

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
INTERROGATORIES OF TIME WARNER INC. (TW/USPS-T11-1a and 2-6)
(June 15, 2006)

The United States Postal Service hereby provides the responses of Witness Van-Ty-Smith (USPS-T-11) to the following interrogatories of Time Warner Inc.: TW/USPS-T11-1a and 2-6, filed on June 1, 2006. Interrogatory TW/USPS-T11-1b-c was redirected to witness Bozzo (USPS-T-12).

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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FIRST SET OF INTERROGATORIES TO WITNESS VAN-TY-SMITH (USPS-T-11)

TW/USPS-T11-1 Please refer to Table I-2B in LR-L-55, which shows MODS hours (excluding BMC, ISC hours) for each MODS number, with MODS numbers arranged according to LDC grouping.

- a. Please confirm that the table contains all MODS numbers used for mail processing activities. If not confirmed, what other numbers are used and what do they represent?
- b. For all MODS numbers where MODS measures volumes, please provide the first handling pieces, total pieces handled and total pieces fed, corresponding to the MODS hours shown in Table I-2B. Please provide this information in a spreadsheet format compatible with the format used for Table I-2B.
- c. Please provide, in a spreadsheet format, a list of all MODS numbers used in BMC's during FY2005, along with BMC MODS hours recorded in FY2005 and, where applicable, the corresponding measures of first handling pieces, total pieces handled and total pieces fed.

RESPONSE

- a. Not confirmed. Table I-2B does not include MODS operation numbers for LDC 41-44, and 48. The dollars for those LDCs (see Table I-2i in LR-L55) are added to the nonMODS dollars (see Table I-1A-I in LR-L-55) and IOCS tally responses to Questions 18 are used to partition the aggregated total dollars into functions and cost pools.
- b-c. Redirected to witness Bozzo, USPS-T-12

TW/USPS-T11-2 You say in Part I.A of LR-L-55 about the development of cost pools for IOCS data that:

“First, clerk and mailhandler costs are separated into three facility groups, BMCs, MODS 1&2, and non-MODS offices (see *ytdamt*, Table I – 1A), based on finance numbers.”

LR-L-9 includes the file PRCFLAT05.DAT, which is a flat file version of the IOCS data. It is explained (at Page H-3 of the LR-L-9 documentation) that in creating this file, the contents of field F2 (finance number) were recoded.

- a. Please provide a list of the recoded finance numbers, as they appear in PRCFLAT05.DAT (as opposed to the real finance numbers), that represent the BMCs. Please identify separately the finance number for the BMC that you say has been moved to the ISC cost pool.
- b. Please provide, in a spreadsheet, a list of the recoded finance numbers that correspond to MODS 1&2 offices, as those finance numbers are written in PRCFLAT05.DAT.
- c. Please provide a list of the recoded finance numbers, as written in PRCFLAT05.DAT, that correspond to ISC facilities.

RESPONSE

- a. The encrypted BMC finance numbers can be found in the SASPROGRAMS directory of the attached CD of USPS-LR-L-55, under the MBC program (see MBC.rtf, section captioned “encrypted BMC numbers”) of the OTHER subdirectory. The finance number for the BMC which has been moved to the ISC cost pool is not included in the MBC program but in the MODS 1&2 offices in the ISC cost pool (see responses to b. and c. below). The list for the BMCs is the same as the one in the MBC program in Docket R2005-1, except for the exclusion of that finance number.
- b. The encrypted MODS 1&2 finance numbers can be found in the SASPROGRAMS directory of the attached CD of USPS-LR-L-55, in the MODSFIN file (see MODSFIN.rtf) of the MODS subdirectory. The finance number for the BMC which has been moved to the ISC cost pool is 688333.

- c. The ISC encrypted finance numbers can be found in the SASPROGRAMS directory of the attached CD of USPS-LR-L-55, in the MOD1POOL program (see MOD1POOL.rtf, section captioned “Establish ISC Cost Pool”) of the MODS subdirectory. It includes the finance number for the BMC which has been moved to the ISC cost pool.

TW/USPS-T11-3

- a. Do stations and branches of a MODS 1&2 office normally use the same finance number as the main office? If there are exceptions, please explain.
- b. Do annexes associated with a MODS 1&2 facility normally use the same finance number as the main office? If there are exceptions, please explain.
- c. Are all MODS 1&2 offices “plants”, as you use the term? If no, do you still group them with the “plants” in your cost distribution methodology? Please provide a list of any MODS 1&2 offices that are not “plants.”

RESPONSE

- a. If I interpret a MODS 1&2 ‘main office’ to mean a customer service facility or post office (more commonly designated as AO or associate office), my understanding is that a station and branch (mail distribution/delivery unit) that is physically located in a separate facility from the main office normally uses a finance number separate from that of the main office. I am told the exceptions may be units that are too small to have a resident manager and a separate finance number.
- b. If I interpret a MODS 1& 2 ‘main office’ to mean a ‘plant’ (commonly designated as a P&DC or P&DF or Processing & Distribution Center/Facility), my understanding is that a mail processing annex unit normally uses the same finance number as the plant. I am told the exceptions are annexes with long-term operations and/or which perform multiple processing functions.
- c. No, not all MODS 1&2 offices are ‘plants.’ For example, post offices / associate offices, stations and branches are not ‘plants’ as they do not report predominantly Function 1 operations (see footnote 5 of my testimony). For these facilities, the mail processing operations associated with LDC 41-44 and 48 are not grouped with the ‘plants’ in the cost distribution methodology but with the ‘post-offices, stations and branches’

(see page 4 of my testimony); the remaining operations associated with other LDCs such as LDC 49 or LDC 79 are still grouped with the 'plants.' The attached list, provided as an rtf file, provides the encrypted finance numbers for MODS 1&2 offices that are not considered 'plants.'

TW/USPS-T11-4

- a. If the first character in field F1 on a given clerk and mailhandler tally is '1', does that mean that the tally is from either a MODS 1&2, BMC or ISC facility? If no, please explain what it does mean. Please explain also if your methodology makes any use of the first character in Field F1.
- b. If the answer to Question 18A1 in a given tally is 'A' (BMC), does that mean that the tally belongs to the BMC group as you define it? If no, why not?
- c. If the answer to Question 18A1 in a given tally is 'B' (P&DC/P&DF/ Mail Processing Annex/Priority/DDC/AMC/AMF/HASP), does that mean that the tally belongs in the "plants" group as you define it? If no, why not?
- d. If the answer to Question 18A1 is 'C' (International Service Center/ Outbound International Gateway), does that mean the tally belongs in the ISC cost pool as you define it? If no, why not?
- e. If the answer to Question 18A1 is 'D', does that mean the tally belongs in the Station & Branches/NonMODS group as you define it? If no, why not?
- f. If the answer to Question 18A2 on a given tally indicates that the sampled employee works at an annex, does that in any way affect the way you treat the costs represented by that tally in your cost distribution methodology? If yes, please explain how you use that information.

RESPONSE

- a. If the first character in Field F1 of a clerk and mailhandler tally is '1,' then the tally can be from a MODS 1&2, BMC or ISC finance number. However, not all MODS 1&2 tallies have a '1' as the first character in field F1; some MODS 1&2 tallies have a '4.' The '1' generally refers to MODS 1&2 finance numbers for 'plant' facilities such as those listed in question 4c below that report predominantly Function 1 operations. The '4' is usually associated with MODS 1&2 finance numbers for post offices, stations and branches—although it should be noted that there are some exceptions in these facilities that report predominantly Function 1 operations.

The cost distribution methodology makes limited use of the first character in Field 1 in the assignment of tallies to a mail processing cost pool: it is only applicable to about one percent of MODS 1&2 tallies with no reported MODS operation codes or with invalid MODS operation codes (i.e. those that do not match any on the MODS operation code list, or those that are inconsistent with clerk and mailhandler MODS operation codes). For those tallies, the assignment to a mail processing cost pool is based on IOCS question 18, and the first character in field F1 helps determine whether the cost pool is in the 'plants' or in the 'post-offices, stations and branches.'

- b-e. The answers to Question 18A1 are not used to classify the tallies into the appropriate BMC, 'plant,' ISC or Stations & Branches/NonMODS group, except in the limited way described in the above response to Interrogatory 4a for tallies with invalid or no MODS operation codes. The finance number (see page 3 of my testimony and the response to Interrogatory #2 above) and the LDC 41-44 and 48 MODS operation codes (see page 4 of my testimony) are used to assign tallies to the appropriate group. Although there is a high degree of concurrence between the tally answers to Question 18A1 and the tally group based on finance numbers and MODS operation codes, the purpose of Question 18A1 is primarily to control the flow of data collection questions in IOCS (see USPS-T46 and USPS-T1).
- f. No.

TW/USPS-T11-5 Please answer the following regarding your use of the answers to Question 18B.

- a. If the answer to Question 18B on a given tally is 'H', does your methodology in all cases treat the costs associated with that tally as Window Service (Segment 3.2) costs? If no, please explain all exceptions.
- b. If the answer to Question 18B on a given tally is 'I', does your methodology in all cases treat the costs associated with that tally as Administrative (Segment 3.3) costs? If no, please explain all exceptions.
- c. If the answer to Question 18B on a given tally is one of the letters A through F, does your methodology in all cases treat the costs associated with that tally as Mail Processing (Segment 3.1) costs? If no, please explain all exceptions.

RESPONSE

- a-c. No. To assign tallies to Segment 3.1, Segment 3.2, or Segment 3.3, the answers to Questions 18B and 18B1 are used only for tallies associated with the BMC finance numbers, with the nonMODS finance numbers, and with the LDC 41-44, and 48 MODS operations of the MODS 1&2 finance numbers: answers A-G for Question 18B and A-F for Question 18B1 assign tallies to Segment 3.1, answers H for Question 18B and G for Question 18B1 to Segment 3.2, and answers I for Question 18B and H for Q18B1 to Segment 3.3. For tallies associated with MODS 1&2 finance numbers (excluding those for the LDC 41-44, and 48 operations), the MODS operation codes into which sampled employees are clocked which are reported in field Q18A3 are used to make that assignment; the answers to Questions 18B and 18B01 are used in a limited way only for tallies with no MODs operation code or an invalid operation code.

TW/USPS-T11-6 Table 3 in your testimony provides a breakdown of attributed costs per subclass within each mail processing cost pool. Please provide a corresponding breakdown, per cost pool and in a similar spreadsheet format, of the pool costs by all direct, mixed mail and “not-handling” activity codes, before the distribution of mixed mail and “not-handling” costs to direct codes.

RESPONSE

The breakdown of volume-variable costs for direct, mixed mail and not-handling activity codes by cost pool is listed in the Excel spreadsheet filed in USPS-LR-140. The Excel spreadsheet consists of three worksheets, Plants, PO/STA/BRs, BMCs. Two cost pools are not reflected in the worksheets as the cost pool tallies are not used for the cost distribution (see footnotes 1/ and 2/ of Table 2 in my testimony).

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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