

DOCKET SECTION

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
REDIRECTED FROM WITNESS ALEXANDROVICH
(OCA/USPS-T5-17-23 AND 26)

The United States Postal Service hereby provides responses of witness Degen to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T5-17-23 and 26, filed on September 9, 1997 and redirected from witness Alexandrovich.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 23, 1997

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

OCA/USPS-T5-17. Please provide the cost components of segment 3 of the FY 1996 CRA and the BY 1996 segments and components reports separately for MODS offices, non-MODS offices, and BMC's.

OCA/USPS-T5-17 Response.

Neither the FY 1996 nor the BY 1996 CRA methodology was designed to produce adjusted component costs by office group. To obtain an approximate breakdown, one might apply split factors to the component cost totals. This is fairly straightforward for the BY 1996 costs, since the principal cost inputs are reported by office group in W/S 3.0.1 page 2, in LR-H-201, file ws03.xls. For FY 1996, the total IOCS tally costs by office group and component can be used to generate split factors. Attachment 1 to this response shows the calculations for these approximate breakdowns.

Approximate disaggregation of FY 1996 C/S 3 components by office group

FY 1996 split factors				
Source	Administrative	Window Service	Remote Encoding	Mail Processing
W/S 3.0.1, LR-H-196	1,987,492,877	2,013,204,885	396,430,778	12,058,966,532
IOCS tally costs by FY 1996 component and office group (excluding a/c 6522)				
MODS	42%	100%	76%	100%
BMC	0%		5%	
Non-MODS	58%		19%	
FY 1996 cost components distributed to office groups				
MODS	845,130	396,431	9,171,596	
BMC	986	0	629,478	
Non-MODS	1,167,089	0	2,257,893	
FY 1996 cost component recap (mail processing and remote encoding consolidated)				
MODS	845,130	845,130	9,171,596	
BMC	986	986	629,478	
Non-MODS	1,167,089	1,167,089	2,257,893	
Split factors applied to component costs				
MODS	1,399,892	1,399,892	9,171,596	
BMC	110,415	110,415	629,478	
Non-MODS	477,186	477,186	2,257,893	

Approximate disaggregation of BY 1996 C/S 3 components by office group

Mail Processing	13,247,412	38,829	1,906,620	1,263,237	W/S 3.0.1, page 1, LR-H-201
Claims & Inquiry					
Window Service					
Administrative					

BY 1996 split factors

Mail Processing	77%	59%	36%	53%	component cost subtotals by
Claims & Inquiry	7%	7%	0%	9%	office group
Window Service	18%	35%	64%	38%	
Administrative					

BY 1996 cost components distributed to office groups

Mail Processing	10,251,778	22,749	688,720	672,355	Split factors applied to
Claims & Inquiry	633,817	2,605	991	107,959	component costs
Window Service	2,361,817	13,475	1,216,909	482,924	
Administrative					

BY 1996 cost component recap (admin and claims/inquiry consolidated)

Mail Processing	10,251,778	688,720	695,103		
Claims & Inquiry	633,817	991	110,563		
Window Service	2,361,817	1,216,909	496,399		
Administrative +					

Difference between BY 1996 and FY 1996 components, disaggregated by office group

	Mail Processing	Window Service	Administrative
MODS	683,751	-156,409	-704,788
BMC	4,340	4	148
Non-MODS	103,923	49,820	19,213
Total	792,015	-106,585	-685,427

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OCA/USPS-T5-18. Please refer to the description of accrued mail processing costs (section 3.1.2) on page 3-6 of library reference H-1. This section describes the roster designation codes, uniform operation codes, and activity codes used to define accrued mail processing costs.

- a. Please identify the library reference, program name, and line numbers of the program that calculates the accrued mail processing cost for clerks and mailhandlers for (1) the FY 1996 CRA costing methodology and (2) the BY 1996 costing methodology.
- b. Please provide a citation to the portion of the library reference which documents the program that calculates the accrued mail processing cost for clerks and mailhandlers for (1) the FY 1996 CRA methodology and (2) the BY 1996 costing methodology.
- c. Please refer to witness Degen's costing methodology for non-MODS offices. Please list all differences between the FY 1996 CRA calculation of accrued costs for cost component 3.1 and witness Degen's methodology for developing non-MODS accrued costs.
- d. Please refer to witness Degen's costing methodology for non-MODS offices. Please list all similarities between the FY 1996 and CRA calculation of accrued costs for cost component 3.1 and witness Degen's methodology for developing non-MODS accrued costs.
- e. If documentation or programs have not been provided as library references in this docket, but were provided in whole or in part in a previous docket, please provide the citations requested in parts a and b of this interrogatory to such previous dockets.
- f. In addition to any citations to library references or other documents provided in parts a, b and e of this interrogatory, please provide citations to relevant portions of library references H-196 and H-215.

OCA/USPS-T5-18 Response.

- a. The referenced section of LR-H-1 is relevant only to the FY 1996 costing methodology in that the "sum of mail processing costs" refers to the sum of tally dollar weights (variable F9250). The IOCS tally cost weighting is performed in program ALB095, LR-H-21. The IOCS cost inputs for FY 1996 are obtained from LIOCAT output, which may be

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found in LR-H-196 (see especially files ws03.xls and l_forms.xls). Some reapportionment of FY 1996 clerk and mailhandler costs among components is performed in W/S 3.0.1, in LR-H-196, file ws03.xls.

Development of the mail processing cost pool amounts for the BY 1996 costing methodology is described in detail in LR-H-146, part I. See especially program MODSPOOL and pages I-2 to I-3 of LR-H-146. Some reapportionment of BY 1996 clerk and mailhandler costs among components is performed in W/S 3.0.1, in LR-H-201, file ws03.xls.

- b. Please see the response to part a.
- c. *The differences may be obtained by contrasting the description in LR-H-1 section 3.1.2 with USPS-T-12 at pages 6-7 and LR-H-146 part I. The primary difference is that mail processing costs at MODS offices in the BY 1996 methodology are defined in terms of MODS operation numbers, in contrast to the FY 1996 definition based on IOCS uniform operation codes.*
- d. *The similarities may be obtained by comparing the description in LR-H-1 section 3.1.2 with USPS-T-12 at pages 6-7 and LR-H-146 part I. The main similarity is that mail processing costs at BMCs and non-MODS offices are derived using IOCS tally costs for the IOCS uniform operation codes listed in section 3.1.2 of LR-H-1.*

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- e. Not applicable.
- f. The relevant citations to LR-H-196 and LR-H-201 are provided in the response to part a, above.

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OCA/USPS-T5-19. Please refer to the description of accrued window service costs (section 3.2.2) on pages 3-9 and 3-10 of library reference H-1. This section describes the roster designation codes, uniform operation codes, and activity codes used to define accrued window service costs.

- a. Please identify the library reference, program name, and line numbers of the program that calculates the accrued window service cost for (1) the FY 1996 CRA costing methodology and (2) the BY 1996 costing methodology.
- b. Please provide a citation to the portion of the library reference which documents the program that calculates the accrued window service cost for (1) the FY 1996 CRA methodology and (2) the BY 1996 costing methodology.
- c. Please refer to witness Degen's costing methodology for non-MODS offices. Please list all differences between the FY 1996 CRA calculation of accrued costs for cost component 3.2 and witness Degen's methodology for developing non-MODS accrued costs for window service.
- d. Please refer to witness Degen's costing methodology for non-MODS offices. Please list all similarities between the FY 1996 CRA calculation of accrued costs for cost component 3.2 and witness Degen's methodology for developing non-MODS accrued costs for window service.
- e. If documentation or programs have not been provided as library references in this docket, but were provided in whole or in part in a previous docket, please provide the citations requested in parts a and b of this interrogatory to such previous dockets.
- f. In addition to any citations to library references or other documents provided in parts a, b and e of this interrogatory, please provide citations to relevant portions of library references H-196 and H-215.

OCA/USPS-T5-19 Response.

- a. The referenced section of LR-H-1 is relevant only to the FY 1996 costing methodology in that "all window service costs" refers to the sum of tally dollar weights (variable F9250). The IOCS tally cost weighting is performed in program ALB095, LR-H-21. The IOCS cost inputs for FY

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1996 are obtained from LIOCAT output, which may be found in LR-H-196 (see especially files ws03.xls and I_forms.xls). Some reapportionment of FY 1996 clerk and mailhandler costs among components is performed in W/S 3.0.1, in LR-H-196, file ws03.xls.

Development of the window service cost pool amounts for the BY 1996 costing methodology is described in detail in LR-H-146, part I. See especially program MODSPOOL and pages I-2 to I-3 of LR-H-146. Some reapportionment of BY 1996 clerk and mailhandler costs among components is performed in W/S 3.0.1, in LR-H-201, file ws03.xls.

- b. Please see the response to part a.
- c. The differences may be obtained by contrasting the description in LR-H-1 section 3.2.2 with LR-H-146 part I. The primary difference is that window service costs at MODS offices in the BY 1996 methodology are defined in terms of MODS operation numbers, in contrast to the FY 1996 definition based on IOCS uniform operation codes.
- d. The similarities may be obtained by comparing the description in LR-H-1 section 3.2.2 with LR-H-146 part I. The main similarity is that window service costs at BMCs and non-MODS offices are derived using IOCS tally costs for the IOCS uniform operation codes listed in section 3.2.2 of LR-H-1.

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- e. Not applicable.
- f. The relevant citations to LR-H-196 and LR-H-201 are provided in the response to part a, above.

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OCA/USPS-T5-20. Please refer to the description of accrued administrative and support activities costs (section 3.3.2) on pages 3-14 and 3-15 of library reference H-1. This section describes the roster designation codes, uniform operation codes and activity codes used to define accrued administrative and support activities costs.

- a. Please identify the library reference, program name, and line numbers of the program that calculates the accrued administrative and support activities cost for (1) the FY 1996 CRA costing methodology and (2) the BY 1996 costing methodology.
- b. Please provide a citation to the portion of the library reference which documents the program that calculates the accrued administrative and support activities cost for (1) the FY 1996 CRA methodology and (2) the BY 1996 costing methodology.
- c. Please refer to witness Degen's costing methodology for non-MODS offices. Please list all differences between the FY 1996 CRA calculation of accrued costs for cost component 3.3 and witness Degen's methodology for developing non-MODS accrued administrative and support activities costs.
- d. Please refer to witness Degen's costing methodology for non-MODS offices. Please list all similarities between the FY 1996 CRA calculation of accrued costs for cost component 3.3 and witness Degen's methodology for developing non-MODS accrued administrative and support activities costs.
- e. If documentation or programs have not been provided as library references in this docket, but were provided in whole or in part in a previous docket, please provide the citations requested in parts a and b of this interrogatory to such previous dockets.
- f. In addition to any citations to library references or other documents provided in parts a, b, and e of this interrogatory, please provide citations to relevant portions of library references H-196 and H-215.

OCA/USPS-T5-20 Response.

- a. The referenced section of LR-H-1 is relevant only to the FY 1996 costing methodology in that "all administrative and support work costs" refers to the sum of tally dollar weights (variable F9250). The IOCS tally cost

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weighting is performed in program ALB095, LR-H-21. The IOCS cost inputs for FY 1996 are obtained from LIOCAT output, which may be found in LR-H-196 (see especially files ws03.xls and I_forms.xls). Some reapportionment of FY 1996 clerk and mailhandler costs among components is performed in W/S 3.0.1, in LR-H-196, file ws03.xls. Development of the administrative cost pool amounts for the BY 1996 costing methodology is described in detail in LR-H-146, part I. See especially program MODSPOOL and pages I-2 to I-3 of LR-H-146. Some reapportionment of BY 1996 clerk and mailhandler costs among components is performed in W/S 3.0.1, in LR-H-201, file ws03.xls.

- b. Please see the response to part a.
- c. The differences may be obtained by contrasting the description in LR-H-1 section 3.3.2 with LR-H-146 part I. The primary difference is that administrative costs at MODS offices in the BY 1996 methodology are defined in terms of MODS operation numbers, in contrast to the FY 1996 definition based on IOCS uniform operation codes.
- d. The similarities may be obtained by comparing the description in LR-H-1 section 3.3.2 with LR-H-146 part I. The main similarity is that administrative costs at BMCs and non-MODS offices are derived using IOCS tally costs for the IOCS uniform operation codes listed in section 3.3.2 of LR-H-1.

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- e. Not applicable.
- f. The relevant citations to LR-H-196 and LR-H-201 are provided in the response to part a, above.

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OCA/USPS-T5-21. Please confirm that the total component 3.1 costs increase by \$791,019,000 under the base year costing methodology, as compared to the library reference H-1 methodology for FY 1996. If you do not confirm, please provide the correct figure and its derivation. In any event, please provide a breakdown of the cost change by MODS, non-MODS, and BMC's.

OCA/USPS-T5-21 Response.

The magnitude of the component 3.1 increase is confirmed (I calculate an increase of \$792.015 million). Please see Attachment 1 to OCA/USPS-T12-17 for an approximate breakdown of the cost change.

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OCA/USPS-T5-22. Please confirm that the total component 3.2 costs decrease by \$106,586,000 under the base year costing methodology, as compared to the library reference H-1 methodology for FY 1996. If you do not confirm, please provide the correct figure and its derivation. In any event, please provide a breakdown of the cost change by MODS, non-MODS, and BMC's.

OCA/USPS-T5-22 Response.

The magnitude of the component 3.2 decrease is confirmed (I calculate a decrease of \$106.585 million). Please see Attachment 1 to OCA/USPS-T12-17 for an approximate breakdown of the cost change.

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OCA/USPS-T5-23. Please confirm that the total component 3.3 costs decrease by \$685,425,000 under the base year costing methodology, as compared to the library reference H-1 methodology for FY 1996. If you do not confirm, please provide the correct figure and its derivation. In any event, please provide a breakdown of the cost change by MODS, non-MODS, and BMC's.

OCA/USPS-T5-23 Response.

The magnitude of the component 3.3 decrease is confirmed (I calculate a decrease of \$685.427 million). Please see Attachment 1 to OCA/USPS-T12-17 for an approximate breakdown of the cost change.

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OCA/USPS-T5-26. Please refer to page 3-2 of library reference H-1. This states that segment 3 accrued costs are classified into mail processing, window service, and administrative and support activities. On page 7 of USPS-T-12, witness Degen states, "The compensation totals for the BMC and non-MODS groups are partitioned into the mail processing, administrative, and window service components using IOCS dollar totals for the collections of IOCS operations codes that defined the components in the old methodology."

- a. Please confirm that the definition of accrued costs for each of his partitions for non-MODS offices is the same as the segment 3 components described in library reference H-1, page 3-2. If you do not confirm, please explain any differences. Provide citations to the lines of computer code that implement any changes between the two methodologies.
- b. Please confirm that for non-MODS offices, witness Degen's administrative partition is equivalent to component 3.3, administrative and support activities, as described in H-1. If you do not confirm, please explain and list all differences between the two.

OCA/USPS-T5-26 Response.

- a. The definition of the component costs for the non-MODS offices is conceptually similar to the FY 1996 methodology, but the cost totals are not the same. The partition of BY 1996 non-MODS costs is different in that the IOCS costs for each component are used to distribute the total clerk and mailhandler compensation amount for the non-MODS office group (finance numbers), obtained from the Pay Data System, to the cost components. See LR-H-146 at I-3. The difference arises because the IOCS tally dollar weights are based on clerk and mailhandler compensation amounts by craft and CAG, so the total dollar value of

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tallies taken at non-MODS offices is not controlled to the total compensation amount for non-MODS finance numbers.

- b. Confirmed that the non-MODS administrative component in the BY 1996 methodology is conceptually similar to the component 3.3 description, noting the difference in the method for computing the component costs for the non-MODS office groups described in part a of this response.

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: _____

9-23-97

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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September 23, 1997