

DOCKET SECTION

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 DEGEN TO INTERROGATORY OF
DAVID B. POPKIN
REDIRECTED FROM THE POSTAL SERVICE
(DBP/USPS-63)

The United States Postal Service hereby provides the response of witness Degen to the following interrogatory of David B. Popkin: DBP/USPS-T63, mailed on September 8, 1997, and redirected from the Postal Service.

The 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



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September 29, 1997

**Response of United States Postal Service Witness Degen
to Interrogatory of David B. Popkin**

DPB/USPS-63. In response to Question 1 in Presiding Officer's Information Request No. 2, it was stated that, "Our conclusion is that Library rate costs, like Classroom, suffer from some instability due to the small volume and the nature of the IOCS sampling procedures." [a] Describe the IOCS method of obtaining cost data. [b] Quantify and explain the words "some instability" as they were utilized in that response. [c] Explain and quantify what is meant by the "nature of the IOCS sampling procedure." [d] What other classes or subclasses of rates have similar or greater levels of instability and quantify and explain the amount. [e] Specifically what level of instability existed in the data for Special Handling, Return Receipt for Merchandise, stamped envelopes, Certified Mail, Registered Mail, and Return Receipt service. [f] For each of the different classes and subclasses of rates [including those mentioned in subpart e] for which the IOCS is utilized to provide cost data, furnish a listing of the class or subclass, the IOCS results for that class or subclass, the conversion of the IOCS data to actual costs, the reliability of the data, and the range of actual costs and cost coverage percents that would result based on the reliability of the IOCS data. The reliability should be expressed in a manner similar to a political poll when it states candidate A is leading candidate B by a 50 to 40 percent margin and the data is accurate to plus or minus 4 percentage points. [g] Explain the method utilized to calculate the reliability.

DPB/USPS-63 Response.

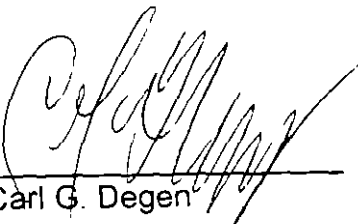
- a. See LR-H-89, pages 10-17.
- b. My use of the phrase "some instability" referred to my subjective interpretation of the year-to-year variation in unit costs which are shown in Attachment 1 to that response. In particular I was referring to the fact that estimated unit costs go up and down from year to year but I would not expect actual unit costs to fluctuate like that. As a subjective interpretation, it is not quantifiable.
- c. When I referred to "the nature of the IOCS sampling procedure", I was referring to the fact that the IOCS is a random sample of employees at

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points in time. This sample design does not allow increases in the sample size for specific subclasses without increasing the sample size for all subclasses. I am not sure what you would have me quantify.

- d. A more quantifiable measure of "stability" would be the statistical concept of coefficient of variation. (CV) Table 6 of my testimony (USPS-T12) shows the CV's we have calculated for direct costs by subclass. Please see that table. From it you can identify subclasses or services with CV's greater than the 8.8% reported for Library Rate.
- e. Table 6 of my testimony (USPS-T12) reports the CV's for Registry, Certified, and Special Handling separately. The other services you list are part of "Other Special Services". Separate CV's have not been calculated for the components of Other Special Services.
- f. Please see my testimony (USPS-T12) and LR-H-146. Specifically Table 5 of my testimony gives the IOCS mail processing results. Table 6 reports the CV's and 95% confidence limits from which your \pm format can be calculated. I assume that by actual costs you mean final CRA costs for BY 1996. Please see the testimony of Witness Alexandrovich (USPS-T5).
- g. Please see LR-H-146 part IX.

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.

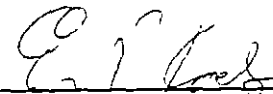


Carl G. Degen

9-29-97
Date

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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