

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

RECEIVED  
SEP 8 4 54 PM '97  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

NOTICE OF THE UNITED STATES POSTAL SERVICE  
OF MISSING PAGE TO RESPONSE  
OF WITNESS DEGEN TO MPA/USPS-T12-3  
(September 8, 1997)

It has come to the attention of the Postal Service that some copies of witness Degen's response to MPA/USPS-T12-3, filed September 4, might be missing a page, and that the restatement of the question was garbled. For purposes of convenience, the entire question and answer (two pages) are attached. There is no change in the witness' response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Eric P. Koetting

Response of United States Postal Service Witness Degen  
to Interrogatories of the Magazine Publishers of America

MPA/USPS-T12-3. Please refer to LR-H-219, Spreadsheet TW-7.

- a. Please confirm that 57 percent of grand total outgoing costs for direct mail codes and 67 percent of grand total incoming costs are for direct mail codes.
- b. Please confirm that the majority of outgoing sorts are performed during Tour 3 and the majority of incoming sorts are performed during Tour 1.
- c. Please confirm that the difference between the figures in part a. is statistically significant at a one percent confidence level.
- d. Suppose that a class of mail is totally dropshipped so that it avoids all outgoing sorts.
  - i. Should the cost for this class of mail include any costs for outgoing mixed-mail codes? If yes, why?
  - ii. Under your proposed methodology, would the cost for this class of mail include costs for outgoing mixed mail codes?

MPA/USPS-T12-3 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d.

(i) Yes. The hypothetical question hinges on how the "outgoing sort" is defined. The example appears to assume that "outgoing" sorts would be indicated by the IOCS basic function. I am informed that under the rules for determining basic function (see LR-H-49 at 136 and 144), the "totally dropshipped" mail would be expected to receive some processing which, when sampled, would be assigned the "outgoing" basic function. Therefore it would be perfectly appropriate to

Response of United States Postal Service Witness Degen  
to Interrogatories of the Magazine Publishers of America

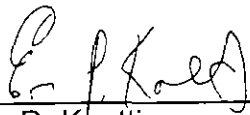
distribute some portion of the "outgoing" mixed-mail costs for those operations to the hypothetical "totally dropshipped" mail class.

- (ii) The new methodology would not explicitly prevent such a distribution from occurring. As explained in my response to subpart (i) above, this is not inappropriate. The proposed methodology relies on information from the mail processing operation (cost pool), plus the item or container type, to generate accurate mixed-mail distributions. Please note, however, that mixed-mail distribution is not an end in itself for the new methodology, rather the aim is to generate accurate *distribution keys for each pool of volume-variable costs*.

**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.

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992; Fax -5402  
September 8, 1997

  
\_\_\_\_\_  
Eric P. Koetting