

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

RECEIVED  
SEP 17 4 51 PM '97  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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  
REDIRECTED FROM WITNESSES BRADLEY AND MODEN  
(OCA/USPS-T14-4 - 6(a), -T4-16(c))

The United States Postal Service hereby provides responses of witness Degen to the following interrogatories of the Office of the Consumer Advocate filed on September 3, 1997: OCA/USPS-T14-4 - 6(a), redirected from witness Bradley, and OCA/USPS-T4-16(c), redirected from witness Moden.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992; Fax -5402  
September 17, 1997

**Response of United States Postal Service Witness Degen  
to Interrogatories of the Office of the Consumer Advocate  
(Redirected from Witness Bradley)**

**OCA/USPS-T14-4. Please refer to page 4 of your response to OCA/USPS-T14-1. This breaks out accrued cost by Non-MODS sub-pools. Please break out these accrued costs by:**

- a. Facilities with mechanized mail processing equipment but no automated mail processing equipment.**
- b. Facilities with automated mail processing equipment but no mechanized mail processing equipment.**
- c. Facilities with neither mechanized mail processing equipment nor automated mail processing equipment.**
- d. Facilities with both mechanized mail processing equipment and automated mail processing equipment.**

**OCA/USPS-T14-4 Response.**

**a-d. Data do not exist to separate the Non-MODS sub-pools by the type of equipment by facility. Equipment deployment by facility is controlled to a large extent by the area offices and national inventories by plant are not maintained.**

**Response of United States Postal Service Witness Degen  
to Interrogatories of the Office of the Consumer Advocate  
(Redirected from Witness Bradley)**

OCA/USPS-T14-5. Please refer to page 4 of your response to OCA/USPS-T14-1. This breaks out accrued cost by Non-MODS sub-pools. Please break out these accrued costs by:

- a. Facilities with mechanized mail processing dollars but no automated mail processing dollars.
- b. Facilities with automated mail processing dollars but no mechanized mail processing dollars.
- c. Facilities with neither mechanized mail processing dollars nor automated mail processing dollars.
- d. Facilities with both mechanized mail processing dollars and automated mail processing dollars.

OCA/USPS-T14-5 Response.

a-d. The cost data by operation for Non-MODS offices were derived from IOCS tally data. The breakout you request could be attempted with IOCS tallies, but it would be misleading because the cases in which an office has no actual costs for an operation and the cases in which an office has costs for an operation but no tallies were taken of the operation are observationally equivalent. The IOCS sample is not large enough to accurately determine the operations mix at small offices, so we would undoubtedly misclassify offices for the purpose of the requested cost break out. I not aware of any way to reliably create the requested breakout.

**Response of United States Postal Service Witness Degen  
to Interrogatories of the Office of the Consumer Advocate  
(Redirected from Witness Bradley)**

OCA/USPS-T14-6. Please refer to page 10 of the December 1996 National Coordination Audit of Allied Workhours contained in library reference H-236. This states, "At the P&DCs, LDC 17 supervisors generally expressed that their focus was to keep the employees in budgeted positions 'busy', and minimize overtime hours."

- a. Please confirm that LDC 17, Other Direct Operations, refers to MODS allied activities in your testimony. If you do not confirm, please explain the differences between the terms "allied activities" and "LDC 17 operations."

OCA/USPS-T14-6 Response.

- a. Confirmed. See LR-H-146 at pages I-18 to I-21 for the specific associations of MODS operation numbers with cost pools.

**Response of United States Postal Service Witness Degen  
to Interrogatories of the Office of the Consumer Advocate  
(Redirected from Witness Moden)**

OCA/USPS-T4-16. Please refer to page 10 of the December 1996 National Coordination Audit of Allied Workhours contained in library reference H-236. Out of a total of 25 P&DCs visited, "Several plants had employees who were performing direct distribution functions, but were clocked into LDC 17 operations. This allowed the productivities of direct distribution operations, with specific benchmarks and perceived higher priorities, to be artificially higher."

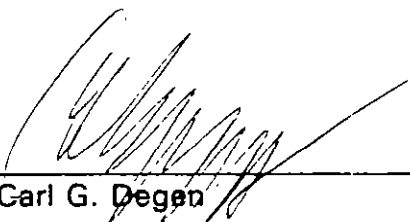
- c. Please refer to pages 21 and 25 of library reference H-89. These pages describe data recoding that was performed for the city and rural carrier systems because of implementation of MC95-1 rate categories on July 1, 1996. Some third-class single piece mail was randomly recoded as third-class bulk rate to achieve consistency between PQ4 volumes for FY 1995 and FY 1996. Did you randomly recode some of the LDC 17 operations workhours as direct distribution workhours to account for the fact that some of these employees are really performing direct distribution operations? If not, why not. If so, please describe the recoding process.

OCA/USPS-T4-16 Response.

- c. No random recoding of workhours was performed for any MODS operations, including those associated with LDC 17. I believe it is not necessary to do so. My understanding is that "noise" in recorded workhours should not bias witness Bradley's variability estimates, and that the good fit of his models indicates there is not much noise introduced by mis-clocking. Furthermore, the variability models, the formation of cost pool amounts, and the assignment of IOCS tallies to cost pools for distribution key formation are all based on the clocked-in MODS number for consistency.

**DECLARATION**

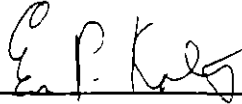
I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Carl G. Degen

Date: 9-17-97

**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

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
September 17, 1997