-LR-I-6 and witness Kashani's workpapers, the distribution of the $27,534,000 was based upon the then existing distribution of segment 7, component 46 costs. The remaining cost reduction amount of $64,599,000 ($124,496,000 - $27,534,000 - $32,363,000) is allocated to the remaining nine components based upon their weighted average. Another way to explain the calculation is as follows: $30,828,000 presented in USPS witness Kashani's workpaper (see USPS-T-14, workpaper E at 326) minus $3,294,000 equals $27,534,000.

(c)-(d) I am not sure I understand your question. Computers by their very nature process and execute code sequentially and thus, one instruction at a time. However, if you are asking whether or not my cost model

can allocate a "lump" sum among several different components, then my response is affirmative. For more information, please see OCA-LR-I-1, the printed document entitled "Postal Rate Commission Cost Model Functions For Analyzing United States Postal Service Costs" at 26 – 32. Please see my response to part (b) of this interrogatory.

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USPS/OCA-T9-6. Please refer to page 8, lines 1-6 of your testimony.

a) Please provide the source of the "cost increase of $60,647,000" referred to at line 4.
b) Please explain fully the relationship between the "cost reduction of $798,000" and the "cost increase of $60,647,000.["]
c) Why does the $798,000 cost reduction need to be "isolated" as stated at line 5? Please explain fully.
d) Is the allocation of the "remaining $160,000" described at lines 7-9 discrete and sequential in relation to the steps listed at lines 4-6? Please explain fully.
e) If you[r] response to part d) is affirmative, is it necessary in the OCA's cost model to execute[ ] each step whenever a cost reduction change is made that involves more than a single component? Please explain fully.

RESPONSE TO USPS/OCA-T-9-6. (a) The $60,647,000 should be $60,637,000 ($6,896,000 "Delivery Confirm Scan" + $48,350,000 "Priority Proc Center" - $518,000 "Int'l Clerks & MH" + $13,000 "DBCS MP Costs" + $5,896,000 "SPBS MP Costs"). Please see USPS-LR-I-6, the USPS FY00 VBL6 and BEN2FACT files. Apparently, I made an addition error when I summed the five amounts for my testimony, however, the exhibits in my testimony do not change as I used the five amounts indicated in this response when I ran the cost model.

(b)-(c) Of the $798,000 other programs cost reduction the Postal Service identified, my cost model program run indicated that ($638,000) was allocated to segment 3, component 35. Thus, I chose to isolate (or, list separately) the ($638,000) from the total ($798,000). Additionally, the Postal Service allocated an additional net other programs cost increase of $60,637,000 to segment 3, component 35. For a break-out of the $60,637,000, please see my response to part (a) of this interrogatory. The only relationship I am aware of

is that both the $638,000 cost reduction and the net total $60,637,000 cost increase impact segment 3, component 35.

(d)-(e) Again, I am not sure I understand what you mean by discrete and sequential. If you review the electronic file, FY00RCR.FAC, you will note that the other programs' cost reduction of $160,000 is allocated to the remaining segment 3 components (40, 66, 421, 422, 423, 467, 468, 469, 470, 471, 41, 227, and 228) using one "cl" command. The "cl" command precedes the six "di" and one "ds" commands used to allocate other program costs to segment 3, component 35. The computer program executes one instruction at a time and, thus, would execute the "cl" instruction first.

ANSWERS OF OCA WITNESS PAMELA A. THOMPSON
TO INTERROGATORIES USPS/OCA-T9-1-8

USPS/OCA-T9-7.

a) Please refer to Exhibit 1A that accompanies your testimony. Please confirm that the USPS Base Year amount shown in the first column for Total Costs is $59,566,519. If you do not confirm, please explain fully.
b) Please refer to Exhibit 1B that accompanies your testimony. Please confirm that the OCA Base Year amount shown in the first column for Total Costs is $59,384,726. If you do not confirm, please explain fully.
c) Please refer to Exhibit 1C that accompanies your testimony. Please confirm that the Delta USPS – OCA Base Year amount shown in the first column for Total Costs is (2). If you do not confirm, please explain fully.
d) If subparts a) – c) are confirmed, please fully explain the differences in Total Costs in the two models.

RESPONSE TO USPS/OCA-T-9-7. (a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) A difference in total costs of (2), or ($2,000) is 0.000003 percent and is not significant. Therefore, I did not pursue examining the cause of the difference and I do not know the reason for the difference.

ANSWERS OF OCA WITNESS PAMELA A. THOMPSON
TO INTERROGATORIES USPS/OCA-T9-1-8

USPS/OCA-T9-8.

a) Please refer to Exhibit 1B that accompanies your testimony. Please confirm that the OCA with Workyr Adjustment FY 01 amount shown in the last column for Total Costs is $67,467,418. If you do not confirm, please explain fully.

b) Please refer to USPS witness Kashani's Workpaper, WP-j, Table A, Table 8, page 20. Please confirm that the Workyear Adjustment FY01 amount for Total Costs is $67,467,158. If you do not confirm, please explain fully.

c) If subparts a) – b) are confirmed, please fully explain the differences in Total Costs in the two models.

RESPONSES TO USPS/OCA-T9-8. (a) Confirmed

(b) Confirmed.

(c) Exhibit 1C shows the difference between my results and USPS witness Kashani's. A difference in total costs of (260) or ($260,000) is less than 0.0004 percent and is not significant. Therefore, I did not pursue examining the cause of the difference and I do not know the reason for the difference.

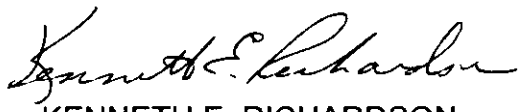
DECLARATION

I, Pamela A. Thompson, declare under penalty of perjury that the answers to interrogatories USPS/OCA-T9-1-8 of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed 6-26-00

CERTIFICATE OF SERVICE

I hereby certify that I have this date 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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Washington, D.C. 20268-0001
June 26, 2000