

DOCKET SECTION

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

RECEIVED

SEP 24 4 41 PM '97

POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE AND FEE CHANGES
OFFICE OF THE SECRETARY
Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DEGEN TO INTERROGATORIES OF
MAGAZINE PUBLISHERS OF AMERICA AND
NASHUA PHOTO INC., DISTRICT PHOTO INC., MYSTIC COLOR LAB, AND
SEATTLE FILMWORKS, INC.
(MPA/USPS-T12-8 - 10, NDMS/USPS-T12-1-2)

The United States Postal Service hereby provides responses of witness Degen to the above interrogatories of MPA and Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle Filmworks, Inc., filed on September 10, 1997.

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 24, 1997

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

MPA/USPS-T12-8. Please refer to Fiscal Year 1996 Cost Segments and Components and Base Year 1996 Cost Segments and Components.

- a. Please confirm that, according to the Fiscal Year 1996 Cost Segments and Components, Mail Processing Direct Labor and Overhead costs (C/S 3.1) were \$12.45 billion, Window Service costs (C/S 3.2) were \$2.0 billion, and Administrative and Support costs (C/S 3.3) were \$2.0 billion.
- b. Please confirm that, according to Base Year 1996 Cost Segments and Components, Mail Processing Direct Labor and Overhead costs (C/S 3.1) were \$13.25 billion, Window Service costs (C/S 3.2) were \$1.9 billion, and Administrative and Support costs (C/S 3.3) were \$1.3 billion.
- c. Please confirm that the increase in Mail Processing costs (C/S 3.1) from Fiscal Year 1996 to Base Year 1996 was due to assigning costs to components using MODS data, rather than IOCS Questions 18 and 19, for MODS facilities.
- d. By activity code, please disaggregate the costs that were classified as Window Service cost and Administrative and Support costs in Fiscal Year 1996 Cost Segments and Components, but classified as Mail Processing costs in Base Year 1996 Cost Segments and Components. Please provide this information in a spreadsheet format.
- e. By the Class and Subclass to which these costs were distributed, please disaggregate the costs that were classified as Window Service costs and Administrative and Support costs in Fiscal Year 1996 Cost Segments and Components, but classified as Mail Processing costs in Base Year 1996 Cost Segments and Components. Please provide this information in a spreadsheet format.

MPA/USPS-T12-8 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed that the vast majority of the cost increase is due to the redefinition of the cost components for the MODS office group. Please see my response to OCA/USPS-T5-17 for an approximate breakdown of the shift of costs among components by office group.

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

- d. The requested data may be found in spreadsheet mpa8d.xls, which will be filed in LR-H-277.
- e. The requested data may be found in spreadsheet mpa8e.xls, which will be filed in LR-H-277. Note that spreadsheet mpa8e.xls does not incorporate cost adjustments from witness Alexandrovich's workpapers (see USPS-T-5).

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

MPA/USPS-T12-9. Please refer to page 3, lines 7-8 (and footnote 3) of your testimony. In a spreadsheet format, please provide FY 1996 unweighted tally counts and weighted tally dollars for items disaggregated by (1) item type, (2) tally type (e.g., identical/top piece rule, counted, uncounted); and (3) cost pool. For a list of item types and containers types, please refer to the "handling" variable in LR-H-218, SAS log file corresponding to the SAS program "MOD1DIR", lines 603-628.

MPA/USPS-T12-9 Response.

The requested data are provided in spreadsheets mpa9mod.xls, mpa9bmc.xls, and mpa9nmd.xls, which will be filed in LR-H-277. Please note that I have provided both the F9250 tally dollar weight and the distributed variable costs (for the relationship between the two, please see my response to TW/USPS-T12-24 part a). The referenced section of LR-H-218 contains a key to the F9214 values.

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

MPA/USPS-T12-10. Please refer to page 3, lines 7-8 (and footnote 3) of your testimony. In a spreadsheet format, please provide FY 1996 unweighted tally counts and weighted tally dollars for items disaggregated by: (1) container type; (2) tally type (identical, identified, and unidentified); and (3) cost pool. For a list of item types and container types, please refer to the "handling" variable in LR-H-218, SAS log file corresponding to the SAS program "MOD1DIR", lines 603-628.

MPA/USPS-T12-10 Response.

The requested data are provided in spreadsheets mpa10mod.xls, mpa10bmc.xls, and mpa10nmd.xls, which will be filed in LR-H-277. Please note that I have provided both the F9250 tally dollar weight and the distributed variable costs (for the relationship between the two, please see my response to TW/USPS-T12-24 part a). The referenced section of LR-H-218 contains a key to the F9219 values.

**Response of United States Postal Service Witness Degen
to Interrogatories of Nashua Photo Inc., District Photo Inc., Mystic Color
Lab, and Seattle Filmworks, Inc.**

NDMS/USPS-T12-1

Please refer to your response to NAA/USPS-T12-2.

- a. Please explain how costs represented by the 8,128 tallies in the "Not-Identified Mixed Containers" category are distributed to the classes and subclasses of mail.**
- b. Please explain how costs represented by the 88,854 tallies in the "Not-Handling" category are distributed to the classes and subclasses of mail.**
- c. How is the variance of unit cost estimates affected by the fact that 48 percent of all tallies are either "Not-Identified" or "Not-Handling" mail?**

NDMS/USPS-T12-1 Response.

- a. The requested information may be found in USPS-T-12 at 10, the documentation to and source code of programs MOD3CONT, BMC3, and NONMOD3 in LR-H-146, and my response to MPA/USPS-T12-1.**
- b. The requested information may be found in USPS-T-12 at 10, the documentation to and source code of programs MOD4DIST, BMC4, and NONMOD4 in LR-H-146, and my response to MPA/USPS-T12-1.**
- c. Relative to a hypothetical distribution key based solely on direct tally information, I would generally expect the incorporation of distributed mixed-mail and not-handling-mail tallies to increase the variance of the distribution key elements. The amount of the increase, if any, will depend on the size of the direct tally base, the amount of subclass information contained in the mixed-mail codes, etc. Please note that the main reason mixed-mail tallies are used to form distribution keys is that if**

**Response of United States Postal Service Witness Degen
to Interrogatories of Nashua Photo Inc., District Photo Inc., Mystic Color
Lab, and Seattle Filmworks, Inc.**

**the subclass information in them is ignored, the distribution key may be
biased.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Nashua Photo Inc., District Photo Inc., Mystic Color
Lab, and Seattle Filmworks, Inc.**

NDMS/USPS-T12-2

Please refer to your response NAA/USPS-T12-2 and provide the following information for FY96:

- a. The total number of mail processing tallies (at all facilities).**
- b. The total number of direct tallies.**
- c. The number of mixed mail tallies (broken down into: "Counted" mixed mail item, "Uncounted" mixed mail item, "Identified" mixed mail container, and "Non-Identified" mixed mail container categories.**
- d. The number of "Not-Handling" mail tallies.**

NDMS/USPS-T12-2 Response.

a.-d. I assume that by FY96 mail processing, you mean the definition of mail processing based on IOCS operation codes (see LR-H-1, section 3.1.2). For the BY96 definition of mail processing, the requested totals are provided in the response to NAA/USPS-T12-2. The following table provides the requested tally counts, with categories defined for comparability with my response to NAA/USPS-T12-2.

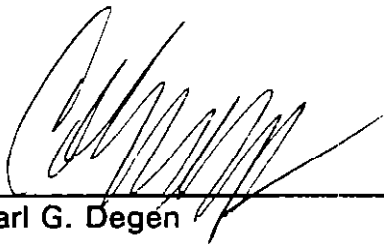
**Response of United States Postal Service Witness Degen
to Interrogatories of Nashua Photo Inc., District Photo Inc., Mystic Color
Lab, and Seattle Filmworks, Inc.**

Table responsive to NDMS/USPS-T12-2.

Category	FY96 Count	BY96 Count (see response to NAA/USPS-T12-2)
Direct	86,024	87,652 (includes counted items)
Counted items	2,657	
Uncounted mixed-mail items	6,523	6,574
Identified mixed-mail containers	9,695	9,662
Not-identified mixed- mail containers	7,975	8,128
Not-handling	73,909	88,854
Total Mail Processing	186,783	200,870

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: 9-24-97

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 24, 1997