

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
ALEXANDROVICH TO INTERROGATORY OF THE OFFICE OF THE CONSUMER
ADVOCATE
(OCA/USPS-T5-14)

The United States Postal Service hereby provides the response of witness Alexandrovich to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-T5-14, filed on August 28, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 11, 1997

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

OCA/USPS-T5-14. Please confirm that the cost segments and components identified in exhibit USPS-5A represent the same segments and components as identified in the Postal Service's FY 1996 CRA filed with the Commission on June 6, 1997. If you are unable to confirm, identify each segment and component that differs and identify the specific costs that have migrated. Your response should include a cross-walk that clearly identifies the costs appearing in the Postal Service's published FY 1996 CRA, the migration path to the components appearing in your USPS-5A and information similar to that provided in USPS library reference H-1. As an example, do the Postal Service's FY 1996 CRA total costs for segment 3.2 window service (2,013,205 at 2) represent the same type of total costs presented in USPS-5A 3.2 window service (1,906,619 at 20)? See also USPS library reference H-1 at 3-8.

OCA/USPS-T5-14 Response:

In general, the segments and component identified in exhibit USPS-5A represent the same segments and components as identified in the Postal Service's FY 1996 CRA filed with the Commission on June 6, 1997 pursuant to the periodic reporting requirements. The reason I use the qualifier "in general" is because, although the dollar amounts are not the same in the two versions of the segments and components mentioned above, the basic definition of the components and their groupings into segments is the same. For example, the definition of component 35, Mail Processing Direct Labor is the same in both versions.

A request for a cross-walk of the migration path between the two versions might indicate a misunderstanding of the development. This is unlike the situation that existed in Docket No. MC96-3 wherein changes from Fiscal Year 1994 to Fiscal Year 1995 were implemented to more closely align the CRA report and the accounting systems used in Budget. In that situation, a clear cross-walk was possible because the

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dollar amounts in accounts and components were literally moved from one place to another. See USPS Library Reference SSR-10.

The situation in Docket No. R97-1 is entirely different. Attachment I to this response shows the accrued costs for all the "A Report" components that differ between the FY 1996 CRA and the FY 1996 Base Year presented in this case. These component by component dollar amount differences are not the result of accounting changes or realignment of the component, rather they are the result of new costing methodologies. This means for example, that the cost pool for Segment 3 is the same in both versions, but the calculations that result in how these dollars are spread to the individual components that comprise Segment 3 are different.

As discussed on pages 5 and 6 of my testimony, the following testimonies should be consulted to fully understand the new costing methodologies that give rise to the dollar differences between components in the FY 1996 CRA and the FY 1996 Base Year. In Segment 3, Clerks and Mailhandlers, for window service see Witness Brehm, USPS-T-21, for mail processing volume variabilities see Witness Bradley, USPS-T-14 and for mail processing cost distribution see Witness Degan, USPS-T-12. In Segments 6 and 7, City Delivery Carriers, see Witness Nelson, USPS-T-9 and Witness Baron, USPS-T-17. In Segment 9, Special Delivery Messengers, see Witness Nelson, USPS-T-19.

In addition to the changes discussed by these other witnesses, there are components that piggyback on the components affected by the work of these other

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witnesses. For instance, the Motor Vehicle Service components in Segment 12 and the Carfare and Driveout components in Segment 13 are piggybacked on the City Delivery Carrier costs in Segments 6 and 7. As such, these components in Segments 12 and 13 are affected by the changes made by the other witnesses mentioned earlier.

Furthermore, the components listed in the 1300 and 1400 series are different because they are not used in the FY 1996 CRA "A file" although they are needed in the Base Year 1996 "A file" because they are inputs to the rollforward model.

	<u>Fiscal Year 1996 CRA</u>		<u>FY 1996 Base Year</u>		<u>Difference</u>
	Comp Number	Amount (000's)	Comp Number	Amount (000's)	BY - CRA
CS 2 -- Supervisors:					
Office	0013	236376	0013	222225	(14151)
Elemental Load	0014	68989	0014	100329	31340
Other Load	0015	43761	0015	0	(43761)
Access	0016	145183	0016	123074	(22109)
Other	0017	81922	0017	93435	11513
Route	0018	110307	0018	147475	37168
Total	0021	1987493	0021	1302068	(685425)
Office	0025	1593	0025	1507	(86)
Street	0026	7123	0026	7209	86
CS 3 -- Clerks & Mailhandlers:					
MP Fixed	0022	551786	0022	0	(551786)
Mail Proc Direct Labor	0035	9055540	0035	13247412	4191872
Overhead	0036	2848067	0036	0	(2848067)
MP & Window	0039	14468598	0039	15154031	685433
Window Service	0040	2013205	0040	1906619	(106586)
Admin Other	0041	262210	0041	268688	6478
Claims & Inquiry	0066	47370	0066	38828	(8542)
Specific Fixed	0227	82089	0227	10669	(71420)
T & A	0228	286981	0228	207830	(79151)
Total	0253	16456091	0253	16456099	8
Data Collection	0421	99351	0421	80835	(18516)
Gen'l Office & Clerical	0422	1017399	0422	555181	(462218)
QC	0423	43171	0423	29032	(14139)
Trng Schemes	0467	7339	0467	4190	(3149)
Trng MP - NonParcels	0468	26157	0468	13858	(7299)
Trng MP - Parcels	0469	614	0469	407	(207)
Trng Other	0470	114812	0470	87550	(27262)
Unadj Mail Processing	0546	9055540	0546	13247412	4191872
Premiums Deduc Key	0547	8907483	0547	9983633	1079150
Premiums Deduction	0661	-511836	0661	-424652	87184
Window Service Total	0802	2013205	0802	1903619	(106586)
CS 4 -- CAG K Clerks					
Total	0042	9311	0042	9333	22
	0254	9311	0254	9333	22
CS 6 & 7 -- City Carriers:					
Office-Direct Labor	0043	3124403	0043	3111448	(12955)
Office-Support	0044	575832	0044	598405	22573
Elemental Load	0046	1151721	0046	1674915	523194
Other Load	0047	730559	0047	0	(730559)
Access	0048	2423713	0048	2054620	(369093)
Other Office	0049	461402	0049	539933	78531
Other Elemental Load	0050	159073	0050	266742	107669

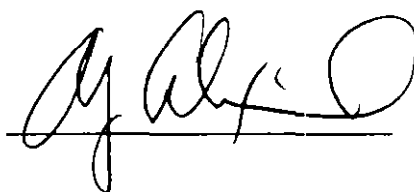
	<u>Fiscal Year 1996 CRA</u>		<u>FY 1996 Base Year</u>		<u>Difference</u>
	Comp Number	Amount (000's)	Comp Number	Amount (000's)	BY - CRA
Other Other Load	0051	118830	0051	0	(118830)
Other Access	0052	366895	0052	344783	(22112)
Other Route	0053	261427	0053	408370	146943
Route	0054	1841490	0054	2461980	620490
Total CS 6	0256	3946362	0256	3710132	(236230)
Total CS 7	0257	7515110	0257	7751343	236233
Sum Other V V/Overhd	0522	1367627	0522	1559828	192201
Veh Prep, Key Handling	0604	245848	0604	0	(245848)
Total Other Load	0692	730559	0692	0	(730559)
CS 9 -- Sp Del Messengers					
Office	0058	19308	0058	18265	(1043)
Street	0059	86317	0059	87364	1047
Total Salaries	0061	105625	0061	105629	4
Total	0259	105631	0259	105635	4
CS 12 -- Motor Vehicle Service					
Personnel					
Office	0082	5895	0082	16527	10632
Elemental Load	0083	2050	0083	7368	5318
Other Load	0084	1163	0084	0	(1163)
Access	0085	100799	0085	75326	(25473)
Route	0086	87236	0086	97922	10686
S & M					
Office	0091	6467	0091	18131	11664
Elemental Load	0092	2249	0092	3083	5834
Other Load	0093	1276	0093	0	(1276)
Access	0094	110579	0094	82635	(27944)
Route	0095	95700	0095	107422	11722
Vehicle Hire					
Office	0100	8188	0100	8178	(10)
Elemental Load	0101	2560	0101	3668	1108
Other Load	0102	1707	0102	0	(1707)
Access	0103	6148	0103	5153	(995)
Route	0104	4818	0104	6422	1604
CS 13 -- Misc. Expenses					
Carfare					
Office	0127	2338	0127	2308	(30)
Elemental Load	0128	1216	0128	1842	626
Other Load	0129	693	0129	0	(693)
Access	0130	1199	0130	1048	(151)
Route	0131	535	0131	783	248
Driveout					
Office	0136	2055	0136	2031	(24)
Elemental Load	0137	1069	0137	1619	550

	<u>Fiscal Year 1996 CRA</u>		<u>FY 1996 Base Year</u>		<u>Difference</u>	
	Comp Number	Amount (000's)	Comp Number	Amount (000's)	BY - CRA	
Other Load	0138	610	0138	0	(610)	
Access	0139	1054	0139	921	(133)	
Route	0140	471	0140	688	217	
CS 16 -- Supplies and Service						
Printing & Repro	0179	52120	0179	46350	(5770)	
Stamps & Dispensers	0180	194481	0180	191201	(3280)	
St Env & St Cards	0248	3158	0248	12208	9050	
CS 20 -- Vehicle Depreciation						
Office	0221	4175	0221	11705	7530	
Elemental Load	0222	1452	0222	5218	3766	
Other Load	0223	824	0223	0	(824)	
Access	0224	71392	0224	53350	(18042)	
Route	0225	61786	0225	69354	7568	
Total CDC	0226	139629	0226	139627	(2)	
Adjstd Vehicle Deprc.	0231	172203	0231	172201	(2)	
Total Depreciation	0078	1332784	0078	1332782	(2)	
Total Accrued Costs	0271	54976562	0271	54976597	35	
Distribution Keys:						
DK	HL & Adm Clerks	0294	33845007	0294	34938199	1093192
DK	QC	0295	12537482	0295	13258081	720599
DK	All non Trng -CS 3	0473	15002789	0473	15582083	579294
DK	Gen Supv:Del & Coll	0523	13474398	0523	13367815	(106583)
DK	CS 9 Salaries	0524	105625	0524	105629	4
DK	E&LR, T & A	0525	38525817	0525	38605005	79188
DK	RAL, HOL, CSR, WC	0526	39802936	0526	39802973	37
DK	Night Pre nonPlatform	0544	2376865	0544	2089261	(287604)
DK	Sp Purpose Rtes	0578	255625	0578	263449	7824
DK	Veh Prep, Key Handling	0605	11215345	0605	11461196	245851
DK	CDC In-Office	0606	3946083	0606	3709853	(236230)
DK	97 / 98 DPS	0609	0	0609	1000000	1000000
DK	Sun Pre Platform	0654	1452	0654	1135	(317)
DK	Sun Pre Platform	0655	979	0655	798	(181)
DK	Sun Pre nonPlatform	0659	66111	0659	57449	(8662)
DK	Night Pre Platform	0660	52865	0660	35800	(17065)
DK	Sun Pre nonPlatform	0662	128162	0662	105899	(22263)
DK	Night Pre nonPlatform	0663	375189	0663	313076	(62113)
DK	Night Pre Platform	0664	7033	0664	4542	(2491)
DK	Supv Cl/MH	0694	26612904	0694	27154284	541380
DK	Space and Rental					
DK	OCR	0913	145782	0913	168316	22534
DK	Sorting to Letter Cases	0930	1705889	0930	1705809	(80)
DK	Platform	0943	726006	0943	10000	(716006)

		<u>Fiscal Year 1996 CRA</u>		<u>FY 1996 Base Year</u>		<u>Difference</u>
		Comp Number	Amount (000's)	Comp Number	Amount (000's)	BY - CRA
DK	MPE Subtotal Key	1258	0	1258	76742875	76742875
DK	Equipment Related					
DK	CFS	1307	0	1307	193630	193630
DK	MP BCS	1314	0	1314	246479	246479
DK	Delivery BCS	1315	0	1315	185573	185573
DK	LSM	1316	0	1316	540955	540955
DK	FSM	1317	0	1317	438220	438220
DK	Parcel Sorting & NMO	1318	0	1318	96069	96069
DK	Facer/Canceler Ltrs	1319	0	1319	85249	85249
DK	Facer/Canceler Flats	1320	0	1320	30298	30298
DK	Culling	1321	0	1321	21948	21948
DK	Sack Sorting Machine	1322	0	1322	23827	23827
DK	SPBS	1323	0	1323	184986	184986
DK	RBCS	1324	0	1324	36072	36072
DK	ACDCS	1326	0	1326	9780	9780
DK	OCR	1363	0	1363	214142	214142
DK	Power Transport Equip	1364	0	1364	24896	24896
DK	Strapping	1365	0	1365	18259	18259
DK	GEN & Log BMC	1366	0	1366	313025	313025
DK	Gen & Log nonBMC	1367	0	1367	7372047	7372047
DK	Car Seq BCS	1371	0	1371	31087	31087
DK	FY97 Final Adj	1398	0	1398	24509	24509
DK	FY98 Final Adj	1399	0	1399	-138628	(138628)
DK	FY97 Volume	1402	0	1402	1.91E+08	190711617
DK	TYBR Volume	1403	0	1403	1.97E+08	196802962
DK	TYAR Volume	1404	0	1404	1.95E+08	195440559
DK	FY96 Revenue	1412	0	1412	57962499	57962499
DK	TYBR Revenue	1413	0	1413	59416627	59416627
DK	TYAR Volume	1414	0	1414	61646889	61646889
DK	Volume Mix Adjustment	1417	0	1417	-77452	(77452)
DK	Parcel Post Key	1418	0	1418	1	1
DK	International Key	1419	0	1419	1	1

DECLARATION


I, Joe Alexandrovich, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief:

A handwritten signature in black ink, appearing to read "Joe Alexandrovich", written over a horizontal line.

Dated: 9/11/97

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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