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

POSTAL RATE & FEE CHANGES, 1997

Docket No. R97-1

INTERROGATORIES OF TIME WARNER INC.
TO UNITED STATES POSTAL SERVICE WITNESS DEGEN: TW/USPS-T12-18-23
(August 29, 1997)

Pursuant to sections 25 and 26 of the Rules of Practice, Time Warner Inc. (Time Warner) directs the following interrogatories to United States Postal Service witness Degen (USPS-T-12). If witness Degen is unable to respond to any interrogatory, we request that a response be provided by an appropriate person capable of providing an answer.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Timothy L. Keegan

August 29, 1997

THIRD SET OF INTERROGATORIES TO WITNESS DEGEN (USPS-T-12)

TW/USPS-T12-18 Table T12-18, attached to this interrogatory, presents a breakdown of the mail processing costs attributed by your costing method. The first three columns show cost group number, short name and variability factor, as given in Table 4 of your testimony. The remaining columns break down the attributed costs within each cost group by major groupings of activity codes, based on the data you submitted in spreadsheet TW-3e, as part of your response to TW/USPS-T12-3e. The activity code groups used are: (1) direct (codes 0010-4950); (2) mixed mail (codes 5300-5750); (3) breaks/personal needs (code 6521); (4) clocking in/out (code 6522); (5) empty equipment (code 6523); and (6) all other (codes 5020-5180, 6000-6519 and 6570-6660).

a. Please confirm that the data in Table T12-18 are consistent with your testimony. If you cannot confirm, please provide the necessary corrections and explain why they are necessary.

b. Please confirm that if for a given cost group with non-zero variability and a given set of activity codes one divides the volume variable costs by the group variability factor, one gets the total mail processing tally costs corresponding to the given cost group and set of activity codes. If you cannot confirm, please explain.

c. Please confirm that if one divides the mixed mail costs for each group in Table T12-18 with the corresponding variability factor, for all groups with non-zero variability, and then adds up the results, one gets total mixed mail tally costs equal to $2,839.462 million. Please also confirm that in the LIOCATT output used for the FY96 CRA report the total mixed mail costs for segment 3 (including some non-mail processing costs) are only $2,670.726 million. Additionally, please explain why your method seems to lead to higher costs for activity codes 5300-5750, even though it presumably is based on the same raw IOCS tallies as those used in the FY96 CRA. In particular, please identify cases where some tallies may have been assigned mixed mail activity codes under one method but not under the other, and any differences in the weighting of individual tallies that may have contributed to this apparent discrepancy.

d. Please provide an activity code breakdown of the $148.358 million non-variable costs that your Table 4 associates with cost group 36 (LD48 Adm).

e. Please confirm that if one divides the "all other" costs for each group in Table T12-18 with the corresponding variability factor, for all groups with non-zero variability, and then adds up the results, one gets total "all other" tally costs equal to $1,130.957 million. Please also confirm that in the LIOCATT output

used for the FY96 CRA report the costs for these activity codes listed under mail processing are only $599.160 million.

f. Please describe the distribution keys used, in your methodology, to distribute costs associated with each of the following activity codes: 5020-5180, 6000-6519 and 6570-6660. Are each of these activity codes distributed separately within each cost group? In particular:

(1) Are costs with activity code 6231 (Express Mail) distributed based on direct tally costs within each cost group, or simply attributed to Express Mail? If neither, please explain.

(2) Are costs with Window Service activity codes (5110-5195 and 6000-6200), recorded under mail processing cost groups, distributed based on direct tally costs within each cost group, even to mail subclasses that generally do not use window service? If no, please explain.

(3) Are costs with activity codes 6220 and 6230 (Special Delivery and Registry) distributed based on direct tally costs within each cost group, or simply attributed to Special Delivery and Registry? If neither, please explain.

g. Under your methodology for distributing mail processing costs, is there any difference in the way that you distribute: (1) non-handling costs associated with a mixed mail activity code (5300-5750); (2) costs associated with activity code 6521; (3) costs associated with activity code 6522; or (4) costs associated with activity codes 5020-5180, 6000-6519 and 6570-6660? If yes, please explain what the differences are.

Table T12-18: Mail Processing Costs Per Cost Group And Activity Code

Group		Variab.	Direct	Mixed	Breaks	In/Out	Empty Eq.	All	Total
No.	Name		0010-4950	5300-5750	6521	6522	6523	Other	
1	bcs	94.5%	350.232	129.938	86.838	10.682	58.568	7.627	643.885
2	ocr	78.6%	98.832	31.666	24.463	3.255	15.525	2.479	176.220
3	fsm	91.8%	401.956	100.478	99.247	11.866	54.453	8.538	676.538
4	lsm	90.5%	460.968	69.137	88.058	11.352	25.277	7.379	662.170
5	1SackS_m	99.1%	7.276	20.478	9.349	1.010	7.189	2.040	47.341
6	mecparc	90.2%	3.401	2.321	1.181	148	1.327	288	8.666
7	spbs Otli	46.9%	31.753	21.456	14.225	2.130	10.472	1.629	81.666
8	spbs Prio	80.0%	16.867	13.083	10.221	947	4.900	356	46.373
9	manf	86 6%	257.511	66.916	76.002	10.088	28.542	6.800	445.858
10	manl	79 7%	691.059	122.965	165.513	26.211	40.901	23.185	1.069.834
11	manp	39.5%	9.302	5.922	3.893	478	3.178	947	23.719

12	priority	44.8%	40,022	25,345	17,353	2,162	11,136	3,667	99,685
13	LD15	100.3%	199,746	94,466	50,470	3,684	18,013	17,160	383,539
14	1SCAN	82.9%	8,761	21,753	8,135	790	4,168	4,502	48,109
15	1Bulk pr	72.6%	2,368	2,073	1,754	152	993	1,131	8,470
16	1CancMPP	65.4%	88,721	46,361	28,707	3,157	14,959	6,250	188,154
17	1SackS_h	52.6%	16,046	37,306	16,719	2,108	13,082	3,755	89,017
18	1OpPref	72.0%	166,403	162,604	94,884	15,019	81,148	16,637	536,694
19	1OPbulk	74.1%	74,537	66,919	42,537	7,569	36,552	5,352	233,465
20	1Platform	72.6%	59,334	316,576	101,567	14,254	110,944	44,582	647,257
21	1Pouching	82.9%	100,422	132,359	62,803	8,610	50,520	8,321	363,035
22	BusReply	79.7%	12,977	1,889	3,235	369	657	5,854	24,981
23	REWRAP	78.6%	3,345	2,996	2,368	233	634	2,668	12,245
24	1EEQMT	78.6%	930	5,801	3,670	550	25,128	3,130	39,210
25	express	44.8%	10,457	3,850	5,544	635	1,413	13,556	35,456
26	Mailgram	79.7%	80	78	0	0	41	95	293
27	1Support	78.6%	5,566	6,275	5,262	1,238	1,240	88,283	107,864
28	1MISC	78.6%	11,258	26,121	10,337	1,456	6,516	47,050	102,737
29	Registry	15.3%	6,667	1,647	2,396	234	739	7,740	19,423
30	INTL	78.6%	39,014	18,632	13,321	974	4,886	9,848	86,675
31	LD41	91.0%	6,750	6,286	1,711	309	1,008	809	16,873
32	LD42	91.0%	947	297	354	16	133	200	1,946
33	LD43	82.0%	189,763	77,008	68,350	7,852	40,752	43,963	427,687
34	LD44	82.0%	60,593	13,584	11,364	1,538	4,338	12,525	103,942
35	LD48 Exp	45.0%	271	43	130	28	14	955	1,441
36	LD48 Adm	0.0%	0	0	0	0	0	0	0
37	LD48 SpS	15.3%	5,247	842	1,594	179	394	8,037	16,292
37a	LD48 Oth	15.3%	4,985	2,004	2,190	358	1,371	8,604	19,512
38	LD49	91.0%	121,731	5,737	32,846	4,067	5,615	59,621	229,618
39	LD79	73.0%	13,658	3,847	8,297	1,514	2,607	68,506	98,430
	MODS Tot.		3,579,758	1,667,060	1,176,887	157,220	689,331	554,066	7,824,322
40	Platform	53.0%	18,730	54,055	101	0	15,807	4,773	93,467
41	Allied	54.0%	44,795	55,805	0	0	23,309	1,369	125,278
42	PSM	90.0%	59,120	15,659	0	0	919	0	75,698
43	SSM	99.0%	16,487	12,927	0	0	1,076	0	30,490
44	SPB	73.0%	23,382	14,816	0	0	8,385	0	46,583
45	NMO	67.0%	8,884	7,442	0	0	3,316	0	19,642
	BMC Tot.		171,399	160,704	101	0	52,811	6,142	391,158
46	Non-MODS	78.6%	1,243,385	312,274	36,326	4,353	132,182	98,530	1,827,050
	Total		4,994,541	2,140,038	1,213,314	161,573	874,325	658,739	10,042,530

TW/USPS-T12-19 According to your spreadsheet TW-3e, and Table T12-18 included with TW/USPS-T12-18, the only costs associated with "breaks/personal needs" at BMC's are $0.101 million in the "BMC Platform" cost group. Yet, according to Table VII.2 in LR-H-146, BMC costs associated with "breaks/personal needs" were $114.666 million, of which $74.419 million were volume variable.

a. Please confirm that the above reflects a correct interpretation of LR-H-146 and of the data given in spreadsheet TW-3e. If not confirmed, please explain.

b. Please provide a breakdown, by activity code, cost group and basic function, as those codes are used in spreadsheet TW-7, for the BMC costs that according to Table VII.2 in LR-H-146 are volume variable "breaks/personal needs" costs.

c. Of the $1,635.727 million mail processing costs and $2,009.809 million segment 3 costs shown under activity code 6521 ("breaks/personal needs") in the FY96 LIOCATT, what portions were incurred at BMC's?

d. When an IOCS clerk observes a BMC employee on "breaks/personal needs", will he record the employee as being on "breaks/personal needs"?

e. Please explain as fully as possible the apparent discrepancy referred to above between Table VII.2 in LR-H-146 and the data in TW-3e.

TW/USPS-T12-20

a. Is it correct to interpret the table on page VII-8 of LR-H-146 as saying that total segment 3 volume variable "breaks/personal needs" costs in Non-MODS facilities were $248.145 million, of which $164.152 million were mail processing related? If no, please explain and give the correct figures.

b. Is it correct to interpret the data in TW-3e as showing only $36.326 million in activity code 6521 ("breaks/personal needs") in Non-MODS facilities? If no, please explain and provide the correct figure.

c. Please explain the apparent discrepancy between chapter VII of LR-H-146 and TW-3e regarding "breaks/personal needs" costs in Non-MODS facilities. Please also provide an activity code breakdown, by basic function, of the costs that are indicated as "breaks/personal needs" costs in chapter VII of LR-H-146 but as something else in TW-3e.

d. Is it correct to interpret the overhead cost data given in chapter VII of LR-H-146 as giving an overall mail processing overhead factor ("breaks/personal

needs", clocking in/out and empty equipment costs divided by all other costs) equal to 31.86%? If no, please provide the figure you believe to be correct. *Additionally, please explain how the overhead data given in LR-H-146, part VII,* are used in this docket.

TW/USPS-T12-21 Please refer to Attachment 1 in your response to UPS/USPS-T15-3, in which you show total activity code 6523 (empty equipment) costs equal to $1,894.604 million.

a. Are these costs the volume variable or total 6523 costs?

b. Please confirm that in the FY96 LIOCATT output, used in the FY96 CRA report, total code 6523 costs are shown as $1,071.751 million for mail processing and $1,136.949 million for all of segment 3.

c. Please confirm that in TW-3e total volume variable code 6523 costs are shown as $874.325 million, and that if one divides the codes 6523 costs in each cost group with the cost group variability and then adds the results, one gets total code 6523 costs equal to $1,166.197 million. If you cannot confirm, please explain and give the figures you believe to be correct.

d. Are all the $1,894.804 million code 6523 costs that you gave in the response referred to above empty equipment costs? If no, please explain. If yes, please provide a complete activity code breakdown, by cost group, of these costs.

e. Please explain fully the apparent discrepancy between the different estimates of code 6523 costs referred to above.

TW/USPS-T12-22

a. *Please confirm that code 6522 (clocking in/out) costs at BMC's are zero* according to the data in spreadsheet TW-3e, but equal to $10.034 million according to chapter VII of LR-H-146, and explain the difference.

b. Please confirm that code 6522 (clocking in/out) costs at Non-MODS facilities are $4.353 million according to the data in spreadsheet TW-3e, but equal to $24.601 million according to chapter VII of LR-H-146, and explain the difference.

c. Please confirm that on W/S 3.1.1 in witness Alexandrovich's WP-B, $10.037 in BMC clocking in/out costs and $24.598 in Non-MODS clocking in/out costs are added to the total volume variable mail processing costs indicated in your testimony, giving a total of $10,077.165 million in volume variable mail processing costs. Please also explain how this is possible, given that you presumably analyzed the whole IOCS data base, including any clocking

in/out tallies that might have been recorded in BMC's and Non-MODS facilities.

d. Are the $4.353 million in Non-MODS clocking in/out costs shown in TW-3e, which already form part of your estimate of volume variable mail processing costs, distinct and separate from the Non-MODS clocking in/out costs indicated in LR-H-146 and in the Alexandrovich workpapers? Please explain your answer.

e. Of the $288.280 million segment 3 clocking in/out costs indicated in the FY96 LIOCATT, what portion represents clocking in/out costs at BMC's?

f. If the BMC and Non-MODS clocking in/out costs shown in LR-H-146 are in fact part of the total volume variable costs that you show in TW-3e, then please provide a breakdown of these costs by activity code, cost group and basic function, as those codes are used in spreadsheet TW-7.

TW/USPS-T12-23 Please assume that a clerk or mailhandler, at the time when he is intercepted by an IOCS clerk, is logged into a mail processing operation, as defined in MODS, and that he is not on a break or in the process of logging in or out. Assume also that the IOCS clerk enters all information about this employee correctly in the CODES system.

a. Under the above assumptions, please describe the IOCS activity codes that will result, assuming the employee is engaged in each of the following activities:

1. moving one or more empty nutting truck(s);
2. standing or walking with nothing in his hands;
3. hanging empty sacks at a pouching rack;
4. placing an empty hamper or other container to be used as a receptacle for mail at an opening unit;
5. placing destination labels at empty hampers, pouches or other receptacles to be used at opening or pouching units;
6. sweeping the floor;
7. disposing of emptied sacks that will be reused;
8. disposing of emptied pallets that will be reused;
9. disposing of trash;
10. moving an opening belt;
11. drinking coffee;
12. looking at a computer monitor;
13. attending a meeting; or

14. watching a football game on TV.

To the extent that different activity codes might result under the costing methodologies used in FY96 and BY96, please describe these differences. Also, if the activity code may differ depending on what type of operation the employee is at (e.g. at a letter or flat operation), then please state the activity codes that will result at each type of operation.

b. Part II of LR-H-146 describes the steps used under your methodology to distribute IOCS tally costs. Please identify the steps under which the costs corresponding to each of the activities listed in part a above are distributed, and the program(s) used to perform the distribution. Please also state which activities lead to respectively "uncounted/empty single item", "identified container", "unidentified container" and "not handling" costs, as you use those terms.