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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DEGEN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T12—30-32)

The United States Postal Service hereby provides responses of witness Degen to

the following interrogatories of the Office of the Consumer Advocate: OCA/USPS–

T12—30-32, filed on August 14, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 28, 1997

Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate

OCA/USPS-T12-30. Please refer to the program MBC listings of library
references H-146 and H-218. The SAS code at lines 00150002-00155003
of H-146 and SAS log lines 17-21 of H-218 appear to be slightly different
versions of the KEEP option of the SET statement preceding it.

a. Please confirm that the resulting BMC.BMC data set in program MBC of
   H-146 contains variables not contained in the BMC.BMC data set
   produced in H-218. If you do not confirm, please explain the absence of
   F226 and F266 from the H-218 data set.
b. Please confirm that the resulting BMC.BMC data set in program MBC of
   H-146 does not contain some variables that are contained in the
   BMC.BMC data set produced in H-218. If you do not confirm, please
   explain the absence of F136 from the H-146 data set.
c. Please confirm that the H-218 SAS programs are not identical to the SAS
   programs of H-146. If you do not confirm, please explain the differences
   in the KEEP option noted in parts a and b of this interrogatory. If you do
   confirm, please identify all modifications made to the original H-146
   programs and explain why the modifications were made.

OCA/USPS-T12-30 Response.

a. Confirmed. However, the variables referenced in this part of the

   question are not used to form the BMC distribution keys, so the

   difference is innocuous. Please see my response to OCA/USPS-T12-12.

b. Confirmed. Again, the difference is innocuous, since F136 is not used in

   the formation of the BMC distribution keys.

c. Confirmed. The SAS logs were produced specifically for inclusion in LR-

   H-218. My understanding is that in order to facilitate the process of re-

   running the programs, some minor modifications were made to the

   programs. For the most part, the modifications were intended to make it

   unnecessary to produce multiple versions of data sets for use in various

LR-H-146 programs. In addition, some unused variables such as F226

and F266 were deleted altogether. Additionally, I am informed that the

F260 variable had been accidentally dropped from certain statements in

programs NONMOD12 and NONMOD3 while the code was being cleaned

up for inclusion in LR-H-146; these are restored in the LR-H-218

programs. Please see Attachment 1 to this response for a list of the

changes that were made to the programs in LR-H-218.

Attachment 1 - Response to OCA/USPS-T12-30c

Modifications to LR-H-146 programs for LR-H-218 run

Program	LR-H-146	Changes Reflected in LR-H-218	Reason
MBC	line # 152001	f136 added	used in MODSHAPE
	line # 152002	f216-f232 => f216-f225 f227-f232	f226 not used
		f266 deleted	not used
MOD1POOL	line # 2850001	statement added: If MOD>='551' AND MOD<='552' THEN MODGRP='2ADM INQ';	used in ADMWIN
MOD1DIR	line # 370002	f136 added	used in MODSHAPE
NONMOD12	line # 1240002	f136 added	used in MODSHAPE
	line # 2900002	f260 added	used in NONMOD4
	line # 2930002	f260 added	" " "
NONMOD3	line # 190002	f260 added	" " "
	line # 220002	f260 added	" " "
BMC1	line # 2360004	f136 added	used in MODSHAPE
MODSHAPE	line # 2130000	MODS.MODS => MOD.MODS	naming consistency
ADMWIN	line # 2500003	ACTV1=ACTV deleted	not used
WINACCPT	line # 580000	ADW.ADWNMOD => ADW.NONMODS	naming consistency
	line # 2740000	f236 SHAPE deleted from the KEEP statement	not used

Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate

OCA/USPS-T12-31. Please refer to Attachment 1 to your response to
OCA/USPS-T12-1. This table shows that about 94 percent of the non-MOD
offices are CAG D-J offices and that only about 3 percent of the MODS
offices are CAG D-J offices.

a. Please confirm that the variability estimates you use to develop
   distributed volume variable costs by cost pool are based solely on MODS
   office data. If you do not confirm, please explain.
b. Please confirm that you apply the MODS office variability figures of Table
   4 of your testimony to produce volume variable costs for the Non-MODS
   offices. If you do not confirm, please explain fully.
c. [This question was withdrawn.]
d. Please provide any and all justification for applying variabilities developed
   predominately for CAG A-C MODS offices to CAG D-J Non-MODS offices.
e. Please provide copies of all studies and analyses relating to differences in
   mail processing volume variability between CAG A-C MODS offices and
   CAG D-J Non-MODS offices.
f. Please confirm that the primary justification for the use of the MODS
   volume variability estimates in NON-MODS offices is the lack of
   analagous volume variability estimates for Non-MODS offices.

OCA/USPS-T12-31 Response.

a. Not confirmed. In particular, the variabilities for the BMC cost pools are

    based on PIRS data, and the Registry variability is based on national

    registered mail volumes from RPW. It is, however, the case that the

    proxy variability for the non-MODS office group is based on estimated

    MODS variabilities. Please see witness Bradley's testimony, USPS-T-14,

    for further details.

b. Confirmed. The non-MODS proxy variability is the system average

    variability for the MODS office group, as explained in USPS-T-14, at 90.

c. This question was withdrawn.

d. Witness Bradley specified a MODS-based proxy variability for the non-
MODS offices because there is no comparable operational data system to
supply data for estimation of variability factors for non-MODS offices.
However, lack of data is not in itself a justification for the use of any
given proxy. There are two main justifications for the use of the MODS
system variability as a proxy variability for the non-MODS. First, I
believe that mail processing operations at non-MODS facilities do not
differ substantially from comparable operations at MODS facilities. In
this regard, the statement of the question is misleading. The 6% of non-
MODS facilities in CAG A-C account for 37% of clerk and mailhandler
costs in the office group, using attachment 3 to my response to
OCA/USPS-T12-1. If I instead examine CAG A-E non-MODS offices, i.e.,
the CAGs where there is some "overlap" with the MODS group, I
observe that the largest 19% of the non-MODS offices account for 72%
of the group's clerk and mailhandler costs. So, a significant fraction of
the non-MODS costs are associated with offices that operate at the scale
similar to that of smaller MODS offices. Second, I believe that the
MODS variabilities are reasonable proxies on an operation-by-operation
basis. Weighting the MODS variabilities to reflect the operations mix
found at non-MODS offices would lead to a variability factor that is

essentially the same as the MODS system average. Please see witness

Bradley's response to OCA/USPS-T14-1.

e. There are no such studies because data is not available to estimate

variability factors for non-MODS operations based on data collected at

non-MODS offices.

f. Not confirmed. The lack of reliable operational data on mail processing

operations at non-MODS offices creates the need to employ a proxy

variability factor. However, it is not used to establish the

appropriateness of our particular choice of proxy. Please see my

response to part d and witness Bradley's response to OCA/USPS-T14-1

for justification of our choice.

Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate

OCA/USPS-T12-32. Please refer to Table 4 of your testimony. Please
provide a crosswalk between the cost pools provided here and the operation
code by basic function as described in Appendix C of LR-H-1. For example,
what cost pool(s) of Table 4 correspond to each combination of operation
code and basic function as described on page 1 of Appendix C of LR-H-1.

OCA/USPS-T12-32 Response.

There is no formal correspondence between the MODS cost pools in Table 4

of my testimony, USPS-T-12, and groupings based on IOCS operation code

and/or basic function. Please see USPS-T-12 at 6. There are statistical

correspondences between certain cost pools and operation codes (or groups

of operation codes), for instance an employee clocked into a MODS

operation associated with the manual letters cost pool is likely to be

observed performing a distribution activity represented by operation codes

02–05.

Since BMC and non-MODS costs are partitioned using IOCS tally dollars,

there is a closer correspondence between the cost pools, IOCS operations,

and basic functions. For the BMCs and non-MODS groups, the mail

processing, administrative, and window service tally sets are identified using

the collections of IOCS operation codes that have traditionally identified the

cost components. The logic of the BMC Platform pool assignment (program

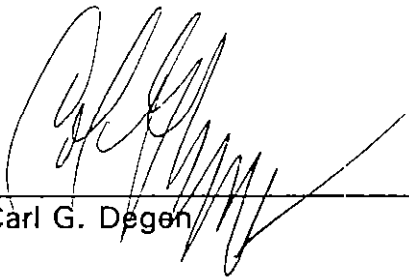BMC1, LR-H-146, line 84) is similar to the '0032-connector-6A' code in

program ALB040, LR-H-21, which assigns IOCS operation codes 07-08.

The BMC distribution operation pools are based on the question 19

equipment type rather than scheme, so these will include tallies from several

IOCS operation codes. The non-MODS mail processing costs are not

explicitly subdivided, and therefore would in general include tallies with all

operation codes and basic functions. Please note that, as described in LR-

H-146 at II-13 and II-16, basic function and IOCS operation code are used

to distribute some of the mixed-mail and not-handling-mail

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.
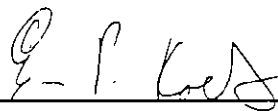
Carl G. Degen

Date: _8-28-97_

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.

Eric P. Koetting

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August 28, 1997