

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS VAN-TY-SMITH TO INTERROGATORIES OF AOL TIME WARNER INC.
(AOL-TW/USPS-T-13-4(b,e,g)-6)

The United States Postal Service hereby provides the responses of witness Van-Ty-Smith to the following interrogatories of AOL Time Warner Inc.: AOL-TW/USPS-T-13-4(b,e,g)-6, filed on October 24, 2001. Interrogatory AOL-TW/USPS-T-13-4(a,c,d,f,h,i) was redirected from witness Van-Ty-Smith to the Postal Service.


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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November 7, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
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AOL-TW/USPS-TI3-4 Your testimony states:

"To reflect the emergence of the ISCs (International Service Centers) as separate entities related to international programs, costs for MODS finance numbers in FY 2000 are further disaggregated into costs for ISC and non-ISC finance numbers."

- a. What is an ISC? In particular, please explain what you mean by describing them as "separate entities related to international programs."
- b. How many ISC's are there?
- c. Where are ISC's typically located? Specifically, how many are located: (1) inside mail processing plants (P&DC's); (2) at airports; or (3) in separate facilities?
- d. Do employees receive special training in order to work in an ISC? If yes, what kind of training do they receive, and how long does such training last?
- e. LR-J-55 states that mail processing IOCS tallies with "ISC encrypted finance numbers" are extracted and included in the cost pool called INTL ISC. What are the ISC associated finance numbers?
- f. How many employees work at ISC's?
- g. Should ISC's be considered as distinct from both Function 1 and Function 4 offices?
- h. Assume that a Periodical is being handled in an ISC. Which of the following is most likely, and which is least likely?
 - (1) the Periodical has domestic origin and international destination;
 - (2) the Periodical has international origin and domestic destination; or
 - (3) the Periodical has domestic origin and domestic destination?
- i. Please answer the questions in part h of this interrogatory assuming that the mail piece is a single piece letter, rather than a Periodical.

Response to AOL-TW/USPS-TI3-4

- a. Redirected to the Postal Service.

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- b. Seven ISC finance numbers were included in the Base Year 2000 volume-variable costs for the INTL ISC cost pool.
- c-d. Redirected to the Postal Service.
- e. Program MOD1POOL lists the seven ISC encrypted finance numbers under the section labeled "*.....Establish ISC Cost Pool.....*".
- f. Redirected to the Postal Service.
- g. As part of an on-going effort to "separate the costs of programs clearly related to products where possible" in response to a recommendation from the FY 96 Audit (see Witness Meehan's testimony, page 5, lines 10-13), ISC's were considered distinct from other Function 1 and Function 4 offices because they were identified as centers which process predominantly international mail in the base year 2000 (see response of the Postal Service to TW/USPS-T13-4a).
- h-i. Redirected to the Postal Service.

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AOL-TW/USPS-T13-5 Please refer to Table 3 in your testimony and confirm that your cost distribution results in \$0.63 million of INTL ISC costs being attributed to the domestic subclass called "Outside County Periodicals".

Response to AOL-TW/USPS-T13-5

Confirmed. \$630 (000's) or \$0.63 million is obtained from Table 3 by adding the volume-variable costs in the INTL ISC column for the rows corresponding to mail classes "8-2 Periodicals-Regular," "8-3 Periodicals-Non Profit" and "8-4 Periodicals-Classroom."

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AOL-TW/USPS-T13-6

- a. Please confirm that the four MODS cost pools that you define as "support" pools have direct tallies in the BY2000 IOCS data with combined tally costs of \$106.13 million.
- b. Please confirm that the BY2000 direct tally costs at the four support pools are 18.3% higher than the corresponding costs in FY98.
- c. Please confirm that your proposed method, like the method you proposed in R2000-1, effectively ignores the IOCS subclass identifications for all direct tallies in the four "support" pools.

Response to AOL-TW/USPS-T13-6

- a. Confirmed.
- b. Confirmed, if the cited costs in "a" above are compared to the BY98 direct tally costs for the same cost pools in LR-I-184 in Docket R2000-1. Please also note that the percent of direct tally costs out of the total tally costs for these four support pools is 13.14% for BY 98 and 14.00% for BY 2000.
- c. Confirmed. The treatment of the direct tallies in the "support" pools in Docket R2001-1 is based on the method that the Postal Service proposed in Docket R2000-1.

DECLARATION

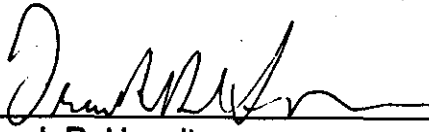
I, Eliane Van-Ty-Smith, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Eliane VanTy Smith

Dated: November 7, 2001

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.



Frank R. Heselton

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