

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEGEN TO
INTERROGATORIES OF MAJOR MAILERS ASSOCIATION REDIRECTED FROM
WITNESS ALEXANDROVICH
(MMA/USPS-T5-2 AND 3)

The United States Postal Service hereby provides responses of witness Degen to the following interrogatories of Major Mailers Association: MMA/USPS-T5-2 and 3, filed on August 13, 1997 and redirected from witness Alexandrovich.

An objection to interrogatory MMA/USPS-T5-1 was filed on August 25, 1997.

Each 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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August 27, 1997

**Response of United States Postal Service Witness Degen
to Interrogatories of the Major Mailers Association
(Redirected from Witness Alexandrovich)**

MMA/USPS-T5-2.

Please provide the BY 1996 Clerk and Mailhandler Mail Processing costs using the Postal Service's attribution methodology for First-Class Mail for each of the following operation codes: 01 mail preparation, 02 outgoing primary, 03 outgoing secondary, 04 incoming primary, 05 incoming secondary and 06 outgoing and incoming. The data should be comparable to Report ALA85OP21, LIOCATT SYSTEM Schedule B & C - Summary Clerks/Mailhandlers cost by Basic Function, LIOCATT Format I, which was provided in USPS witness Barker workpapers, pages 22,23,37,38,52,53,67,68,82,83,97 and 98 in Docket No. R94-1.

MMA/USPS-T5-2 Response.

BY 1996 Clerk and Mailhandler Mail Processing costs rely on the new MODS-based distribution methods. Central to the new methodology is the partitioning of costs into pools based on the MODS operation grouping described in my testimony and the associated library reference (USPS-T-12 and LR-H-146) The partitioning of these MODS-based costs into the IOCS operation groupings is artificial and potentially misleading in the sense that the cost pool formation, variability analysis, and cost distribution methodology were designed around MODS operation definitions, so the IOCS operation—resolved to any degree of fineness using questions 18 and 19—does not uniquely identify the MODS pool in which the costs associated with the tally are booked.

From the details referenced in this question and the explicit statement at the end of MMA/USPS-T5-3, it appears that these data are to be "plugged-into"

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models that were designed to use data from the old LIOCATT methodology. If this is so, then the LIOCATT data, which have been provided by the Postal Service as part of its periodic reporting requirements, should be used to update these models.

However, the requested cost breakdown can be produced using data already filed by the Postal Service. A possible approach is to start with the cost results provided in LR-H-106, pages II-5 and II-7. For the mail categories of interest (e.g., First-Class single-piece letters), one might select the relevant cost pools and subdivide these costs using percentages of direct tallies by IOCS operation code for each category/cost pool, calculated from the LR-H-23 data file. Costs for non-presort cards would need to be developed using the methods employed in LR-H-106 and the information on page II-9.

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MMA/USPS-T5-3.

Please provide the IOCS BY 1998 [sic] weighted tally proportions by mail type and operation code for each First-Class category. The data should be comparable to similar data utilized by the Commission in Docket No. R90-1, Appendix F, page 8.

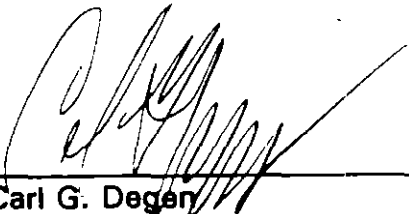
MMA/USPS-T5-3 Response.

The meaning of "weighted tally proportions" is ambiguous in the context of the new methodology, though I suppose that the partitioned costs resulting from the procedure I describe in my response to MMA/USPS-T5-2 could be converted into proportions in an obvious way. Please note that the IOCS operations from the Commission's R90-1 analysis and the similarly named MODS operation pools in the BY 1996 mail processing costs are not identical. Models such as Appendix F need to be redefined to use the operational groupings that are the basis of the new methodology. Please see my testimony, USPS-T-12, at 6.

I am told that the method on page 8 of Appendix F, used to determine the weighted average piggyback factor, would need to be modified to accommodate RBCS costs. This is because there are no tallies of REC site staff that can be used as an RBCS weight. As a result, the relative weight for RBCS piggyback costs for a given IOCS operation code would need to be determined by some other method.

DECLARATION

I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.




Carl G. Degen

Date: 8/27/97

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.



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