

**Response of United States Postal Service Witness Degen to
Interrogatories of National Newspaper Association**

NNA/USPS-T12-5. Please provide the total number of IOCS raw tallies underlying Cost Segments 3 and 6 (separately) for each year from FY 1986 to FY 1996. For Periodicals Class – In-County mail, please provide the number of IOCS raw tallies underlying Cost Segment 3 and 6 (separately) for each year from FY 1986 to FY 1996.

NNA/USPS-T12-5 Response.

See attachment 1. The data for FY 1987 were not available.

**Response of United States Postal Service Witness Degen
to Interrogatories of National Newspaper Association**

Attachment 1

Table 1. Count of Total IOCS Raw Tallies 1986 - 1996

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Segment 3	482,089	no data	512167	520,710	510,743	499,199	339,268	425,115	425,914	433,804	423,346
Segment 6	322,476	no data	349120	359,685	360,974	357,003	278,769	265,700	256,018	262,080	263,665

Table 2. Count of Periodicals In-County IOCS Raw Tallies 1986 - 1996

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Segment 3	648	no data	660	664	690	609	389	308	307	263	225
Segment 6	577	no data	483	539	517	445	329	193	154	150	125

**Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate**

OCA/USPS-T12-1. Please provide IOCS sampling information disaggregated by BMC's, MODS, and non-MODS offices. In particular, please provide:

- a. The number of BMC's, MODS, and non-MODS offices by CAG existing at the beginning of FY 1996.**
- b. The number of employees by craft (or craft cost pool) and CAG at BMC's, MODS, and non-MODS offices for FY 1996. These numbers can be presented by pay period or as an average of the pay period employee complements over the year. If provided as an average and there is significant fluctuation by pay period in the employee complements, then please provide the high and low complement values also.**
- c. The total employee compensation (from the Payroll Data System) by craft and CAG at BMC's, MODS, and non-MODS offices for FY 1996.**
- d. A list of CAG A, CAG B, and BMC's that were not included in the FY 1996 IOCS office sample. Please designate the CAG and MODS status for each of these offices.**
- e. For each office in part d of this interrogatory, please provide the number of employees by craft at BMC's, MODS, and non-MODS offices for FY 1996. Please provide numbers comparable to those provided in part b of this interrogatory.**
- f. For each office in part d of this interrogatory, please provide the total employee compensation (from the Payroll Data System) by craft and CAG at BMC's, MODS, and non-MODS offices for FY 1996.**
- g. The number of BMC's, MODS, and non-MODS offices by CAG that are in the FY 1996 IOCS sample.**
- h. The effective employee sample size by craft at BMC's, MODS, and non-MODS offices for FY 1996. Please provide numbers comparable to those provided in part b of this interrogatory.**
- i. The total employee compensation (from the Payroll Data System) by craft and CAG at BMC's, MODS, and non-MODS offices for FY 1996 IOCS sample offices.**

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OCA/USPS-T12-1 Response.

a. Please see Attachment 1 to this response. Attachment 1 contains two tables.

The top table is a simple count of finance numbers in the FY 1996 AP 01 Installation Master File (IMF). Not all of these finance numbers have clerks and/or mailhandlers, and not all of the MODS numbers are "eligible" for IOCS sampling. For instance, Remote Encoding Centers are not sampled in IOCS, but generate the bulk of the costs in the "LD15" cost pool. The bottom table is based on finance numbers in NORPES which have clerks or mailhandlers at any point in FY96. Note that office counts taken at different points in time will not be identical.

b. Please see Attachment 2 to this response. The numbers provided are averages, but the fluctuations in complements are small.

c. Please see Attachment 3 to this response. The totals by office group are consistent with the YTDAMT column in LR-H-146, at I-27; these are the data which are relevant to the cost pool formation process. The dollar-weighted tallies are used to construct distribution keys only. For details on the tally cost weighting procedure, please see LR-H-19.

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- d. Please see Attachment 4 to this response. The list includes only offices "eligible" for IOCS sampling. The complements are averages as in part b. Note that the table does not discriminate between finance numbers with zero complements and finance numbers not in NORPES.
- e. Please see the response to part d.
- f. Please see Attachment 5 to this response. The table summarizes clerk and mailhandler compensation at all offices that were not selected for the IOCS sample.
- g. Please see Attachment 6 to this response. This table is based on unique finance numbers in the set of clerk/mailhandler tallies.
- h. Please see Attachment 7 to this response for the MODS and non-MODS office groups. The employee counts are averages, as in the response to part b. Please see the response to part b for the BMCs, all of which are included in the IOCS sample.

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- i. **Please see Attachment 8 to this response for the MODS and non-MODS office groups. Please see the response to part c for the BMCs.**

Response to OCA/USPS-T12-1 -- Attachment 1

Number of BMCs, MODS Offices, and Non-MODS Offices in AP 01 FY 1996
Includes offices not eligible for IOCS sampling

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
BMC	21	0	0	0	0	0	0	0	21
MODS	699	156	24	4	0	0	0	0	883
Non-MOD	376	620	582	1,481	1,886	2,994	3,675	4,849	16,463
Total	1,096	776	606	1,485	1,886	2,994	3,675	4,849	17,367

Total NORPES Offices with Clerk and Mailhandler Employees

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
BMC	21	0	0	0	0	0	0	0	21
MODS	560	134	25	5	0	0	0	0	724
Non-MOD	192	586	569	1,507	1,917	3,015	n/a	n/a	7,786
Total	773	720	594	1,512	1,917	3,015	n/a	n/a	8,531

Note: Detail not available for CAG H/J

Response to OCA/USPS-T12-1 -- Attachment 2

Average Number of NORPES Clerks/Mailhandlers for FY 1996 by office group, craft and CAG

BMC'S

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
Clerk-Reg	5,900	0	0	0	0	0	0	0	5,900
Clerk-Sub	1,568	0	0	0	0	0	0	0	1,568
Mailhandl	10,336	0	0	0	0	0	0	0	10,336
Total Cler	17,804	0	0	0	0	0	0	0	17,804

MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
Clerk-Reg	158,338	8,625	873	261	0	0	0	0	168,097
Clerk-Sub	42,137	1,868	206	55	0	0	0	0	44,266
Mailhandl	54,954	778	80	24	0	0	0	0	55,834
Total Cler	255,430	11,268	1,158	339	0	0	0	0	268,196

NON-MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
Clerk-Reg	8,695	18,808	9,748	11,487	5,271	2,889	698	53	57,652
Clerk-Sub	20,204	5,534	3,740	6,770	5,566	6,559	6,052	3,603	58,873
Mailhandl	1,193	954	198	82	6	1	0	0	2,432
Total Cler	30,092	25,296	13,684	18,339	10,842	9,449	6,750	3,655	118,958

Response to OCA/USPS-T12-1 -- Attachment 3

Total compensation of clerks and mailhandlers by office group, craft and CAG

BMC'S

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H/J	TOTAL
Clerk-Reg	277,906							277,906
Clerk-Sub	46,914							46,914
Mailhandlers	418,645							418,645
Total Clerks/Mailhandlers	743,465							743,465

MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H/J	TOTAL
Clerk-Reg	7,394,903	385,368	39,472	4,371				7,824,113
Clerk-Sub	1,464,078	53,190	7,249	807				1,525,324
Mailhandlers	2,223,022	26,874	3,638	97				2,253,630
Total Clerks/Mailhandlers	11,082,002	465,431	50,359	5,275				11,603,067

NON-MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H/J	TOTAL
Clerk-Reg	251,955	944,014	463,867	530,328	242,818	127,176	31,812	2,591,969
Clerk-Sub	45,648	209,585	143,155	266,557	224,298	244,373	262,194	1,395,809
Mailhandlers	17,352	43,202	8,245	2,900	207	53		71,959
Total Clerks/Mailhandlers	314,955	1,196,800	615,267	799,785	467,323	371,602	294,006	4,059,738

Response to OCA/USPS-T12-1 – Attachment 4

CAG A and B facilities not included in IOCS

Avg. Complement (NORPES)

NAME	MODS 1&2/ Non-MODS	CAG	Clerk-Reg	Clerk-Sub	Mailhandlers
FAYETTEVILLE P&DF	MODS 1&2	A	0	0	0
JONESBORO AR	Non-MODS	B	59	17	6
MARYSVILLE P&DF	MODS 1&2	A	75	38	20
NORTH BAY P&DC	MODS 1&2	A	305	108	123
SALINAS P&DF	MODS 1&2	A	70	32	19
MARGARET L SELLERS P&DC	MODS 1&2	A	684	196	339
SANTA BARBARA P&DC	MODS 1&2	A	189	45	72
SUN VALLEY CA	Non-MODS	B	7	7	0
PUEBLO CO	Non-MODS	B	79	13	16
OLD SAYBROOK CT	Non-MODS	B	8	4	0
NATIONAL POSTAL MUSEUM PJT MKT	MODS 1&2	A	5	0	0
U.S. HOUSE OF REPS PO	MODS 1&2	A	0	1	0
DAYTONA BEACH	MODS 1&2	B	66	6	0
DAYTONA P&DF	MODS 1&2	A	120	53	31
GAINESVILLE P&DF	MODS 1&2	A	135	75	40
LAKELAND P&DC	MODS 1&2	A	200	36	43
MANASOTA P&DC	MODS 1&2	A	256	137	91
MID FLORIDA P&DC	MODS 1&2	A	254	123	112
MID FLORIDA CSU	MODS 1&2	A	64	13	0
PANAMA CITY P&DF	MODS 1&2	A	57	44	21
PENSACOLA P&DC	MODS 1&2	A	152	52	49
SOUTH FLORIDA P&DC	MODS 1&2	A	343	224	132
NORTH METRO P&DC	MODS 1&2	A	889	275	299
ATLANTA 1996 SUMMER OLYMPICS	Non-MODS	A	0	0	0
BUSSE SURFACE HUB	MODS 1&2	A	17	76	82
FOX VALLEY P&DC IL	MODS 1&2	A	220	128	144
FRANKLIN PARK IL	Non-MODS	B	27	5	1
IRVING PARK ROAD P&DC	MODS 1&2	A	433	452	304
SCHAUMBERG IL	Non-MODS	B	102	35	9
EVANSVILLE P&DF	MODS 1&2	A	123	25	32
GARY P&DC	MODS 1&2	A	190	60	74
MUNCIE P&DF	MODS 1&2	A	89	24	23
SOUTH BEND	MODS 1&2	B	82	0	0
SOUTH BEND P&DC	MODS 1&2	A	189	38	60
BOWLING GREEN P&DF	MODS 1&2	A	63	24	0
LONDON P&DF	MODS 1&2	A	58	14	13
PADUCAH P&DF	MODS 1&2	A	39	28	0
WELLS ME	Non-MODS	B	3	5	0
ANNE ARUNDEL DDU	Non-MODS	A	37	14	3
BALTIMORE INC MAIL P&DF	MODS 1&2	A	312	74	107
EASTON P&DF	MODS 1&2	A	53	22	22
FREDERICK	MODS 1&2	B	49	6	0
FREDERICK P&DF	MODS 1&2	A	96	27	32

Attachment 4

Response to OCA/USPS-T12-1 – Attachment 4

CAG A and B facilities not included in IOCS

NAME	MODS 1&2/ Non-MODS	CAG	Avg. Complement (NORPES)		
			Clerk-Reg	Clerk-Sub	Mailhandlers
MAGOTHY BRIDGE DDU	Non-MODS	A	39	21	3
NORTHWEST P&D FACILITY	MODS 1&2	A	18	5	14
CAPE COD P&DF	MODS 1&2	A	74	11	53
MANSFIELD PRIORITY ANNEX	MODS 1&2	A	0	0	0
NORTHERN HASP FACILITY	MODS 1&2	A	2	2	49
IRON MOUNTAIN P&DF	MODS 1&2	A	0	0	0
TRAVERSE CITY P&DF	MODS 1&2	A	88	29	13
LITTLE FALLS MN	Non-MODS	B	4	4	0
OSSEO MN	Non-MODS	B	18	16	0
ROCHESTER P&DF	MODS 1&2	A	0	0	0
GULFPORT P&DF	MODS 1&2	A	101	42	36
CAPE GIRARDEAU P&DF	MODS 1&2	A	64	45	0
HAZELWOOD MO	Non-MODS	B	30	12	0
JEFFERSON CITY MO	Non-MODS	B	29	11	0
GRAND ISLAND P&DF	MODS 1&2	A	46	28	11
DORFOLK P&DF	MODS 1&2	A	54	9	9
DARTSMOUTH P&DF	MODS 1&2	A	72	44	46
DUNMOUTH P&DC	MODS 1&2	A	223	71	111
NO NJ PRIORITY MAIL PROC CTR	MODS 1&2	A	0	0	33
NORTH JERSEY PMPC	MODS 1&2	A	0	0	0
PISCATAWAY NJ	Non-MODS	B	43	7	4
WEST JERSEY P&DC	MODS 1&2	A	250	71	129
HALMAR AMF	MODS 1&2	A	0	0	0
METRO NY PRIORITY MAIL CTR	MODS 1&2	A	24	267	175
MID-HUDSON P&DC	MODS 1&2	A	333	85	154
ROCKLAND P&DF	MODS 1&2	A	114	22	48
SARATOGA SPRINGS NY	Non-MODS	B	17	8	0
FAYETTEVILLE P&DC	MODS 1&2	A	205	100	60
HICKORY P&DF	MODS 1&2	A	100	41	35
KINSTON P&DF	MODS 1&2	A	49	38	17
FARGO P&DC	MODS 1&2	A	0	0	0
HEBRON OH	Non-MODS	B	0	4	0
BETHLEHEM PA	Non-MODS	B	22	5	7
BLOOMSBURG PA	Non-MODS	B	9	6	0
KEYSTONE P&DF	MODS 1&2	A	18	14	66
NEW CASTLE P&DF/PO	MODS 1&2	A	132	16	37
VALLEY FORGE PA	Non-MODS	B	2	6	0
CHARLESTON P&DF	MODS 1&2	A	119	40	39
FLORENCE P&DF	MODS 1&2	A	73	41	25
CENTRAL DAKOTA P&DF	MODS 1&2	A	32	15	9
SPRINGFIELD CITY P&DF	MODS 1&2	A	0	0	0
MEMPHIS TN	Non-MODS	B	15	7	0
SUPPORT & REPAIR FACILITY	MODS 1&2	A	0	0	0

Response to OCA/USPS-T12-1 -- Attachment 4

CAG A and B facilities not included in IOCS

Avg. Complement (NORPES)

NAME	MODS 1&2/ Non-MODS	CAG	Clerk-Reg	Clerk-Sub	ailhandlers
AMARILLO P&DF	MODS 1&2	A	119	74	37
CORPUS CHRISTI P&DC	MODS 1&2	A	133	42	48
NORTH TEXAS P&DC	MODS 1&2	A	612	303	237
GRAND PRAIRIE TX	Non-MODS	B	26	9	0
NORTH HOUSTON P&DC	MODS 1&2	A	610	308	259
INTL & EXPD TD SVC CTR	MODS 1&2	A	51	25	9
MCALLEN P&DF	MODS 1&2	A	0	0	0
MIDLAND P&DF	MODS 1&2	A	82	28	28
SAN ANTONIO AMF	MODS 1&2	A	52	9	4
TYLER P&DC	MODS 1&2	A	90	49	25
LOGAN UT	Non-MODS	B	19	6	0
WHITE RIVER JCT P&DC	MODS 1&2	A	180	50	132
CHARLOTTESVILLE P&DF	MODS 1&2	A	116	46	63
NORFOLK AMF	MODS 1&2	A	37	51	22
PASCO P&DF	MODS 1&2	A	51	22	18
SEATTLE DDC-EAST	MODS 1&2	A	94	57	14
SEATTLE DDC - SOUTH	MODS 1&2	A	57	39	19
CLARKSBURG P&DF	MODS 1&2	A	88	28	30
HUNTINGTON P&DF	MODS 1&2	A	51	25	30
EAU CLAIRE P&DF	MODS 1&2	A	77	15	2
MILWAUKEE PRIORITY ANNEX	MODS 1&2	A	69	37	77
OSKOSH P&DF	MODS 1&2	A	134	27	25
WAUSAU P&DF	MODS 1&2	A	105	36	4
CHEYENNE P&DC	MODS 1&2	A	68	37	31

Response to OCA/USPS-T12-1 -- Attachment 5

Summary of clerk/mailhandler compensation for offices not included in IOCS
by craft, office group and CAG

MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H/J	TOTAL
Clerk-Reg	708,002	185,811	37,936	4,371	0	0	0	933,919
Clerk-Sub	454,364	32,838	7,119	807	0	0	0	495,128
Mailhandlers	202,481	15,203	3,638	97	0	0	0	221,419
Total Clerks/Mailhandlers	1,362,847	233,652	48,693	5,275	0	0	0	1,650,466

NON-MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H/J	TOTAL
Clerk-Reg	30,173	705,624	408,045	507,451	236,388	125,774	Not avail.	2,013,455
Clerk-Sub	8,603	170,832	126,989	256,183	218,434	241,125	Not avail.	1,022,165
Mailhandlers	2,240	28,204	6,294	2,858	207	53	Not avail.	39,855
Total Clerks/Mailhandlers	41,015	904,659	541,328	766,492	455,029	366,952	Not avail.	3,075,474

Response to OCA/USPS-T12-1 -- Attachment 6

Unique finance numbers in IOCS clerks/mailhandler tallies by CAG and office group, CAG A-J

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
BMC	21	0	0	0	0	0	0	0	21
MODS	413	58	2	0	0	0	0	0	473
Non-MODS	81	111	57	56	46	36	33	39	459
Total	515	169	59	56	46	36	33	39	953

Response to OCA/USPS-T12-1 – Attachment 7

Average Number of Clerks/Mailhandlers for FY 1996 Included in IOCS Sample in FY 1996

MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
Clerk-Reg	137,883	4,368	33	105	0	0	0	0	142,389
Clerk-Sub	33,174	773	4	14	0	0	0	0	33,965
Mailhandlers	46,478	302	0	4	0	0	0	0	46,784
Total Clerks/Mailhandlers	217,535	5,443	37	123	0	0	0	0	223,137

NON-MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
Clerk-Reg	4,905	4,610	1,218	515	143	31	0	0	11,422
Clerk-Sub	1,122	1,041	436	284	143	91	0	0	3,117
Mailhandlers	393	310	42	1	0	0	0	0	746
Total Clerks/Mailhandlers	6,419	5,961	1,696	799	286	122	0	0	15,284

Note: All BMCs are included in IOCS Sample; see Response to OCA/USPS-T12-1, Attachment 2

Response to OCA/USPS-T12-1 – Attachment 8

Total compensation of clerks and mailhandlers by office group, craft and CAG, MODS and Non-MODS offices included in IOCS sample

MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H/J	TOTAL
Clerk-Reg	6,688,901	199,757	1,536	0			Not avail.	6,890,194
Clerk-Sub	1,009,714	20,352	130	0			Not avail.	1,030,195
Mailhandlers	2,020,541	11,671	0	0			Not avail.	2,032,211
Total Clerks/Mailhandlers	9,719,155	231,779	1,666	0			Not avail.	9,952,601

NON-MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H/J	TOTAL
Clerk-Reg	221,782	238,390	55,822	22,876	8,429	1,402	Not avail.	546,701
Clerk-Sub	37,045	38,753	16,166	10,375	5,864	3,248	Not avail.	111,450
Mailhandlers	15,112	14,999	1,952	42	0	0	Not avail.	32,105
Total Clerks/Mailhandlers	273,940	292,141	73,939	33,293	12,293	4,650	Not avail.	690,256

Note: All BMCs are included in IOCS Sample; see Response to OCA/USPS-T12-1, Attachment 3

**Response of United States Postal Service Witness Degen
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OCA-USPS-T12-2. Please refer to footnote 13 of your testimony. This note states that IOCS does not sample Remote Encoding Centers, but that a distribution methodology based on sampled RBCS images is under development.

- a. Please describe the plans and current status for this Remote Encoding Center distribution methodology.**
- b. Please describe any changes in the treatment of Remote Encoding Center costs between FY 1995 and FY 1996 and between FY 1996 and BY 1996.**

OCA-USPS-T12-2. Response:

- a. Initial data collection has begun for development of a new REC site distribution key. The final sample size and collection period will be determined after analyzing the variances across offices and days. We do not know when the study will be completed because, as I said, the data collection period is not yet determined.**
- b. My understanding is that there were no changes in the treatment of direct labor costs at Remote Encoding Centers (REC) between the FY 1995 and FY 1996 CRAs. The BY 1996 treatment differs from FY 1996 in several ways. LDC 15 costs booked at the REC have been combined with LDC 15 costs at MODS plants (i.e., Letter Mail Labeling Machine costs) to form a mail processing cost pool under the new methodology. An econometrically estimated variability, described in USPS-T-14, has been applied to the LDC**

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15 cost pool. The volume variable LDC 15 costs are distributed to subclass based on IOCS direct tallies in the BCS/OSS MODS operations (MODS operations 970-978).

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OCA/USPS-T12-3. Please refer to Tables 4 and 5 of your testimony.

- a. Please confirm that Table 4 contains the variability for each of the mail processing costs pools. If you do not confirm, please provide the cost pool variabilities.
- b. Please confirm that the costs shown in Table 5 incorporate the variability figures of Table 4. If you do not confirm, please explain how the Table 4 variabilities are used.
- c. Suppose that there were an error in the second row of Table 4, and that the variability for the OCR cost pool should be 85 percent instead of the 78.6 percent listed in your table. Then please confirm that Table 5 should be modified by multiplying all entries in the column labeled "MODS ocr" by the ration (85/78.6). If you do not confirm, please explain how Table 5 would need to be updated.

OCA-USPS-T12-3. Response:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

**Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate**

OCA/USPS-T12-4. Please refer to LR-H-146

- a. Please provide a copy of the SAS logs for programs listed in this library reference.**
- b. Please provide the H-146 SAS programs in electronic form.**

OCA-USPS-T12-4. Response:

- a.-b. Please see LR-H-218, which will be filed shortly.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate**

OCA/USPS-T12-5. Please refer to LR-H-146, lines 77-280 of program MODSPOOL.

- a. Please provide a list of valid MOD values and a description of each.**
- b. Please confirm that LDCs defined at lines 77-280 correspond to those listed on pages I-32 to I-38 of H-146. If you do not confirm, please explain.**
- c. Please describe the difference between LDC1 (program MODSPOOL, line 65) and the coded LDC's at lines 77-280.**
- d. Line 364 of MODSPOOL refers to LDC of data set LDC96M. Is this LDC equivalent to the LDC codes assigned at lines 77-280 based on the MODS values? Please explain.**

OCA-USPS-T12-5. Response:

- a. Please see Witness Bradley's Testimony, USPS-T-14, Exhibit 14A.**
- b. Confirmed.**
- c. The LDC1 variable and the coded LDC's at lines 77-280 of program MODSPOOL are equivalent.**
- d. Yes. The LDCM96 data set contains the Pay Data System compensation totals partitioned by LDC. The LDCMOD data set contains the distribution of MODS hours by LDC, used to partition the compensation totals to MODS**

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number. The LDC variable is used to merge these data sets at lines 316-317.

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OCA/USPS-T12-6. Please refer to program MODSPOOL of LR-H-146.

- a. Line 331 refers to a data set named "PAY.LDC96." Please describe the contents, variable names and definitions, and possible values of all variables in data set PAY.LDC96.**
- b. Has PAY.LDC96 been included in a library reference in this docket? If not, please provide this file in electronic form.**
- c. Lines 62-67 of MODSPOOL read a file names OPLDC96.DATA, referenced by infile MOD96. Please describe the contents, variable names and definitions, and possible values of all variables of OPLDC96.DATA.**
- d. Has OPLDC96.DATA been provided as a library reference in this docket? If not, please provide this file in electronic form.**

OCA-USPS-T12-6. Response:

- a. I am informed that this file contains the Pay Data System compensation totals. For the MODS office groups, the totals are summarized by LDC. For the BMCs and non-MODS offices, the file contains the total clerk and mailhandler compensation for the office group.**
- b. Yes. The data are summarized by LDC and cost pool in LR-H-146, at I-8 to I-10, for the MODS offices and mail processing LDCs. The totals for the MODS administrative and window service cost pools are in LR-H-146, at I-28. The totals for the BMCs and the non-MODS offices are in LR-H-146, at I-27.**

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- c. The file OPLDC96.DATA contains FY96 MODS workhours by MODS operation number and LDC. The MODS number is contained in the MOD field (line 63), a description of the MODS number is in MODNAME1 (line 64), the non-supervisory LDC associated with the MODS number is in LDC1 (line 65), and the MODS hours are in HRS (line 65).
- d. Yes. The data are reported in LR-H-146, at I-12 to I-26.

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OCA/USPS-T12-7. Please confirm that the cost data reporting system for cost segment 3.1 has been changed for BY 1996 by incorporating MODS-based data and by redefining variability assumptions for clerk and mailhandler costs. If you do not confirm, please explain the purpose of your testimony.

OCA-USPS-T12-7. Response:

Not confirmed. None of the cost data reporting systems (e.g., IOCS) have been changed. The purpose of my testimony is to describe the changes that were made to the formation of cost pools and the associated distribution keys. These changes were required to refine the variabilities and distributions associated with cost segment 3.1.

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OCA/USPS-T12-8. Please refer to page II-5 of H-146. This refers to the tally encrypted finance number, F2 on the FY 1996 IOCS data set. If additional IOCS variables are encrypted or suppressed, then:

- a. Please list all other IOCS variables that are encrypted.**
- b. Please list all other IOCS variables that are suppressed.**
- c. If any IOCS variables are suppressed, then how are they coded on the H-23 data file? If suppressed values are simply blanked out, how can they be distinguished from missing values?**

OCA-USPS-T12-8. Response:

- a. My understanding is that only the finance number is encrypted.**
- b. I am informed that no variables are specifically suppressed. Rather, variables not used in the analyses presented in this docket are left out of the LR-H-23 flat file to keep the file size manageable.**
- c. My understanding is the suppressed variables are simply omitted from the LR-H-23 flat file representation of the IOCS data file.**

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OCA/USPS-T12-9. Please refer to programs MOD1POOL (lines 13-209) and MODSPOOL (lines 77-280) of H-146. Please confirm that the LDC assignment in MOD1POOL is identical to the assignment of LDC values in MODSPOOL. If you do not confirm, please identify the differences and explain why a different algorithm was used.

OCA/USPS-T12-9. Response:

Not confirmed. The MODS International cost pool is assigned LDC=19 in program MOD1POOL. However, the difference is innocuous, since the LDC coding in MOD1POOL is not used in the MODS distribution key formation process.

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OCA/USPS-T12-10. Please refer to program MOD1POOL, lines 297-413, of H-146. This section of code begins with the comment "REMAP TALLIES WITH NO MODS CODES OR INVALID MODS CODES."

- a. Please confirm that this program only processes IOCS data from MODS offices. If you do not confirm, please explain.
- b. How many MODS IOCS tallies had no MODS codes?
- c. How many MODS IOCS tallies had invalid MODS codes?
- d. How many unique MODS finance numbers were associated with the IOCS tallies having invalid or missing MODS codes?
- e. Do all the relationships implied at lines 297-413 also hold for tallies with valid IOCS MODS codes? Please explain.
- f. Please explain how MODS codes could be missing or incorrect for an IOCS observation at a MODS office, collected using IOCS CODES data entry devices. Please explain why IOCS CODES software would be programmed to allow entry of invalid or missing MODS codes at MODS offices.

OCA-USPS-T12-10. Response:

- a. Confirmed.
- b. I am informed that the FY96 IOCS data set includes 2,145 tallies taken at MODS offices that have a blank MODS operation code, and 152 tallies taken at MODS offices that have a '000' MODS operation code.

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- c. The FY96 IOCS data set contains 246 tallies with invalid MODS codes (excluding blanks and '000').

- d. There are 304 unique finance numbers associated with the tallies with missing or invalid MODS numbers.

- e. Generally, cost pool assignments based on the IOCS operation detail are the same as the MODS code assignment, since the clocked-in MODS number generally corresponds to the activity the employee is actually working. However, it is possible that the sampled employee's activity is not consistent with the MODS operation number. Since the cost pool formation methodology is based on recorded MODS hours rather than sampled employee activities, it is appropriate to give precedence to the MODS code to classify the tallies by cost pool. This ensures the cost pool costs are distributed to the activities that the relevant employees actually performed. The "REMAP" code is therefore only used as a technique for predicting the missing MODS code.

- f. The MODS code for a tally could be missing or invalid because the data collector failed to enter one or entered an erroneous one. The CODES software does not require entry of the MODS code for completion of a test

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and prior to FY97 the CODES software did not test entered MODS codes for validity.

The entry of an invalid MODS code could be caused by a mistake by the sampled employee, miscommunication between the sampled employee and the data collector, or a data entry error by the data collector. Invalid codes are extremely rare (246 out of 193,138 tallies).

Failure to enter a MODS code could be caused by not finding an employee on break, data collector error, or uncertainty on the part of the sampled employee. Data collectors are instructed not to enter uncertain data. If the sampled employee does not know the MODS code, the data collector should follow up, but the exigency of mail flows sometimes prevents the employee from spending that much time with the data collector. Blank MODS codes are relatively rare (2,145 out of 193,193 tallies).

- g. The CODES software does not require a MODS number because doing so could result in loss of valuable information when the MODS number cannot be determined. Please see my answer to (f) above. CODES has been modified to check the validity of MODS codes beginning with FY97. The

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small number of invalid MODS codes does not create a problem historically.

It should be completely eliminated going forward.

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OCA/USPS-T12-11. Please refer to page II-6 and line 415 of program MOD1POOL of library reference H-146. Line 415 begins a section of the program with the comment "MODS-BASED ENCIRCLEMENT."

- a. Please explain what is meant by the term "MODS-based encirclement."
- b. Please provide all documents or materials prepared by or for any subdivision of the Postal Service related to "MODS-based encirclement."
- c. Please describe what is accomplished by the "MODS-based encirclement" portion of MOD1POOL, at lines 415-505.

OCA-USPS-T12-11. Response:

- a. "MODS-based encirclement" refers to the algorithm that determines whether tallies with special service activity codes (field F262) should be assigned to the special service or the underlying mail class. This procedure is "MODS-based" in the sense that the primary datum used to make this determination is the tally's cost pool. That is, in certain cost pools—e.g., Registry, Business Reply, LD48_Ssv—the costs associated with the tally are generally assumed to be caused by the special service, while in others—e.g., manual letters, BCS, Platform—the costs are generally assumed to be caused by the underlying mail class of the sampled mail. The activity code for the underlying mail class is extracted, if possible, from the F244 field.

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- b. The code referenced in the question and the description in LR-H-146 at II-6 are the only materials of which I am aware.
- c. This portion of the program carries out the procedure described in the response to part (a) of the interrogatory. The ACTV variable contains the activity code used in subsequent processing of the tallies. The "MODS-based encirclement" code determines whether ACTV should contain the F262 activity code or the F244 activity code, for tallies which are coded with special service activity codes (0010-0300) in F262. For instance, a tally where the employee was handling a single piece of Registered mail (F262 = '0060' and F9214 = ' ') will keep the F262 activity code irrespective of the cost pool. A Business Reply tally (F262 = '0090') will receive the F244 activity code unless it falls in the BusReply, LD48 Oth, LD48_S\$V, 1Bulk Pr, 1SCAN, 1POUCHING, 1CancMPP, 1OPpref, 1OPbulk, 1SackS_h, 1MISC, 1SUPPORT, LD43, LD48_Adm, or 2ADM cost pools. Lines 472-503 treat tallies with more than one special service code. If none of the encirclement criteria apply, ACTV is assigned based on the F262 activity code (line 505).

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OCA/USPS-T12-12. Please refer to lines 151-155 (the KEEP option) of program MBC of LR-H-146.

- a. Please confirm that among the variables kept at this stage of the program are variables F266 and F226. If you do not confirm, please explain how to interpret this SAS "KEEP" option.**
- b. Please confirm that this program MBC operates on the FY 1996 IOCS data file contained in LR-H-23. If you do not confirm, please describe all files this program relies upon.**
- c. Please confirm that the SAS program that produced the H-23 IOCS file does not output any values for the variables F266 and F226. See pages 5-10 of the printed documentation accompanying the IOCS file. If you do not confirm, please explain and, if necessary, update pages 5-10 of H-23.**
- d. Please define the variables F266 and F226.**
- e. Are the variables F226 and F266 used in LR-H-146? If so, please describe how they are used.**
- f. Do other Postal Service witnesses or library references rely upon the values of F266 and F226? If so, please describe how they are used.**

OCA/USPS-T12-12 Response.

- a. Confirmed.**
- b. Program MBC, as it appears in LR-H-146, operates on the IOCS tally file in the form of a SAS data set which contains numerous fields which are not used by any programs in LR-H-146. The LR-H-23 file is a flat file representation of that SAS data set which permits replication of results based on IOCS data, and which facilitates distribution of the relevant data. It would be more accurate to say that the LR-H-23 file is compatible with the programs in LR-H-146, including program MBC. In the "MODTABLE" data step, program MBC employs the file "MODF96," which identifies the finance numbers in IOCS which belong to the MODS 1&2 office group. The "MODF96" file was included on the LR-H-146 diskette as modsfm2.dat.**

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- c. Confirmed.
- d. I am informed that F226 and F266 are undefined in the FY 1996 IOCS data file.
- e. No.
- f. I am not aware of any other witnesses or library references that make use of F226 or F266.

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OCA/USPS-T12-13. Please refer to library reference H-23, line 2 of program MOD1DIR. This line sets an error option with the statement "OPTIONS ERRORS=1;". Please explain the purpose of this SAS statement.

OCA/USPS-T12-13 Response.

I consulted the *SAS User's Guide: Basics, Version 5 Edition* (Cary, NC: SAS Institute, Inc., 1985), p. 434. The function of the "OPTIONS ERRORS" statement is to "specify the maximum number of observations for which complete error messages are printed."

I am informed that this statement was included in MOD1DIR and several other programs in LR-H-146 to limit the size of the programs' SAS log files.

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OCA/USPS-T12-14. Please refer to lines 43-45 of MOD1DIR or to lines 65-67 of NONMOD12, LR-H-23. These lines contain the following SAS statement:

```
IF 'B'<=F133<='E' OR F133='M'
OR 'A'<=F9635<='C' OR F9635='K' THEN HANDLING = ' PC_CRD';
ELSE HANDLING = ' PC_LTR';
```

- a. Please confirm that the variable F9635 contains single piece shape after June 30, and F133 contains single piece shape prior to July 1, 1996. If you do not confirm, please explain the difference between these two shape variables.
- b. Please confirm that an F9635 value of 'A' corresponds to letters, 'B' corresponds to cards, 'C' corresponds to USPS forms, and 'K' corresponds to detached address cards. If you do not confirm, please explain how to interpret H-23, page 44.
- c. Please confirm that an F133 value of 'A' corresponds to letters, and values 'B', 'C', 'D', 'E', and 'M' correspond to cards. If you do not confirm, please explain how to interpret H-23, page 44.
- d. Please explain why the variable HANDLING is set to 'PC_LTR' for letter shaped tallies received prior to July 1, but it is set to 'PC_CRD' for letter shaped tallies received after June 30, 1996.

OCA/USPS-T12-14 Response.

- a. Confirmed.
- b. Confirmed.
- c. F133 value 'D' corresponds to USPS forms. Confirmed for other codes.
- d. The program is in error. The statement should read:

```
IF 'B'<=F133<='E' OR F133='M'
OR 'B'<=F9635<='C' OR F9635='K' THEN HANDLING = ' PC_CRD';
ELSE HANDLING = ' PC_LTR';
```

The error affects the shape distribution factors used to distribute loose letters and cards in "identified" containers, and thus will have some effect on the container and

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not-handling stages of the distribution key formation process. Attachment 1 to this response contains corrected volume-variable costs by subclass and cost pool.

FY96 Volume-Variable Mail Processing Costs
Letter/card shape assignment corrected

Subclass or Special Service	MODS 1&2							
	bcs/	express	fsm/	lsm/	manf	manl	manp	mecparc
Letters and Parcels	341,925	2,317	370,569	494,594	175,531	632,527	4,328	1,518
Presort Letters and Parcels	168,983	483	18,324	69,797	12,845	119,617	546	18
Postal Cards	0	0	0	604	0	552	0	0
Private Mailing Cards	6,755	78	369	26,377	77	34,014	2	99
Presort Cards	3,380	0	3	3,673	336	8,502	1	0
Priority	393	1,924	7,983	247	10,050	4,215	6,663	3,081
Express	108	26,727	164	490	768	1,309	421	1
Mailgrams	0	0	0	0	0	72	0	0
Within County	2	1	501	99	2,923	639	0	12
Outside County - Regular	614	174	39,303	931	72,575	10,753	1,024	513
Outside County - Non Profit	385	5	8,049	393	10,795	2,123	201	171
Outside County - Classroom	1	0	831	1	383	1	0	7
Third Single Piece Rate	2,255	159	4,169	2,402	4,207	7,679	312	8
Bulk - Regular Carrier Route	8,820	11	9,225	3,194	6,895	9,801	564	223
Bulk - Regular Other	77,952	270	171,614	30,016	111,481	148,954	3,172	484
Bulk - Non Profit Carrier Route	2,160	1	661	666	608	1,530	1	84
Bulk - Non Profit Other	25,676	107	27,307	13,993	22,942	61,677	181	369
Parcels - Zone Rate	41	14	1,311	93	711	626	3,393	1,221
Bound Printed Matter	58	6	2,023	17	2,732	378	555	317
Special Rate	4	107	1,161	104	802	301	992	101
Library Rate	2	0	325	1	671	84	254	197
USPS	705	923	4,299	2,148	1,626	5,325	512	78
Free for Blind/Handicapped	2	1	0	1	553	396	0	2
International	2,865	2,062	6,507	10,660	5,399	13,706	544	6
Registry	27	57	112	39	65	544	52	3
Certified	0	0	0	0	0	0	0	0
Insurance	0	0	0	0	0	0	0	0
COD	0	0	0	0	0	0	0	0
Special Delivery	0	28	0	0	0	0	0	0
Special Handling	0	0	0	0	0	0	0	0
Other Special Services	774	2	1,728	1,630	885	4,509	1	152
Total	643,886	35,456	676,538	662,170	445,858	1,069,833	23,719	8,666

FY96 Volume-Variable Mail Processing Costs
Letter/card shape assignment corrected

Subclass or Special Service	ocr/	priority	spbs Oth	spbs Prio	BusReply	INTL	LD15	LD41
Letters and Parcels	119,023	7,861	19,857	9,517	7,334	8,182	276,906	8,586
Presort Letters and Parcels	27,271	1,013	903	1,310	926	1,160	53,179	5,656
Postal Cards	71	0	0	0	0	0	0	0
Private Mailing Cards	3,030	165	86	21	476	259	8,843	0
Presort Cards	827	0	136	12	129	0	1,850	91
Priority	29	80,632	7,017	27,718	285	2,006	0	10
Express	2	1,173	0	32	114	1,990	0	0
Mailgrams	0	0	0	0	0	0	0	0
Within County	0	2	151	2	1	24	0	0
Outside County - Regular	260	630	5,229	1,161	18	1,106	1,186	76
Outside County - Non Profit	86	8	1,229	135	2	81	0	0
Outside County - Classroom	0	0	139	0	0	3	0	0
Third Single Piece Rate	357	396	1,073	189	447	119	1,938	109
Bulk - Regular Carrier Route	2,407	285	6,514	793	11	121	4,506	236
Bulk - Regular Other	12,617	704	29,095	1,697	547	1,405	22,373	1,600
Bulk - Non Profit Carrier Route	797	9	478	12	1	1	0	68
Bulk - Non Profit Other	5,710	169	5,866	108	99	329	4,547	364
Parcels - Zone Rate	6	369	705	1,032	157	236	0	0
Bound Printed Matter	2	97	1,104	180	160	1	0	0
Special Rate	76	171	384	252	0	2	0	0
Library Rate	0	4	236	2	1	34	0	0
USPS	446	3,064	668	536	277	292	1,321	0
Free for Blind/Handicapped	1	67	511	556	1	123	0	76
International	2,491	2,726	143	1,029	294	65,706	5,932	0
Registry	148	42	33	78	89	3,453	0	0
Certified	0	0	0	0	756	33	0	0
insurance	0	0	0	0	0	0	0	0
COD	0	0	0	0	0	0	0	0
Special Delivery	0	0	0	0	0	0	0	0
Special Handling	0	0	0	0	0	4	0	0
Other Special Services	561	97	111	2	12,857	5	956	0
Total	176,219	99,686	81,666	46,373	24,981	86,674	383,539	16,873

FY96 Volume-Variable Mail Processing Costs
Letter/card shape assignment corrected

Subclass or Special Service	LD42	LD43	LD44	LD48 Exp	LD48 Oth	LD48_SSV	LD49	LD79
Letters and Parcels	893	168,942	59,094	214	7,833	4,156	81,152	7,794
Presort Letters and Parcels	106	43,034	18,008	16	2,356	894	61,937	18,438
Postal Cards	0	84	0	0	2	0	0	0
Private Mailing Cards	15	4,036	1,079	1	275	113	5,831	1,334
Presort Cards	37	917	68	0	46	0	1,963	1,131
Priority	21	29,354	3,526	19	1,132	588	1,711	1,606
Express	1	4,214	757	1,092	257	1,330	12	33
Mailgrams	0	0	0	0	0	0	0	0
Within County	0	1,006	138	0	23	0	648	423
Outside County - Regular	59	21,991	3,189	9	721	180	21,683	1,270
Outside County - Non Profit	1	3,488	415	0	140	81	5,671	787
Outside County - Classroom	0	87	0	0	2	0	1	0
Third Single Piece Rate	77	3,261	67	1	124	80	8,241	1,072
Bulk - Regular Carrier Route	35	30,202	1,414	9	1,098	244	2,252	6,703
Bulk - Regular Other	546	66,400	11,716	36	2,284	776	9,430	37,124
Bulk - Non Profit Carrier Route	27	3,474	301	1	178	1	305	1,388
Bulk - Non Profit Other	63	14,489	1,816	14	503	31	1,532	16,598
Parcels - Zone Rate	23	10,457	169	10	359	35	612	461
Bound Printed Matter	0	4,721	258	4	116	58	1,925	6
Special Rate	21	4,864	379	3	181	117	283	2
Library Rate	0	839	2	1	17	0	77	1
USPS	21	2,667	522	1	147	311	11,970	1,481
Free for Blind/Handicapped	0	723	1	0	16	0	214	1
International	1	2,717	369	3	71	243	999	680
Registry	0	1,308	358	8	305	1,851	13	62
Certified	0	2,006	0	0	498	2,016	0	0
Insurance	0	116	0	0	15	0	0	0
COD	0	317	0	0	45	63	0	0
Special Delivery	0	0	0	0	10	150	0	0
Special Handling	0	0	0	0	0	0	0	0
Other Special Services	0	1,973	292	0	757	2,976	11,358	37
Total	1,946	427,688	103,941	1,441	19,512	16,292	229,618	98,430

FY96 Volume-Variable Mail Processing Costs
Letter/card shape assignment corrected

Subclass or Special Service	MAILGRAM	Registry	REWRAP	1Bulk pr	1CancMPP	1EEQMT	1MISC	1OPbulk
Letters and Parcels	0	1,806	6,324	2,093	157,064	15,100	51,997	51,523
Presort Letters and Parcels	0	8	183	3,740	6,200	3,386	8,964	10,954
Postal Cards	0	0	246	0	64	10	27	0
Private Mailing Cards	0	44	725	58	3,758	440	1,780	625
Presort Cards	0	0	0	222	205	110	642	293
Priority	0	310	1,638	310	6,494	1,986	5,763	7,270
Express	0	416	0	7	177	563	1,137	370
Mailgrams	0	0	0	0	0	0	1	0
Within County	0	0	1	3	12	319	105	165
Outside County - Regular	0	52	245	309	1,391	2,598	3,948	13,107
Outside County - Non Profit	0	1	8	16	132	404	800	1,628
Outside County - Classroom	0	0	1	1	4	27	40	591
Third Single Piece Rate	0	1	201	162	999	271	699	2,290
Bulk - Regular Carrier Route	0	3	13	412	757	1,294	1,738	17,563
Bulk - Regular Other	0	39	1,816	541	2,793	7,604	13,510	96,253
Bulk - Non Profit Carrier Route	0	0	0	12	87	190	234	2,734
Bulk - Non Profit Other	0	5	26	449	1,194	1,685	4,069	21,620
Parcels - Zone Rate	255	35	3	16	918	774	759	2,024
Bound Printed Matter	0	7	1	77	160	262	356	1,905
Special Rate	0	65	0	9	167	135	188	1,021
Library Rate	0	0	0	3	190	53	69	138
USPS	0	339	6	4	1,501	217	986	157
Free for Blind/Handicapped	0	0	0	2	172	220	82	2
International	0	324	807	20	2,014	827	3,329	941
Registry	39	15,586	0	4	15	420	571	14
Certified	0	80	0	0	0	54	79	0
insurance	0	0	0	0	0	1	0	0
COD	0	0	0	0	0	5	2	0
Special Delivery	0	0	0	0	0	2	2	0
Special Handling	0	0	0	0	0	1	2	0
Other Special Services	0	300	2	0	1,689	251	858	284
Total	293	19,423	12,245	8,470	188,155	39,210	102,738	233,465

FY96 Volume-Variable Mail Processing Costs
Letter/card shape assignment corrected

Subclass or Special Service	1OPref	1Platfrm	1POUCHN	1SackS_h	1SackS_m	1SCAN	1SUPPORT	Total	MODS
Letters and Parcels	240,437	233,887	181,209	20,650	8,601	17,908	54,177	3,853,428	
Presort Letters and Parcels	66,163	54,141	42,597	6,979	1,510	5,789	10,440	847,876	
Postal Cards	90	122	373	0	0	0	33	2,279	
Private Mailing Cards	3,423	2,986	2,731	425	9	54	1,565	111,759	
Presort Cards	836	1,295	1,616	0	1	0	400	28,722	
Priority	40,602	87,828	26,827	14,743	3,488	17,194	5,886	410,545	
Express	1,942	9,657	2,694	1,279	40	3,367	1,116	63,759	
Mailgrams	0	0	0	0	0	0	1	74	
Within County	790	926	235	664	40	3	163	10,019	
Outside County - Regular	53,230	51,209	17,921	12,002	7,716	1,063	4,734	354,180	
Outside County - Non Profit	8,524	7,466	3,700	2,395	2,765	17	765	62,865	
Outside County - Classroom	433	459	349	22	27	1	48	3,459	
Third Single Piece Rate	2,980	4,676	1,834	509	125	141	658	54,289	
Bulk - Regular Carrier Route	14,286	22,667	5,039	4,691	2,708	493	1,933	169,158	
Bulk - Regular Other	64,214	88,888	49,607	13,192	10,098	1,056	15,241	1,107,144	
Bulk - Non Profit Carrier Route	684	1,564	390	560	307	11	212	19,735	
Bulk - Non Profit Other	19,041	18,136	7,424	2,784	2,353	87	3,947	287,307	
Parcels - Zone Rate	3,211	24,416	2,141	3,530	2,919	48	920	64,010	
Bound Printed Matter	2,437	6,171	928	785	484	241	319	28,853	
Special Rate	1,219	5,623	1,025	620	797	4	225	21,407	
Library Rate	515	1,154	944	258	1	4	82	6,156	
USPS	4,331	5,510	2,276	740	3	42	837	56,288	
Free for Blind/Handicapped	1,238	1,276	794	267	0	2	99	7,399	
International	4,992	16,277	9,916	1,815	3,335	339	2,891	172,779	
Registry	517	416	229	0	14	183	416	27,072	
Certified	0	53	0	0	0	0	118	5,695	
Insurance	0	0	0	0	0	0	0	133	
COD	0	0	0	0	0	0	78	510	
Special Delivery	0	44	0	0	0	0	5	243	
Special Handling	43	0	0	31	0	0	3	84	
Other Special Services	516	411	235	76	0	59	753	47,096	
Total	536,694	647,257	363,035	89,017	47,342	48,110	107,865	7,824,323	

Attachment 1 -- Response to OCA/USPS-T12-14

FY96 Volume-Variable Mail Processing Costs
Letter/card shape assignment corrected

Subclass or Special Service	BMC Cost Pools						Total BMC	Non-MODS
	NMO	OTHR	PLA	PSM	SPB	SSM		
Letters and Parcels	1	1,948	498	553	942	110	4,051	794,125
Presort Letters and Parcels	2	0	201	0	605	108	917	214,436
Postal Cards	0	0	0	0	0	0	0	935
Private Mailing Cards	0	93	14	0	0	0	107	24,847
Presort Cards	0	0	0	0	0	0	0	7,707
Priority	83	599	330	343	79	1	1,436	65,920
Express	0	0	19	0	0	0	19	20,558
Mailgrams	0	0	0	0	0	0	0	0
Within County	0	20	35	0	27	12	95	5,045
Outside County - Regular	503	3,720	5,499	118	1,522	4,545	15,906	91,108
Outside County - Non Profit	2	856	1,326	2	571	727	3,483	14,265
Outside County - Classroom	2	414	325	0	8	113	863	1,311
Third Single Piece Rate	70	4,208	2,310	2,311	1,612	383	10,893	12,912
Bulk - Regular Carrier Route	415	5,437	5,151	677	1,871	2,679	16,230	80,272
Bulk - Regular Other	4,377	42,940	27,739	23,113	23,165	11,829	133,164	299,550
Bulk - Non Profit Carrier Route	65	658	374	75	141	124	1,437	7,710
Bulk - Non Profit Other	538	7,149	3,509	1,352	4,338	1,813	18,696	60,700
Parcels - Zone Rate	8,250	23,992	21,154	12,329	3,752	3,529	73,005	19,634
Bound Printed Matter	1,308	9,133	8,377	10,500	1,316	815	31,450	12,908
Special Rate	1,086	9,737	7,458	15,578	1,917	1,422	37,199	8,471
Library Rate	1,215	1,951	1,986	2,332	315	353	8,151	1,758
USPS	839	1,009	1,197	377	518	205	4,145	17,070
Free for Blind/Handicapped	1	595	278	560	455	0	1,889	726
International	887	10,622	5,659	5,434	3,393	1,719	27,715	6,461
Registry	0	105	25	0	36	0	166	14,973
Certified	0	0	0	0	0	0	0	12,789
Insurance	0	8	0	0	0	0	8	630
COD	0	0	0	0	0	0	0	1,307
Special Delivery	0	0	0	0	0	0	0	0
Special Handling	0	0	0	0	0	0	0	115
Other Special Services	0	84	6	43	0	0	133	28,808
Total	19,642	125,277	93,468	75,698	46,583	30,488	391,158	1,827,048

FY98 Volume-Variable Mail Processing Costs
 Letter/card shape assignment corrected

Subclass or Special Service	Grand Total C1	Table 5	
		USPS-T-12 C2	% Difference (C1-C2)/C2
Letters and Parcels	4,651,604	4,655,673	-0.09%
Presort Letters and Parcels	1,063,229	1,063,505	-0.03%
Postal Cards	3,215	3,062	5.00%
Private Mailing Cards	136,714	133,288	2.57%
Presort Cards	36,429	35,765	1.86%
Priority	477,900	477,893	0.00%
Express	84,336	84,370	-0.04%
Mailgrams	74	75	-1.33%
Within County	15,159	15,161	-0.01%
Outside County - Regular	461,194	461,201	0.00%
Outside County - Non Profit	80,614	80,618	0.00%
Outside County - Classroom	5,632	5,632	0.00%
Third Single Piece Rate	78,094	78,184	-0.12%
Bulk - Regular Carrier Route	265,660	265,772	-0.04%
Bulk - Regular Other	1,539,858	1,540,108	-0.02%
Bulk - Non Profit Carrier Route	28,882	28,895	-0.04%
Bulk - Non Profit Other	366,703	366,726	-0.01%
Parcels - Zone Rate	156,649	156,850	0.00%
Bound Printed Matter	73,211	73,210	0.00%
Special Rate	67,077	67,076	0.00%
Library Rate	16,065	16,065	0.00%
USPS	77,503	77,044	0.60%
Free for Blind/Handicapped	10,014	10,022	-0.08%
International	208,955	206,773	0.09%
Registry	42,211	42,211	0.00%
Certified	18,483	18,484	-0.01%
Insurance	771	771	0.00%
COD	1,817	1,817	0.00%
Special Delivery	243	243	0.00%
Special Handling	199	199	0.00%
Other Special Services	76,035	76,036	0.00%
Total	10,042,528	10,042,529	0.00%

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OCA/USPS-T12-15. Please refer to lines 178-179 of program BMC1, H-23. These lines contain the following SAS statement:

```
IF 'B'<=F133<='E' OR F133='M' THEN HANDLING = ' PC_CRD';  
ELSE HANDLING = ' PC_LTR';
```

- a. Please explain why it is not necessary to check for values of F9635 for BMC tallies in order to assign a value to the variable HANDLING.
- b. Please confirm that this code will assign the value of 'PC_LTR' to the variable HANDLING for all BMC single piece card tallies received after June 30, 1996. If you do not confirm, please explain how the value of HANDLING would be assigned for activity code 1020 (F262=1020), F133=' ', and F9635='B'.

OCA/USPS-T12-15 Response.

- a. The value of F9635 should be checked to properly deal with tallies received after June 30, 1996. Please see the response to OCA/USPS-T12-14, part (d) for the correction.
- b. Confirmed.

**Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate**

OCA/USPS-T-12-16. Please refer to lines 1-17, page 5 of your testimony. This section lists three criticisms of existing clerk and mailhandler costing and the Postal Service's response to these criticisms.

- a.** Please identify which of the responses addresses the problem of an increase in "not-handling-mail tallies."
- b.** Does the proportion of "not-handling-mail tallies" decrease due to the application of MODS-based cost pools? Please explain.
- c.** Does the number of "not-handling-mail tallies" decrease due to the application of MODS-based cost pools? Please explain.
- d.** Please confirm that the FY 1996 number of "not-handling-mail tallies" is the same, regardless of how the new cost pools are defined. If you do not confirm, please explain.
- e.** Does the proportion of "not-handling-mail tallies" decrease due to a change in the assumption that mail processing direct labor and overhead costs are 100 percent volume variable? Please explain.
- f.** Does the number of "not-handling-mail tallies" decrease due to a change in the assumption that mail processing direct labor and overhead costs are 100 percent volume variable? Please explain.
- g.** Does the proportion of "not-handling-mail tallies" decrease due to a change in the method used to distribute mixed-mail costs? Please explain.
- h.** Does the number of "not-handling-mail tallies" decrease due to a change in the method used to distribute mixed-mail costs? Please explain.

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Response to OCA/USPS-T12-16.

- a. The increase in not-handling-mail tallies was a problem insofar as the old methodology used the associated tally dollar values to form a single pool of variable overhead costs, which were distributed to subclass in proportion to the mail processing direct labor CRA cost component. Since the new methodology does not alter IOCS, it does not impact the number or proportion of not-handling-mail tallies according to the old methodology's definition of not-handling-mail. It addresses the problem, however, in that the MODS-based cost pools include the dollars that would have been classified as variable overhead under the old method. The MODS-based cost pool dollars do not rely on not-handling-mail tallies in any way. Further, the overhead dollars are being distributed more accurately, i.e., using distribution keys specific to each cost pool.
- b. No. See the response to part a.
- c. No. See the response to part a.
- d. Confirmed. See the response to part a.
- e. No. See the response to part a.
- f. No. See the response to part a.
- g. See the response to part a. Note that the definitions of mixed-mail and not-handling-mail for the purpose of distribution key formation have changed in the new methodology. Please see my testimony, USPS-T-12, at 9, and Section II of LR-H-146.

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h. Please see the answer to part g.

**Response of United States Postal Service Witness Degen
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OCA/USPS-T12-17. Please refer to lines 16-17, page 5 of your testimony. You state "I believe these revisions result in more accurate estimates of attributable cost."

- a.** Does the accuracy of the attributable cost estimates depend on the sampling error associated with those estimates? Please explain.
- b.** Have you compared the relative sampling error of cost estimates under the new costing approach for base year 1996 to those produced under the previous methodology for FY 1995? Please provide the results of any such comparison.
- c.** Have you compared the relative sampling error of cost estimates under the new costing approach for base year 1996 with the sampling errors associated with FY 1996 cost estimates produced under the old methodology? Please provide the results of any such comparison.
- d.** Is there any sampling error or other uncertainty about the estimates of volume variability you apply to each of the cost pools? If there is, what is its magnitude and how it is accounted for in assessing the reliability of final attributable cost estimates for clerks and mailhandlers?
- e.** Please provide any additional comparisons that have been made to determine whether the new costing methodology has a significant effect on the statistical reliability of estimates produced.

Response to OCA/USPS-T12-17.

- a.** The accuracy of the estimates depends in part on the sampling error associated with them. I believe the revisions to the costing methodology produce more accurate observations for several reasons. First, the MODS-based cost pool formation does not depend on a sampling system. Second, the volume-variable overhead costs are part of the variable cost pools and are distributed to subclass using pool-specific keys—a much finer and more accurate level of distribution than the old methodology (see the answer to OCA/USPS-T12-16, part a). Third, mixed-

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mail costs such as costs associated with activity code 5750 (mixed mail with no class or shape data) are incorporated in the cost pool dollars, and the distribution of these costs has been refined using the mail operation and mail identification information collected in IOCS questions 21 and 24.

- b. No.
- c. Yes. The coefficients of variation presented in Table 2 and Table 6 of my testimony were computed with such a comparison in mind. The coefficients of variation in Table 2 were computed using the method employed by witness Steele for Docket No. R94-1. The methodology for Table 6 is described in LR-H-146, Part IX.
- d. Naturally, there is a degree of uncertainty associated with the variability regression results. In USPS-T-14, witness Bradley discusses the motivation for his regression equations at some length, including factors which would motivate the presence of a random disturbance term. I have not attempted to estimate the standard errors of the variabilities, but the regression results presented in witness Bradley's workpapers should provide the necessary information. The coefficients of variation in Table 6 are conditional on witness Bradley's reported variabilities.
- e. We have not conducted any other comparisons.

**Response of United States Postal Service Witness Degen
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OCA/USPS-T12-18. Please refer to hard copy documentation for library reference H-23 and to the instructions for completing IOCS question 24 (pages 133-34, H-49). Please explain how the data from question 24 is recorded on the IOCS file. Include in your response sufficient detail so that the responses to question 24 can be recreated from the data fields described in library reference H-23.

Response to OCA/USPS-T12-18.

I do not believe it is possible to re-create the question 24 response from the file in LR-H-23. My understanding is that the detailed question 24 data are stored separately from other IOCS data, and the version of the IOCS tally file with divided item records, used by the LR-H-146 programs and to produce the LR-H-23 file, is generated by merging these files. Please see program ALB898, LR-H-21.

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OCA/USPS-T12-19. Please refer to IOCS equations 21D, page 92 of library reference H-49. This question asks for the percent of the container taken up by items and pieces by type.

- a.** Please confirm that the responses to question 21D are represented by the values in variables F9901-F9919, F9420, and F9421 of the IOCS data file. If you do not confirm, please provide the correct variable numbers.
- b.** Please explain how the data collectors are instructed to measure the proportions that they enter for this question. For example, is there a uniform method used to measure how much of the container is taken up by each item or piece type?
- c.** Please confirm that the data collectors just "eye-ball" the container and enter a rough estimate for the percentages. If you do not confirm, please provide more detail than provided in library reference H-49 on how these percentages are measured.
- d.** Please confirm that by using "eye-ball" approximation method, almost all percentages are reported as either multiples of five or 10 percent. If you do not confirm, please provide a frequency table showing the proportion of non-zero values for these variables that are a multiples of five, multiples of 10, and neither.
- e.** Suppose that as a rule, data collectors almost always entered multiples of five (5, 10, 15, . . . , 100) for the nonzero responses to question 21D. Would such a practice constitute a potential source of nonsampling error? Please explain.
- f.** Were the data collectors instructed to enter only multiples of five to complete the data requested in question 21D? If so, please provide a copy of that instruction.
- g.** If two different data collectors were to independently record information for question 21D, it is likely that they would record essentially the same information? Please provide any documents prepared by or for the Postal Service relating to whether this question could be answered consistently by different data collectors.

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Response to OCA/USPS-T12-19.

- a. Confirmed.**
- b. Please see the IOCS Field Operating Instructions, LR-H-49, at 92-93.**
- c. Confirmed.**
- d. Confirmed. The following table provides a frequency table of the non-zero percentages recorded on "identified" container tallies taken at MODS offices.**

Frequency distribution of non-zero values for F9901-F9919, F9420, F9421.

Category	Frequency
100%	3,365
Other multiple of 5%	6,308
Other	269

- e. Such a practice would reduce the precision of the recorded percentages in variables F9901-F9919, F9420, and F9901, in much the same way as a length measurement would be made imprecise using a ruler without fine gradations. Note that this will not necessarily affect the container cost distributions. For containers with only one type of item, the precision issue is moot, since the recorded percentages are normalized so as to sum to 100% (see lines 166-206 of program MOD1DIR, LR-H-146).**

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- f. No, and as the table in part d of this response indicates, there are cases in which data collectors entered values which are not multiples of 5.**
- g. I don't know. This question is impossible to answer without testing. To the best of my knowledge, such a test has never been done. Clearly, for such a test to be meaningful, it would be necessary to analyze the results from a large number of data collectors and test articles, to determine whether any differences were statistically discernible.**

**Response of United States Postal Service Witness Degen
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OCA/USPS-T12-20. Please refer to line 431 of program MOD1POOL, library reference H-146. This line refers to a value of '0300' for the variable F262 (activity code).

- a. Please confirm that this activity code is not described in LR-H-1. If you do not confirm, please provide a page reference. If activity code 0300 is defined in another library reference, please provide a citation to the appropriate library reference and page number.
- b. Please explain what an activity code of 0300 represents.

OCA/USPS-T12-20 Response.

- a. Not confirmed. Please see LR-H-1, page B-17. Table B-3, "Special Services Codes—Mail Connected" lists the special service codes. Per the note to the table, the four digit activity code corresponding to 030 (Form 3547/3579) is 0300.
- b. Form 3547 is the Notice to Mailer of Correction in Address postal card. Form 3579 is the Undeliverable 2nd, 3rd, 4th Class Matter label.

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OCA/USPS-T12-21. Please refer to the IOCS data set of LR-H-23. The variable F263 contains values of '333333', '444444', and '555555'.

- a. Please explain what each of the possible values for this variable represents.
- b. Please provide a citation to the portion of the H-23 documentation that explains the meaning of the possible values for this variable. If the values are not defined in H-23, please provide a reference to the appropriate library reference.

OCA/USPS-T12-21 Response.

- a. The value of F263 is a recoded finance number which can be used (in combination with the F264 variable) to identify the IOCS CAG stratum to which a tally belongs. The values '333333' and '555555' indicate, respectively, the processing and distribution and customer services sides of the 30 largest CAG A facilities. The value '666666' indicates that the tally was taken at a BMC. Please observe that this code is used to identify BMC tallies in program MBC (line 31), LR-H-146. Code '444444' indicates other CAG A/B plants. Code '777777' indicates a facility not in any of the previously mentioned categories.
- b. The F263 variable is generated by the ALB095 program. The source code to this program is in LR-H-21, and it is documented in LR-H-19.

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OCA/USPS-T12-22. Please refer to IOCS question 24, page 133 of H-49.

- a. Please confirm that the piece volumes by mail category and shape are not presented on the IOCS data file of library reference H-23. If you do not confirm, please identify the variables that contain the volume information collected on question 24. If you do confirm, please provide a file containing the volume data collected in IOCS question 24 that can be matched to individual IOCS H-23 records.
- b. Please confirm that at least one IOCS record is created to represent each of the categories of mail recorded in IOCS question 24. If you do not confirm, please explain.
- c. Please confirm that the volume data collected in IOCS question 24 is used to produce the IOCS weighting factors (variables F9246 and F9250, library reference H-23). If you do confirm, please provide formulas used to produce the weighting factors and a description of how each of the weighting factors should be used or interpreted. If you do not confirm, please explain why these volumes are not used for estimation purposes.

OCA/USPS-T12-22 Response.

- a. Confirmed. The requested volume data file will be included in LR-H-230, which will be filed shortly.
- b. Confirmed.
- c. Confirmed for counted item tallies. The formula is:

$$X_{i,j} = \frac{v_{i,j}}{v} X.$$

X = value of F9246 or F9250 before division

$X_{i,j}$ = value of F9246 or F9250 assigned to post-division record for mail category i
and shape j

v = total number of pieces counted in item

$v_{i,j}$ = number of pieces of category i and shape j counted in item

Also please see the source code to program ALB898, LR-H-21.

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OCA/USPS-T12-23. Please refer to page 15 of library reference H-89. This page contains a table titled "FISCAL YEAR 1996 - UNWEIGHTED TALLIES AFTER ITEM DISTRIBUTION EXCLUDES GENERATED RECORDS."

- a. Please define the term "generated records."
- b. Please list every set of circumstances that can lead to these "generated records."
- c. Please confirm that counted item mixed-mail observations lead to "generated records." If you do not confirm, please explain. If you do confirm, please explain whether these are the only types of IOCS sample observations that lead to "generated records."

OCA/USPS-T12-23 Response.

- a. I am informed that the term "generated records" are IOCS records which represent craft/CAG combinations which have costs but for which no tallies were taken.
- b. The only circumstance in which "generated records" are produced is when there are costs but no tallies for a craft/CAG combination. For the detailed procedure, please see the source code to program ALB095, lines 609-675, in LR-H-21.
- c. Not confirmed. Clearly, program ALB898 generates additional records to represent counted mixed-mail items as needed, but these records are not counted as "generated records" for the purpose of the table on page 15 of LR-H-89..

Response of United States Postal Service Witness Degen
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OCA/USPS-T12-24. Please refer to library reference H-23 and to page 133 of library reference H-49. Consider a hypothetical IOCS sample reading of a counted item.

- a. Please confirm that the number of categories of mail (F9227) is less than or equal to the number of IOCS records associated with this tally (e.g., one mail category can consist of mail of different shapes). If you do not confirm, please explain.
- b. Suppose the counted item contained First-Class nonpresorted letters and First-Class nonpresorted cards.
 - i. Please confirm that this observation would generate two IOCS records.
 - ii. Please confirm that both records would have the value of '1' for F9227.
 - iii. Please confirm that one record would have activity code '1060' and the other would have activity code '1020'.

If you do not completely confirm, please explain and provide the correct values for F9227 and for the activity code.

- a. Confirmed. The F9227 value is the number of categories of mail listed on the CODES screen shown in LR-H-49, p. 133, which were observed in the item.

b.

i. Confirmed.

ii. Confirmed.

iii. Not confirmed. The letters record would have activity code '1061' and the cards record would have activity code '1021,' assuming the tally was taken prior to July 1, 1996. After June 30, 1996, both records would receive activity code '5301.' Please see the source code to program ALB898, lines 1415, 1445, 3901, and 3951-3966, in LR-H-21. Please see the LR-H-23 data file for examples of this coding.

Response of United States Postal Service Witness Degen
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OCA/USPS-T12-25. This interrogatory examines various activity codes that can result from an IOCS tally in which the sampled employee is handling an item. Please refer to library references H-23 and to H-49, pages 87-116.

- a. Please confirm that a countable mixed mail item tally (F9216='Y' and 'A' ≤F9214≤'P') could receive an activity code corresponding to mixed mail (5300-5750). If you do confirm, please explain the circumstances that would lead to assignment of this code. If you do not confirm, please explain why this cannot occur.
- b. Please confirm that an identical mailing item tally (F9216='Y' and 'A' ≤F9214≤'P') could receive an activity code corresponding to mixed mail (5300-5750). If you do confirm, please explain the circumstances that would lead to assignment of this code. If you do not confirm, please explain why this cannot occur.
- c. Please confirm that an item tally for which the top piece rule applies (F9217='Y' and 'A' ≤F9214≤'P') could be assigned an activity code corresponding to mixed mail (5300-5750). If you do confirm, please explain the circumstances that would lead to assignment of this code. If you do not confirm, please explain why this cannot occur.

OCA/USPS-T12-25 Response.

- a. Confirmed. Please see the source code to program ALB898, LR-H-21. Counted item records for tallies taken after June 30, 1996 are assigned class-specific mixed-mail activity codes. See the response to part b for a discussion of the case in which the item is countable but question 22-24 data are not available.
- b. Confirmed. The information used to assign activity codes to tallies handling single pieces of mail, items and containers with identical mail, and items subject to the top piece rule comes from questions 21, 22 and 23. Basically, if the question 22 and 23 data are missing or inconsistent, the tally will be assigned a mixed-mail activity code. Please see the "0046-connector-8a" section of program ALB040, and the "0210-activity-code-review" and "0220-assign-mixed-shapes" sections of program ALB105, LR-H-21. For instance, if the data collector indicated that the sampled

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employee was handling an item in question 21, but did not enter a response to question 22, the tally will receive activity code 5610, 5620, 5700 or 5750, depending on the employee's question 19 activity.

c. Confirmed. Please see the response to part b.

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OCA/USPS-T12-26. Please refer to line 01080001 of program MOD2ITEM, H-23. This line computes $DOLLAR = WGT * KEY / KEYTOT$.

- a. Please confirm that this code subdivides the weight of a distributed item tally into weights for records created to match activity codes that exist for the distributed item's pool and item type. If you do not confirm, please explain.
- b. Please confirm that the values for the variables KEY and KEYTOT were computed at lines 00830004 - 00940004 of program MOD1DIR. If you do not confirm, please explain and provide a citation to the program code that calculated these variables.
- c. Please confirm that at line 00940004 of MOD1DIR, the variable KEYTOT represents the sum of KEY values for a given POOL/HANDLING combination. If you do not confirm, please explain the relationship between KEY and KEYTOT.
- d. Please confirm that the values of KEY and KEYTOT include weight from observations deleted at line 00330001 of program MOD2ITEM. If you do not confirm, please explain.
- e. Please confirm that after deleting observations at line 00330001 of program MOD2ITEM, the KEYTOT variable may no longer represent the sum of the KEY variable for POOL x HANDLING combinations that had observations deleted. If you do not confirm, please explain why deleting observations that contribute to a sum does not affect the sum.
- f. Please confirm that less than 100 percent of the weight (or cost) of items is distributed whenever the values of KEY sum to less than KEYTOT for a particular POOL x HANDLING combination. If you do not confirm, please explain. If you do confirm, please explain why this weight reduction was necessary.

OCA/USPS-T12-26 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Not confirmed. The referenced line of program MOD2ITEM deletes tallies handling containers which have direct activity codes. The deleted

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observations form complete POOL x HANDLING combinations that are not part of the distributing sets for single mixed-mail items and items in identified containers. Deleting these records removes the KEYS and KEYTOT values for the container HANDLING values in their entirety, without affecting the relationship between KEY and KEYTOT values for the shape and item HANDLING values.

- e. Not confirmed. Please see the answer to part d.
- f. Confirmed that, hypothetically, less than 100 percent of the weight would be distributed if the sum of the values of KEY were less than KEYTOT for a POOL x HANDLING combination. However, KEYTOT is the sum of the KEY values for each POOL x HANDLING combination in program MOD2ITEM. The distribution procedure in program MOD2ITEM does not carry out a "weight reduction."

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OCA/USPS-T-12-27. Please isolate the impact of the new mixed mail costing methodology for CAG A-J clerk and mailhandlers by comparing the distributed mixed mail costs for base year 1996 and CRA 1996.

OCA/USPS-T12-27 Response.

Please see Attachment 1 to this response for a comparison. Note that the meaning of "distributed mixed mail costs" in the FY 1996 mail processing costs is significantly different from the meaning in the BY 1996 costs. This is because the BY 1996 methodology changes the definition of the mail processing component, the definition of mixed-mail, and the treatment of mixed-mail tallies. What I present as "distributed mixed mail costs" for BY 1996 is the difference between the mail processing volume-variable costs by subclass from the attachment to my response to OCA/USPS-T12-14, and a cost distribution in which volume-variable costs are distributed to the mixed items as if they were a distributing group of tallies. This is similar to the construction of the mixed-mail line in Table 6, USPS-T-12, except that the mixed-mail definition is now that of the BY 1996 methodology. The FY 1996 mail processing costs before the mixed-mail redistribution are from the LIOCATT ALA85OP5 report, Mail Processing functional component. The LIOCATT mixed-mail distribution is the difference between the LIOCATT ALA85OP16 output, which the Postal Service has filed with the Commission

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as part of its periodic reporting requirements, and the LIOCATT ALA850P5 report, the relevant sections of which are included in Attachment 1.

Sheet2

Attachment 1, OCA/USPS-T12-27

Class	C1	C2	Difference (C1- C2)	FY1996 LIOCATT ALASOPS - Mail Processing Functional Component
	BY 1996 MODS-based mail processing costs, with distributed mixed mail	MODS-based mail processing costs, no mixed- mail redistribution		
First-Class				
Letters and Parcels	4,651,604	3,861,473	790,131	2,774,291
Presort Letters and Parcels	1,063,229	854,311	208,919	610,728
Postal Cards	3,215	2,454	761	1,914
Private Mailing Cards	136,714	120,235	16,479	88,659
Presort Cards	36,429	31,766	4,663	23,057
Priority	477,900	294,410	183,490	227,307
Express	84,336	51,379	32,956	45,061
Mailgrams	74	74	0	62
Second-Class				
Within County	15,159	12,349	2,809	9,235
Outside County - Regular	461,194	334,551	126,644	243,518
Outside County - Non Profit	80,614	60,231	20,383	44,429
Outside County - Classroom	5,632	3,256	2,377	2,485
Third-Class				
Third Single Piece Rate	78,094	60,839	17,255	44,705
Bulk - Regular Carrier Route	265,660	195,616	70,045	143,958
Bulk - Regular Other	1,539,858	1,198,270	341,588	875,057
Bulk - Non Profit Carrier Route	28,882	20,673	8,208	15,565
Bulk - Non Profit Other	366,703	289,799	76,904	210,843
Fourth-Class				
Parcels - Zone Rate	156,649	95,292	61,357	74,699
Bound Printed Matter	73,211	48,607	24,603	37,768
Special Rate	67,077	47,991	19,085	37,353
Library Rate	16,065	10,968	5,097	8,503
USPS	77,503	60,800	16,702	47,651
Free for Blind/Handicapped	10,014	8,845	3,169	5,197
International	206,955	149,309	57,646	111,892
Registry	42,211	30,042	12,170	66,830
Certified	18,483	17,271	1,212	26,792
Insurance	771	589	182	668
COD	1,817	1,816	1	2,454
Special Delivery	243	243	0	875
Other Special Services	76,234	63,457	12,778	72,284
Mixed Mail	0	2,117,614	-2,117,614	2,664,224
Total	10,042,528	10,042,530	-2	8,518,063

Note: Totals may not agree due to rounding

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OCA/USPS-T-12-28. Please state the first year that IOCS data was collected on the contents of containers and of items. Please provide all documents relating to studies and tabulations for years since then that examine the effect of potential new mixed mail methodologies on the clerk and mailhandler attributable cost distributions.

OCA/USPS-T12-28 Response.

The collection of quantitative data on the contents of mixed-mail to which the top piece rule does not apply began with the introduction of CODES IOCS in FY 1992. Prior to FY 1992, data collectors responded to question 24 (which then covered any mixed-mail not subject to the top piece rule) by simply marking the mail categories and shapes observed in the "counted" mixed-mail on the IOCS tally form. The September 1991 release of Handbook F-45 instructed data collectors to answer question 24 by entering piece counts by mail category and shape for counted items, in essentially the same way as described in LR-H-49. For recording container contents in question 21D, data collectors were instructed to enter counts of loose pieces of mail (by shape) and items in the containers, or to make a non-quantitative mark indicating the presence of items and shapes of loose mail if counting was not possible due to dispatch constraints. A January 1992 revision to question 21D changed the procedure to the current system of recording percentages of volume occupied by each item type and shape of loose mail present in the container.

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I am not aware of any Postal Service studies which explored the effect of alternative mixed-mail distribution methods, nor of any analyses which attempt to isolate the mixed-mail distribution other than my response to OCA/USPS-T12-27. The mixed-mail distribution method proposed by UPS witness Blaydon in Docket No. R94-1 is the only non-Postal study of which I am aware.

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OCA/USPS-T12-29. Please refer to your response to OCA/USPS-T-12-5a. Please confirm that the MODS based cost pools used in your testimony are defined identically to those used by witness Bradley to construct cost pool variability estimates. If you do not confirm, please describe any differences. If you do confirm, please provide a citation to witness Bradley's construction of MODS based cost pools.

OCA/USPS-T12-29 Response.

Not confirmed. In several cases, the MODS operation groups defined for variability estimation are subsets of the MODS operation groups defined for cost pool formation. However, the cost pools are defined consistently in that we do not assign a MODS number one way for cost pool formation and another way for variability estimation. The differences reflect witness Bradley's judgment as to whether certain MODS operations should be included in a pool for variability estimation. Typically, these are operations which are reported by a small number of offices, which are being phased out, or which have not been widely deployed in the time period covered by his analysis. The excluded operations constitute only small portions of pool costs. For instance, the SPFSM and FSM 1000 operations excluded from witness Bradley's FSM regression constitute 0.054% of the MODS hours in the FSM pool. Implicitly, the estimated MPFSM/FSM-BCR variability is applied as a proxy for the SPFSM and FSM 1000.

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The following table lists the MODS numbers excluded from witness Bradley's estimated variabilities.

Cost Pool	MODS codes not included in the directly estimated equation	% of cost pool costs "excluded" (see LR-H-146, Part I)
BCS	292, 295, 299, 860-869, 910-911	0.28%
OCR	840-847, 850-857	2.26%
FSM	191, 194-197, 441-444, 446, 448	0.05%
LSM	088-089, 091, 093-099	2.05%
LDC 15	771, 774, 776	1.63%

Please see LR-H-148 for details on the construction of witness Bradley's MODS data set for variability estimation.

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OCA/USPS-T12-30. Please refer to the program MBC listings of library references H-146 and H-218. The SAS code at lines 00150002-00155003 of H-146 and SAS log lines 17-21 of H-218 appear to be slightly different versions of the KEEP option of the SET statement preceding it.

- a. Please confirm that the resulting BMC.BMC data set in program MBC of H-146 contains variables not contained in the BMC.BMC data set produced in H-218. If you do not confirm, please explain the absence of F226 and F266 from the H-218 data set.
- b. Please confirm that the resulting BMC.BMC data set in program MBC of H-146 does not contain some variables that are contained in the BMC.BMC data set produced in H-218. If you do not confirm, please explain the absence of F136 from the H-146 data set.
- c. Please confirm that the H-218 SAS programs are not identical to the SAS programs of H-146. If you do not confirm, please explain the differences in the KEEP option noted in parts a and b of this interrogatory. If you do confirm, please identify all modifications made to the original H-146 programs and explain why the modifications were made.

OCA/USPS-T12-30 Response.

- a. Confirmed. However, the variables referenced in this part of the question are not used to form the BMC distribution keys, so the difference is innocuous. Please see my response to OCA/USPS-T12-12.
- b. Confirmed. Again, the difference is innocuous, since F136 is not used in the formation of the BMC distribution keys.
- c. Confirmed. The SAS logs were produced specifically for inclusion in LR-H-218. My understanding is that in order to facilitate the process of re-running the programs, some minor modifications were made to the programs. For the most part, the modifications were intended to make it unnecessary to produce multiple versions of data sets for use in various

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LR-H-146 programs. In addition, some unused variables such as F226 and F266 were deleted altogether. Additionally, I am informed that the F260 variable had been accidentally dropped from certain statements in programs NONMOD12 and NONMOD3 while the code was being cleaned up for inclusion in LR-H-146; these are restored in the LR-H-218 programs. Please see Attachment 1 to this response for a list of the changes that were made to the programs in LR-H-218.

Attachment 1 - Response to OCA/USPS-T12-30c

Modifications to LR-H-146 programs for LR-H-218 run

Program	LR-H-146	Changes Reflected in LR-H-218	Reason
MBC	line # 152001	f136 added	used in MODSHAPE
	line # 152002	f216-f232 => f216-f225 f227-f232	f226 not used
		f266 deleted	not used
MOD1POOL	line # 2850001	statement added: If MOD>='551' AND MOD<='552' THEN MODGRP='2ADM INQ';	used in ADMWIN
MOD1DIR	line # 370002	f136 added	used in MODSHAPE
NONMOD12	line # 1240002	f136 added	used in MODSHAPE
	line # 2900002	f260 added	used in NONMOD4
	line # 2930002	f260 added	" " "
NONMOD3	line # 190002	f260 added	" " "
	line # 220002	f260 added	" " "
BMC1	line # 2360004	f136 added	used in MODSHAPE
MODSHAPE	line # 2130000	MODS.MODS => MOD.MODS	naming consistency
ADMWIN	line # 2500003	ACTV1=ACTV deleted	not used
WINACCPT	line # 580000	ADW.ADWNMOD => ADW.NONMODS	naming consistency
	line # 2740000	f236 SHAPE deleted from the KEEP statement	not used

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OCA/USPS-T12-31. Please refer to Attachment 1 to your response to OCA/USPS-T12-1. This table shows that about 94 percent of the non-MODS offices are CAG D-J offices and that only about 3 percent of the MODS offices are CAG D-J offices.

- a. Please confirm that the variability estimates you use to develop distributed volume variable costs by cost pool are based solely on MODS office data. If you do not confirm, please explain.**
- b. Please confirm that you apply the MODS office variability figures of Table 4 of your testimony to produce volume variable costs for the Non-MODS offices. If you do not confirm, please explain fully.**
- c. [This question was withdrawn.]**
- d. Please provide any and all justification for applying variabilities developed predominately for CAG A-C MODS offices to CAG D-J Non-MODS offices.**
- e. Please provide copies of all studies and analyses relating to differences in mail processing volume variability between CAG A-C MODS offices and CAG D-J Non-MODS offices.**
- f. Please confirm that the primary justification for the use of the MODS volume variability estimates in NON-MODS offices is the lack of analagous volume variability estimates for Non-MODS offices.**

OCA/USPS-T12-31 Response.

- a. Not confirmed. In particular, the variabilities for the BMC cost pools are based on PIRS data, and the Registry variability is based on national registered mail volumes from RPW. It is, however, the case that the proxy variability for the non-MODS office group is based on estimated MODS variabilities. Please see witness Bradley's testimony, USPS-T-14, for further details.**
- b. Confirmed. The non-MODS proxy variability is the system average variability for the MODS office group, as explained in USPS-T-14, at 90.**

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- c. This question was withdrawn.
- d. Witness Bradley specified a MODS-based proxy variability for the non-MODS offices because there is no comparable operational data system to supply data for estimation of variability factors for non-MODS offices. However, lack of data is not in itself a justification for the use of any given proxy. There are two main justifications for the use of the MODS system variability as a proxy variability for the non-MODS. First, I believe that mail processing operations at non-MODS facilities do not differ substantially from comparable operations at MODS facilities. In this regard, the statement of the question is misleading. The 6% of non-MODS facilities in CAG A-C account for 37% of clerk and mailhandler costs in the office group, using attachment 3 to my response to OCA/USPS-T12-1. If I instead examine CAG A-E non-MODS offices, i.e., the CAGs where there is some "overlap" with the MODS group, I observe that the largest 19% of the non-MODS offices account for 72% of the group's clerk and mailhandler costs. So, a significant fraction of the non-MODS costs are associated with offices that operate at the scale similar to that of smaller MODS offices. Second, I believe that the MODS variabilities are reasonable proxies on an operation-by-operation basis. Weighting the MODS variabilities to reflect the operations mix found at non-MODS offices would lead to a variability factor that is

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essentially the same as the MODS system average. Please see witness Bradley's response to OCA/USPS-T14-1.

- e. There are no such studies because data is not available to estimate variability factors for non-MODS operations based on data collected at non-MODS offices.
- f. Not confirmed. The lack of reliable operational data on mail processing operations at non-MODS offices creates the need to employ a proxy variability factor. However, it is not used to establish the appropriateness of our particular choice of proxy. Please see my response to part d and witness Bradley's response to OCA/USPS-T14-1 for justification of our choice.

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OCA/USPS-T12-32. Please refer to Table 4 of your testimony. Please provide a crosswalk between the cost pools provided here and the operation code by basic function as described in Appendix C of LR-H-1. For example, what cost pool(s) of Table 4 correspond to each combination of operation code and basic function as described on page 1 of Appendix C of LR-H-1.

OCA/USPS-T12-32 Response.

There is no formal correspondence between the MODS cost pools in Table 4 of my testimony, USPS-T-12, and groupings based on IOCS operation code and/or basic function. Please see USPS-T-12 at 6. There are statistical correspondences between certain cost pools and operation codes (or groups of operation codes), for instance an employee clocked into a MODS operation associated with the manual letters cost pool is likely to be observed performing a distribution activity represented by operation codes 02-05.

Since BMC and non-MODS costs are partitioned using IOCS tally dollars, there is a closer correspondence between the cost pools, IOCS operations, and basic functions. For the BMCs and non-MODS groups, the mail processing, administrative, and window service tally sets are identified using the collections of IOCS operation codes that have traditionally identified the cost components. The logic of the BMC Platform pool assignment (program BMC1, LR-H-146, line 84) is similar to the '0032-connector-6A' code in

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program ALB040, LR-H-21, which assigns IOCS operation codes 07-08.

The BMC distribution operation pools are based on the question 19 equipment type rather than scheme, so these will include tallies from several IOCS operation codes. The non-MODS mail processing costs are not explicitly subdivided, and therefore would in general include tallies with all operation codes and basic functions. Please note that, as described in LR-H-146 at II-13 and II-16, basic function and IOCS operation code are used to distribute some of the mixed-mail and not-handling-mail

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OCA/USPS-T12-33. Please refer to page III-16 of library reference H-146 and to the program MODSHAPE of library reference H-218.

- a. Please confirm that the table on page III-16 is not produced by the SAS program MODSHAPE. If you do not confirm, please explain.
- b. Please refer to the attachment to this interrogatory. Please confirm that the values in this attachment are produced by the MODSHAPE program and should replace the values shown on page III-16 of H-146. If you do not confirm, please explain and provide any corrections to page III-16 so that it is consistent with the MODSHAPE program.

OCA/USPS-T12-33 Response.

- a. Confirmed.
- b. Confirmed.

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OCA/USPS-T12-34. Please refer to pages IV-4-7 of library reference H-146.

- a. Please confirm that these tables are not produced by the SAS program ADMWIN. If you do not confirm, please explain.
- b. Please provide any additional SAS statements necessary for program ADMWIN to produce the output of pages IV-4-7.

OCA/USPS-T12-34 Response.

- a. Confirmed.
- b. The following statements can be added at the beginning of program ADMWIN to produce the output of pages IV-4-7:

```

DATA MODSADMW;
  SET ADW.MODS;
  POOLGRP='MODS 1&2';
  GROUP=POOL;
  IF SUBSTR(POOL,1,4) = '2ADM' THEN GROUP='2ADM ';
  IF SUBSTR(POOL,1,4) = '2WIN' THEN GROUP='2WINDOW ';
  IF POOL='2ADM INQ' THEN GROUP=POOL;
  IF POOL='2ADM_OUT' THEN GROUP=POOL;
  PROC FREQ;
  TABLES GROUP;
  WEIGHT WGT;
  TITLE1 'FY 96 IOCS';
  TITLE2 'ADMINISTRATIVE AND WINDOW SERVICES - MODS 1&2 - IOCS $';
  TITLE3 'ADM_OUT GROUP (NOT IN CS 3)';

```

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OCA/USPS-T12-35. Please refer to pages IV-1-VIII-2 of H-146. These pages describe programs ADMWIN, WINACCPT, CMUCFS, PREMITOT, PIGGYF96 and NONMODEL.

- a. Please confirm that these programs are not discussed in your testimony. If you do not confirm, please provide a citation to where these are described.
- b. Please amplify on the "program objective" section provided in H-146 for each of these programs. Please explain in more detail what the program does, why it is necessary, and detail any changes in the program since R94-1.
- c. Please provide a citation to where the functions of each of these programs were performed and explained in R94-1.
- d. Please provide citations to where output of each of these programs is used by other witnesses or in other library references in this docket.

OCA/USPS-T12-35 RESPONSE.

- a. Confirmed.
- b. and d. These programs were developed to produce costs or factors that are consistent with the new costing methodology described in my testimony, or in the case of WINACCPT, on the Window Service variability study described in Witness Brehm's testimony, USPS-T-21. The MODS-based cost pools and applicable variabilities are incorporated in all six programs.

ADMWIN produces costs based on the MODS-based split between Administrative, Window Service and Mail Processing for the MODS facilities, instead of the split based on the IOCS operation codes. The ADMWIN outputs are inputs to C/S 3, W/S 3.0.1 p.1 C1..C5 L1/(a) and p.2 C1..C5 L2.. L4 L7/(a)&(c), W/S 3.2.1.1 p.1 C1/[a]& C2/[b], W/S

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3.3.1 pp.1-2 C2/[a] and W/S 3.3.2 pp.1-2 C2/[a] of Docket No. R97-1
USPS-T-5.

WINACCPPT generates a distribution key for a new Window Service
variability pool (window acceptance). The key serves as input to C/S
3, W/S 3.2.1.1 p.1 C1[a] C1[b] of Docket No. R97-1 USPS-T-5.

CMUCFS generates: 1) a distribution key for CMU/CFS using the
LDC 49 cost pool for the MODS facilities instead of IOCS operation
code 14 ; 2) volume-variable costs for CMU/CFS for MODS, BMC and
NON-MODS facilities combined based on Witness Bradley's variability
factors instead of the 100% variability assumption- this provides the
basis for the proportion of volume-variable costs for CMU/CFS
supervisors/technical support in Cost Segment 2, W/S 2.5.1 pp.1-2
C2[a] of Docket No. R97-1 USPS-T-5.

PREMITOT applies volume variability factors to premium costs
instead of the 100% volume variability assumption and develops
distribution keys based on the cost pool groupings. The program
outputs are inputs to C/S 3, W/S 3.013 p.1 L6 L8, and workpaper A-1,
manual input requirements, components 544, 659, 660, 655 of Docket
No. R97-1 USPS-T-5.

Both PIGGYF96 and NONMODEL rely on the MODS-based mail
processing cost pools under the new methodology. In R94-1, the

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piggyback factors were derived from space and equipment groupings based on IOCS Question 18 and 19 information. Model costs were not in R94-1. Additional details on how the data are used can be found in LR-H 77 p.215-232 for PIGGYF96 and in LR-H 111, Appendix E, Table 8 for NONMODEL.

c. The R94-1 citations for each of the programs are as follows:

ADMWIN - functional component LIOCATT, workpapers C1-C2 in Docket No. R94-1, USPS-T-4.

WINACCPT - not in R94-1(new window service variability study).

CMUCFS - W/S 3.1.1, page 1 / col. 10, pages 5 -6 / col. 2, Workpaper B3 in Docket No. R94-1, USPS-T-4.

PREMITOT - W/S 3.0.14, Workpaper B3 of R94-1 in Docket No. R94-1, USPS-T-4, and G-28 section 1 pp. 1.7-1.9.

PIGGYF96 - G105 - Part V

NONMODEL - not in R94-1

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OCA/USPS-T12-36. Please provide the SAS log and program file for the MODSPOOL program of library reference H-146.

OCA/USPS-T12-36 Response.

The requested information has been filed in LR-H-218.

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OCA/USPS-T-12-37. Please refer to the program files included with library reference H-218. Please confirm that the following modifications must be made to these SAS program files in order for them to reproduce the output of library reference H-146 in a PC SAS environment.

- a. Please confirm that the "set" statement at line 16 of program MBC must be replaced with an "infile" and an "input" statement to read the HQTAL96.PRC file included in H-23. Please confirm that the "input" statement should be modeled on the "put" statement used to create HQTAL96.PRC. If you do not confirm, please explain.
- b. Please confirm that the 8-digit sequence numbers in columns 73-80 of each line of SAS code must be removed. If you do not confirm, please explain.
- c. Please confirm that some character comparison statements must be recoded to account for differences in the collating sequence for ASCII (PCs) and EBCDIC (mainframe) characters. For example, the statement "IF SUBSTR (POOL, 1,1) > '0' THEN DELETE ;" would be recoded as "IF '0' < SUBSTR (POOL, 1, 1) < '?' THEN DELETE ;" in order to produce the same results under the ASCII character collating sequence of the PC environment. If you do not confirm, please explain.
- d. Please confirm these are the only modifications necessary in order to run the H-218 SAS programs in the PC SAS environment. If you do not confirm, please explain and provide any other necessary modifications.
- e. Please refer to the modified SAS programs filed as library reference OCA-LR-1. Please confirm that these SAS programs contain the modifications necessary in order to run the H-218 SAS program files successfully using PC SAS. If you do not confirm, please explain.

OCA/USPS-T12-37 Response.

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Cannot confirm or deny. It appears that the programs filed in OCA-LR-1 contain modifications in addition to those listed in parts a-c of this

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question. If those programs run on a properly configured PC, then I would conclude that appropriate modifications had been made.

- e. Cannot confirm or deny. As in my response to part d, if the programs run on a properly configured PC and reproduce various material filed in LR-H-146 and LR-H-218, then I would conclude that the OCA-LR-1 programs contain the appropriate modifications. Since no SAS logs or other output was filed with OCA-LR-1, it is not possible for me to evaluate their performance.

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OCA/USPS-T-12-38. Please refer to the documentation of program MODSPOOL at page I-6 of library reference H-146. This states that the program accesses the FY 96 MODS summary file.

- a. Please explain how this FY 96 MODS summary file is produced.
- b. Please confirm that this file contains just one record for each MODS code that contains the MODS code, the LDC code, and the total hours for FY 96. If you do not confirm, please explain what period of time the cost variable refers to.
- c. Please confirm that the FY 96 MODS summary file is produced by aggregating information from MODS files produced at a finer level of detail. If you do not confirm, please explain. If you do confirm, please describe how this file was created.
- d. Please describe the finest level of FY 96 MODS data available on computer files. For example, a file containing MODS hours and volume data by MODS code by AP by office is at finer level than a file containing MODS hours and volume data by MODS code for just one year.
- e. Please provide a data file of MODS data at the most disaggregated level available for FY 96. This file should include the MODS code, hours, and volume measures such as piece handlings. Finance numbers may be masked or recoded.

* OCA/USPS-T12-38 Response.

- a. The MODS summary file is simply a sum of MODS workhours by operation for FY 1996. The input MODS data are disaggregated by AP and finance number.
- b. Confirmed.
- c. Confirmed.
- d. The finest level of detail that I know to be available is AP by finance number by MODS code. My understanding is that MODS reports for time periods as short as the tour can be generated for local use, but that the data are not saved at this level of detail.

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- e. The requested data will be filed as LR-H-248. The CD-ROM contains the files *modhrs96.dat* and *modtph96.dat*, respectively with MODS hours and TPH by AP, finance number, and MODS code. Each data file is in plain text format and the records contain a recoded finance number, MODS code, AP, and hours or TPH. The hours file contains significantly more observations than the TPH file, since TPH are not recorded for many MODS operations. Please note that since the MODS data on Postal Service mainframes are periodically revised or corrected, the data filed in LR-H-248 is close, but not exactly identical, to that which was used to generate the hardcopy summary in LR-H-146, part I.

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OCA/USPS-T12-39. 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 PQ 4 volumes for FY 1995 and FY 1996.

- a. Please explain whether it was necessary to randomly recode any of the IOCS tally activity codes to adjust for implementation of the MC95-1 rate categories.
- b. Please explain whether it was necessary to randomly recode any of the IOCS data to adjust it to conform with data from other sources or with IOCS data for other time periods.
- c. If any random recoding process was implemented, please describe completely. Include the specific rules for random recoding, the programs used to randomly recode the data, the number of tallies affected by recoding, and the justification for the recoding used.
- d. If random recoding was not used, please explain why it was not needed to account for the changes implemented with the MC95-1 rate categories.

OCA/USPS-T12-39 Response.

- a. I do not believe it was necessary to randomly recode any IOCS tally activity codes to adjust for the implementation of the MC95-1 rate categories, and no such recoding was performed.
- b. I do not believe it was necessary to randomly recode any IOCS tally activity codes to adjust data from other sources, and no such recoding was performed.
- c. No random recoding process was implemented.
- d. There are several reasons why random recoding was not needed for IOCS tallies to account for the MC95-1 mail classification changes. The main reason is that most subclass assignments (i.e., 1000-4950 activity

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codes) are based on detailed information about the characteristics of sampled mail pieces recorded in questions 22 and 23. The procedure requires that shape, indicia, and other mail markings be consistent with the mail class recorded in question 23b. Further, the question 23b instructions warn data collectors not to misidentify pieces mailed at third-class bulk rates as third-class single piece, and to identify third-class bulk rate mail through use of appropriate identifying words (see LR-H-49 at 107).

Although no random recoding was performed, the following change was made to the treatment of counted mixed-mail items, for which detailed mail characteristics information is not collected in question 24. The five third-class rate categories in the question 24 CODES routine prior to July 1, 1996 (see LR-H-49 at 133) were combined into a single Standard (A) category effective July 1, 1996 (see program q24.prg, LR-H-53). The result is that an IOCS data collector who was counting pieces in an item rather than making a detailed observation of a single sampled mail piece would not have to make an on-the-spot judgment as to the post-reclassification rate element. After June 30, 1996, the IOCS records for Standard (A) mail in counted items received activity code 5341 (see program ALB898, LR-H-21). Please see my response to MPA/USPS-T12-1 part b for the activity code 5341 distribution procedure.

Response of United States Postal Service Witness Degen
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OCA/USPS-T12-40. This interrogatory follows up on your response (September 2, 1997) to question 2 of POIR No. 2. The premise for question 2 was that, "In Docket No. R94-1, the Commission concluded that as the processing of Library Rate and Special Rate pieces should be similar, data showing that the attributable costs for these two subclasses were similar was not surprising."

- a. Please confirm that the processing of Library Rate and Special Rate pieces is similar. If you do not confirm, please explain, in detail, your disagreement with this premise.
- b. If you confirm in part a. that Library Rate and Special Rate pieces are processed in a similar manner, then confirm that it would be reasonable to expect the attributable costs for the two subclasses to be similar.
- c. In your response to question 2 you state that "the operating plan does not segregate Library Rate mail from Special Rate mail."
 - i. What is the "operating plan?"
 - ii. Why is it significant that the "operating plan" does not segregate Library and Special Rate mail?

OCA/USPS-T12-40.

- a. Confirm with the qualification that differences in piece characteristics and mail preparation may cause some differences in productivities or the number of handlings required. Please see my response to question 2 of POIR 2.
- b. Confirm subject to the caveats in part a. above.
- c.
 - i. My reference to "operating plan" in my response to question 2 of POIR 2 referred to the normal practices for processing mail.
 - ii. My understanding is that the normal practice for processing Library Rate and Special Rate mail is to process them in the same operations as a single mail stream. This is significant because question 2 of POIR 2 was asking about differences in the

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processing of these two categories. If the two subclasses were segregated I would have more concern that there were differences in the way the two subclasses were processed.

**Response of United States Postal Service Witness Degen
to Interrogatories of OCA**

OCA/USPS-T12-50. Please refer to your response (September 2, 1997) to POIR No. 2, question 1.

- a. Attachment 1 presents nominal Standard (B) Library rate (LR) unit costs. Show the derivation of the Segment 14 unit costs for each year, FY 1990 through FY 1996.**
 - i. For each figure used in the derivation, provide a citation to source documents used and furnish copies of such documents if they are not already on file with the Commission.**
 - ii. State which postal data systems generated the information used to derive the segment 14 unit costs.**
- b. Present the same information requested in part a. (including subparts i. and ii.) of this interrogatory for each of the remaining cost segments in Attachment 1 (for LR mail).**
- c. In the last paragraph of your response, you conclude that: "Library rate costs, like Classroom, suffer from some instability due to the small volume and the nature of the IOCS sampling procedure." Please address the same issues, i.e.,**
 - i. "the small volume [of LR mail] and the nature of the...sampling procedure" with respect to the data systems noted in subpart a.ii. of the instant interrogatory (for segment 14);**
 - ii. the number of tallies involved in generating segment 14 costs for LR mail;**
 - iii. whether tallies "occurr[ed] in proportion to volume" in segment 14 data collection;**
 - iv. provide "tallies per dollar of unit cost" for segment 14 costs.**

Response to OCA/USPS-T12-50

- a.**
 - i. The unit costs shown in Attachment 1 are obtained by dividing the Library rate and Special rate totals for each cost segment by the volumes for the respective class. The volumes are from the "Statistics By Class of Mail" section of the CRA and the costs are**

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from the "cost segment summary" where each cost segment appears as a column and Special and Library rate are subclasses appearing as rows under "Fourth-Class Mail." These reports have all been filed with the Commission by the Postal Service under the periodic reporting requirements. Note that a revised attachment 1 was filed on September 19, 1997.

ii. Redirected.

b.

i. See my response to part a.i.

ii. Redirected

c. Redirected.

OCA/USPS-T12-56. Please refer to Attachment 1 to your response to NAA/USPS-T12-2. Please provide a breakout of Attachment 1 separately for the larger and smaller MODS and non-MODS offices, where "larger" and "smaller" are defined as in the response to OCA/USPS-T12-31d.

OCA/USPS-T12-56 Response.

The response to OCA/USPS-T12-31d listed two possible splits between "larger" and "smaller" offices. Attachment 1 to this response provides the requested breakdown defining "larger" as CAG A-C, while attachment 2 defines "larger" as CAG A-E. In the latter case, all MODS tallies fall into the "large" category.

FY96 IOCS Unweighted Tally Counts by Cost Pool and Handling Category

Cost Pool	Direct (1)	Mixed Items	Identified Containers	Mixed Containers	Not-Identified	Not-Handling	Total	Grand Total
mail	4,620	137	242	224	271	6,465	20,665	20,669
mail	1	0	0	0	0	0	1	1
mail	432	27	70	80	553	1,162	1,162	1,162
meccarc	88	27	13	16	85	228	228	229
spds Oth	1,148	125	153	177	1,250	2,853	2,853	2,853
spdsPro	478	38	84	52	627	1,279	1,279	1,279
tsrv	6,666	212	85	88	2,507	8,578	8,578	8,578
tsrv	6,026	301	228	275	3,223	10,053	10,053	10,053
tsrv	2,048	135	104	105	1,258	3,648	3,648	3,649
bcs/	5,968	447	366	330	3,854	10,965	10,965	10,965
LD41	166	9	12	5	238	430	430	430
LD42	71	3	5	1	64	144	144	144
priority	1,515	185	181	148	1,557	3,586	3,586	3,586
express	611	94	50	26	1,223	2,004	2,004	2,004
Registry	961	161	93	72	1,568	2,853	2,853	2,853
LD15	103	3	9	10	77	202	202	202
BusrRpt	242	5	11	8	210	478	478	476
REWRAP	76	7	7	3	150	243	243	243
MAILGRAM	2	0	0	0	8	8	8	8
LD48 Exp	17	3	1	0	55	78	78	78
LD48_Adm	346	10	18	23	2,290	2,887	2,887	2,710
LD48_Ssv	546	9	15	19	1,104	1,693	1,704	1,704
LD48 Oth	549	29	54	50	1,422	2,104	2,106	2,106
LD49	2,372	53	40	57	1,864	4,386	4,411	4,411
LD79	342	28	23	28	1,869	2,380	2,398	2,398
LD44	1,369	28	19	24	898	2,338	2,340	2,340
LD43	4,536	198	376	371	4,586	10,067	10,068	10,068
Platdm	1,575	557	2,306	1,396	8,692	15,526	15,526	15,526
LOFref	3,618	513	912	841	5,365	11,249	11,249	11,249
LOPbuk	1,409	188	305	331	2,067	4,300	4,300	4,300
POUCHNG	2,093	437	713	488	3,564	7,293	7,293	7,293
1Sacks_h	571	137	349	205	1,616	2,878	2,878	2,878
1Sacks_m	164	77	49	59	476	825	825	825
1Buk pr	72	18	16	14	131	252	252	252
1CancMPP	2,375	86	285	239	2,004	5,009	5,010	5,010
1SCAN	305	261	151	83	1,017	1,827	1,827	1,827
1EQMT	15	0	0	0	0	0	0	0

FY96 IOCS Unweighted Tally Counts by Cost Pool and Handling Category

Cost Pool	Direct [1]		Mixed Items		Mixed Containers		Identified Containers		Not-Identified Mixed Containers		Not-Handling		Total		Grand Total
	CAG A-C	CAG D-J	CAG A-C	CAG D-J	CAG A-C	CAG D-J	CAG A-C	CAG D-J	CAG A-C	CAG D-J	CAG A-C	CAG D-J	CAG A-C	CAG D-J	
SUPPORT	145	0	8	0	21	0	18	0	2,789	0	2,789	0	2,981	0	2,981
TMISC	215	0	28	0	66	0	60	0	1,461	0	1,461	0	1,830	0	1,830
INTL	3,587	0	388	0	337	0	181	0	3,803	0	3,803	1	8,296	1	8,297
BMC SSN	314	0	55	0	13	0	5	0	152	0	152	0	539	0	539
BMC Other	1579	0	311	0	442	0	489	0	1289	0	1,289	0	4,110	0	4,110
BMC PSM	1130	0	9	0	21	0	9	0	249	0	249	0	1,418	0	1,418
BMC SPB	640	0	135	0	50	0	68	0	283	0	283	0	1,176	0	1,176
BMC NMO	214	0	15	0	32	0	55	0	151	0	151	0	467	0	467
BMC Platform	686	0	179	0	356	0	299	0	1472	0	1,472	0	3,002	0	3,002
BMC Z Breaks	0	0	0	0	0	0	0	0	2555	0	2,555	0	2,555	0	2,555
Non-MODS	5,587	6,680	189	241	329	350	395	327	3,803	327	3,803	2,657	10,303	10,255	20,558
Total	80,958	6,694	6,329	245	9,312	350	7,801	327	66,136	327	66,136	2,718	180,536	10,334	200,870

Notes:

[1] Includes top piece rate items; items and containers with identical mail; counted mixed-mail items

FY96 IOCS Unweighted Tally Counts by Cost Pool and Handling Category

Cost Pool	Direct (1)	Mixed Items	Identified Mixed Containers	Not-Identified Mixed Containers	Not-Handling	Total	Grand Total
	CAG-A-E CAG-F-J	CAG-A-E CAG-F-J	CAG-A-E CAG-F-J	CAG-A-E CAG-F-J	CAG-A-E CAG-F-J	CAG-A-E CAG-F-J	
manf	13,350	327	252	271	6,469	20,669	20,669
manf	4,621	137	242	224	2,671	7,895	7,895
wamp	432	27	70	60	553	1,162	1,162
irreparc	88	27	13	16	85	229	229
spsb Oth	1,148	125	153	177	1,250	2,853	2,853
spsbPro	478	38	84	52	627	1,279	1,279
ismv	8,666	212	95	98	2,507	9,578	9,578
fsmv	6,026	301	228	275	3,223	10,053	10,053
ocrl	2,048	135	104	105	1,257	3,649	3,649
bsc/	5,968	447	366	330	3,854	10,965	10,965
LD41	166	9	12	5	238	430	430
LD42	71	3	5	1	64	144	144
priority	1,515	185	181	148	1,567	3,586	3,586
express	611	94	50	26	1,223	2,004	2,004
Registry	961	161	83	72	1,566	2,853	2,853
LD15	103	3	9	10	77	202	202
Buskcopy	242	5	11	8	210	476	476
REWRAP	76	7	7	3	150	243	243
MAILGRAM	2	0	0	0	6	8	8
LD48 Exp	17	3	1	0	55	76	76
LD48 Adm	346	11	18	23	2,312	2,710	2,710
LD48_SSV	549	9	15	18	1,112	1,704	1,704
LD48 Oth	550	29	54	50	1,423	2,106	2,106
LD49	2,380	56	40	57	1,878	4,411	4,411
LD79	342	28	23	28	1,977	2,399	2,399
LD44	1,369	29	19	24	899	2,340	2,340
LD43	4,536	198	376	371	4,587	10,068	10,068
1Platmm	1,575	557	2,306	1,398	8,692	15,526	15,526
1OPref	3,618	513	912	841	5,365	11,249	11,249
1OPulk	1,409	188	305	331	2,067	4,300	4,300
1POUCHNG	2,093	437	713	486	3,564	7,293	7,293
1Sacks_h	571	137	349	205	1,616	2,878	2,878
1Sacks_m	164	77	49	59	476	825	825
1Bulk pr	72	19	16	14	131	252	252
1CancMPP	2,376	96	295	239	2,004	5,010	5,010
1SCAN	305	0	0	83	1,017	1,827	1,827

FY96 IOCS Unweighted Tally Counts by Cost Pool and Handling Category

Cost Pool	Direct [1]	Mixed Items	Identified Containers	Mixed Containers	Not-Identified Containers	Not-Handling	Total	Grand Total
	CAG A-E CAG F-J	CAG A-E CAG F-J	CAG A-E CAG F-J	CAG A-E CAG F-J	CAG A-E CAG F-J	CAG A-E CAG F-J	CAG A-E CAG F-J	CAG A-E CAG F-J
TEQMT	15	125	28	85	424	0	677	677
ISUPPORT	145	8	21	18	2,789	0	2,981	2,981
1MISC	215	28	66	60	1,461	0	1,830	1,830
INTL	3,587	388	337	181	3,804	0	8,297	8,297
BMC SSM	314	55	13	5	152	0	539	539
BMC Other	1579	311	442	489	1,289	0	4,110	4,110
BMC PSM	1130	9	21	9	249	0	1,418	1,418
BMC SPB	640	135	50	68	283	0	1,176	1,176
BMC NMO	214	15	32	55	151	0	467	467
BMC Platform	696	179	356	299	1,472	0	3,002	3,002
BMC Z Breaks	0	0	0	0	2,555	0	2,555	2,555
Non-MODS	8,654	333	593	661	5,723	737	17,164	20,558
Total	85,239	2,413	9,578	8,067	88,117	737	197,478	200,870

Notes: [1] Includes top piece rifle barrels; items and containers with identical mat; counted mixed-mat items

**Response of United States Postal Service Witness Degen
to Interrogatories of the Office of the Consumer Advocate**

OCA/USPS-T12-57. Please refer to Attachments 3,5 and 8 to your response to OCA/USPS-T12-1. These contain tables showing compensation of clerks and mailhandlers by office group, craft and CAG, MODS and non-MODS offices. Attachment 3 contains information for all offices, Attachment 5 contains information for offices not in the IOCS sample, and Attachment 8 contains information for offices included in the IOCS sample.

- a. Please explain why Attachment 3 contains compensation data for CAG H/J Non-MODS offices, but this data is not available for Attachments 5 and 8.**
- b. Please explain why the column titled "CAG H/J" is not separated into two columns, one for CAG H and one for CAG J.**

OCA/USPS-T12-57 Response.

- a. The compensation total for CAG H/J offices in Attachment 3 to my response to OCA/USPS-T12-1 is not available disaggregated by finance number. Therefore it is not possible to break the data out by IOCS sample inclusion.**
- b. CAGs H and J were combined in the attachments to my response to OCA/USPS-T12-1 because they are combined in the tally cost weighting system (see LR-H-21).**

**Response of United States Postal Service Witness Degen
to Interrogatories of the Office of the Consumer Advocate**

OCA/USPS-T12-58. Please refer to Attachment 4 to OCA/USPS-T12-1. Please explain why some of the CAG A and B facilities not included in IOCS are shown to have an average complement of zero clerks and mailhandlers.

OCA/USPS-T12-58 Response.

Attachment 4 was generated by looking up the finance numbers for the listed facilities against the NORPES data used elsewhere in the response to OCA/USPS-T12-1. For the nine finance numbers referred to in the question, there was no match from the lookup procedure, and this was reported as a zero complement. I believe this represents a limitation of the analysis resulting from the need to employ information from multiple data systems.

**Response of United States Postal Service Witness Degen
to Interrogatories of the Office of the Consumer Advocate**

OCA/USPS-T12-59. Please refer to your response to OCA/USPS-T12-3b. This response stated that a correction to a variability figure could be incorporated into your Table 6 by applying the ratio of the new variability to the old variability to all entries in a column. Please consider the implications to all other programs and outputs of library reference H-146.

- a. Please confirm that in order to update all relevant portions of H-146 to correspond to corrections to variabilities listed in your Table 4, only the following programs may need to be modified: MOD4DIST, NONMOD4, BMC4, PERMITOT, PIGGYF96, and NONMODEL. If you do not confirm, please list all programs that would need to be modified.**
- b. Please refer to Attachment 1 to this interrogatory. Please confirm that Attachment 1 displays all lines of SAS code that would require modification in order to implement corrections or modifications to the variabilities listed in your Table 4. If you do not confirm, please provide a corrected list of affected program lines.**
- c. Please list (by page number of H-146) all outputs of the H-146 SAS programs that would be expected to change if a modified set of variability estimates were used, instead of the set contained in your Table 4.**
- d. Please provide a list of all outputs generated by H-146 that serve as inputs to Postal Service witness Alexandrovich's testimony. Please indicate which items on this list would be affected by a correction or modification to the variability estimates contained in your Table 4.**
- e. Are there other versions of the H-146 programs that are more easily modified to account for future changes to either the variability levels or the total cost pool dollars? (For example, all variability figures and their cost pool names could be centrally located in one small data file, then the programs listed in part a of this interrogatory could pick up variabilities from the variability file.) If so, please provide those programs. If not, will all adjustments to the WGT variable for MODS offices and modifications to variability estimates be manually changed in the H-146 programs in the future? Please explain.**

OCA/USPS-T12-59 Response:

- a. Confirmed.**
- b. Confirmed.**

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- c. Any output consisting of volume-variable mail processing costs would change if an alternate set of variability estimates to those estimated by witness Bradley were supplied. The affected pages of LR-H-146 are: II-22 to II-38, III-4 to III-18, V-7, V-15 to V-19, VI-5 to VI-19, and VII-3 to VII-8.**
- d. The data provided in Table 5 of my testimony, USPS-T-12, is used as an input to witness Alexandrovich's calculations for cost segment 3.1. Please see my response to OCA/USPS-T12-35 for additional LR-H-146 outputs that serve as inputs to his calculations. Of these, I believe only the Table 5 data and the PREMITOT output are subject to change if alternate variability factors were substituted for those estimated by witness Bradley.**
- e. There are no alternate versions of the programs. Obviously, the present coding of the LR-H-146 programs is not the only possible way to supply cost pool and variability data to the requisite programs. You could in principle modify the programs mentioned in part a to pick up the variability and cost pool amounts from a central file without materially altering their function. I do not know how the Postal Service plans to change the programs in the future.**

**Response of United States Postal Service Witness Degen
to Interrogatories of the Office of the Consumer Advocate**

OCA/USPS-T12-60. Please refer to the response to DMA/USPS-T4-38. In this response, witness Moden states, "I am not aware of any operational data on automated, mechanized or manual volumes by sub-class but it is my understanding that such estimates could be derived from the In Office Cost System."

- a. Please explain how such volume estimates can be produced from the In Office Cost System.
- b. Please provide from the IOCS the estimates requested by DMA.
- c. Please list all other volume estimates that can be produced from the In Office Cost System.

OCA/USPS-T12-60 Response.

- a. Volume estimates cannot be derived directly from IOCS. As stated in my testimony, IOCS estimates "costs for time spent by various types of employees performing different functions." See USPS-T-12 at page 1. This implies that the IOCS based cost pool-specific distribution keys estimate the costs associated with proportions of time spent handling various subclasses of mail in each MODS cost pool (operation group). Assuming that the MODS operation group productivities do not vary much by subclass, then the distribution keys' proportions of cost can be interpreted as proportions of handlings. These cost pool-specific distribution keys can then be applied to an appropriate volume measure for the associated MODS operations (i.e., TPH) to compute one possible estimate of volume in the operation by subclass. The data to perform this exercise have already been provided. The cost pool-specific distribution keys may be found in Table 5, USPS-T-12, or Attachment 1

**Response of United States Postal Service Witness Degen
to Interrogatories of the Office of the Consumer Advocate**

to my response to OCA/USPS-T12-14. I provided FY 1996 MODS TPH by cost pool in Attachment 1 to my response to OCA/USPS-T4-28.

Please note that since many cost pools do not have well-defined, consistently measured volume or workload indicators, this exercise cannot be carried out for every cost pool.

- b. Directions for the estimation procedure and citations to data sources are provided in my response to part a.
- c. I am not aware of any volume estimates that can be derived from IOCS other than the type described in my response to part a.

**Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate**

OCA/USPS-T12-63. Please refer to your response to OCA/USPS-T12-36. Your response indicated that the SAS log for program MODSPOOL has been filed in LR-H-218. Please provide a reference to the page number of this library reference containing the MODSPOOL program.

OCA/USPS-T12-63 Response.

The SAS log for MODSPOOL is the last one in LR-H-218. In my copy, it follows the SAS log for program NONMODEL. The SAS log for MODSPOOL is eight pages long (the numbering begins with page 1) and the first page contains a handwritten note identifying it as "Program MODSPOOL."

**Response of United States Postal Service Witness Degen
to Interrogatories of Office of the Consumer Advocate**

OCA/USPS-T12-64. Please provide an updated or corrected version of your response to OCA/USPS-T12-1 so that it is agreement with your response to TW/USPS-T12-17a.

OCA/USPS-T12-64 Response.

The requested data is provided in Attachments 1 and 2 to this response. To create the revised tables, I moved the REC finance numbers to the MODS office category. This was done by matching the REC finance numbers from Attachment 1 to my response to TW/USPS-T12-17 to finance numbers in the FY 1996 AP 01 Installation Master File. Please note that when I matched the data sets by finance number, I found 52 of the REC finance numbers in the AP 01 Installation Master File. The figure of 51 RECs in my response to Time Warner was based on a comparison of facility names. All 54 REC finance numbers were present in the NORPES data used to estimate employee complements.

Response to OCA/USPS-T12-84 -- Attachment 1
 Revised

Number of BMCs, MODS Offices, and Non-MODS Offices in AP 01 FY 1996
 Includes offices not eligible for IOCS sampling

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
BMC	21	0	0	0	0	0	0	0	21
MODS	751	158	24	4	0	0	0	0	935
Non-MOD	324	620	582	1,481	1,888	2,994	3,675	4,849	16,411
Total	1,096	778	606	1,485	1,888	2,994	3,675	4,849	17,367

Total NORPES Offices with Clerk and Mailhandler Employees

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
BMC	21	0	0	0	0	0	0	0	21
MODS	614	134	25	5	0	0	0	0	778
Non-MOD	138	586	569	1,507	1,917	3,015	n/a	n/a	7,732
Total	773	720	594	1,512	1,917	3,015	n/a	n/a	8,531

Note: Detail not available for CAG H/J

Response to OCA/USPS-T12-64 -- Attachment 2

Average Number of NORPES Clerks/Mailhandlers for FY 1996 by office group, craft and CAG
Revised

BMC'S

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
Clerk-Reg	5,900	0	0	0	0	0	0	0	5,900
Clerk-Sub	1,568	0	0	0	0	0	0	0	1,568
Mailhandl	10,336	0	0	0	0	0	0	0	10,336
Total Cler	17,804	0	17,804						

MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
Clerk-Reg	151,808	8,625	873	261	0	0	0	0	161,567
Clerk-Sub	58,750	1,868	206	55	0	0	0	0	58,878
Mailhandl	51,042	776	80	24	0	0	0	0	51,921
Total Cler	259,600	11,268	1,158	339	0	0	0	0	272,366

NON-MODS OFFICES

	CAG A/B	CAG C	CAG D	CAG E	CAG F	CAG G	CAG H	CAG J	Total
Clerk-Reg	5,784	18,808	9,748	11,487	5,271	2,889	698	53	54,737
Clerk-Sub	1,455	5,534	3,740	6,770	5,566	6,559	6,052	3,603	39,278
Mailhandl	1,193	954	196	82	6	1	0	0	2,432
Total Cler	8,432	25,296	13,884	18,339	10,842	9,449	6,750	3,655	96,447

**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.

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

OCA/USPS-T4-19. Please provide MODS volume or piece handling counts for FY 1996 by CAG for each of the MODS cost pools. Please break this information out by the method used to collect these piece counts (SWS, actual counts, etc.).

OCA/USPS-T4-19 Response.

Attachments 1 and 2 to this response contain the requested breakdown of MODS TPH for the 11 cost pools associated with the MODS sorting activities listed in Table 7 of witness Bradley's testimony, USPS-T-14. The TPH are from the modtph96.dat file in LR-H-248, and have not been scrubbed. The data are not broken out by collection method because the required information is not available. However, TPH in mechanized and automated operations is generally derived from machine counts, whereas TPH in manual operations is generally based on converted weights or other such measurements. Please note that there are volumes recorded in the TPH variable for various non-distribution operations at some facilities. I am informed that in such cases, the TPH variable contains volume measures defined at the area or facility level. The local volume measures are not piece counts in any meaningful sense and cannot be aggregated to servicewide cost pools, so they are not reported in the attachments.

FY96 MODS TPH (000) by Cost Pool and CAG

	LDC	Pool	A	B	C	D	E	Total
11	ocr	40,244,181	74,588	424,221	91,773	0	0	40,834,772
11	bcs	205,781,197	256,465	2,873,037	681,288	0	0	209,581,986
12	ism	27,963,141	121,570	765,164	116,296	0	0	28,966,171
12	ism	17,244,799	24,487	57,341	0	0	0	17,326,627
13	spbs Oth	1,962,920	0	8	447	0	0	1,963,375
13	spbsPro	625,445	32	0	0	0	0	625,477
14	manf	29,284,515	63,790	922,448	380,155	91,177	30,742,085	30,742,085
14	manf	9,193,920	41,262	582,078	174,524	9,298	10,001,079	10,001,079
14	manp	538,215	7,684	62,898	18,732	349	627,978	627,978
14	Priority	2,136,217	2,308	19,841	7,717	0	2,166,081	2,166,081
17	1cancMPP	55,475,790	109,306	762,896	169,014	14,421	56,531,427	56,531,427
	Total	390,450,338	701,499	6,470,032	1,639,946	115,243	399,377,058	399,377,058

FY96 MODS TPH (000) by Cost Pool, MODS Code and CAG

LDC	Pool	MODS Code	A	B	C	D	E	Total	Pool Total
11	ocr	831	7,570,063	0	68,500	0	0	7,638,563	
11	ocr	832	165,232	0	11	0	0	165,243	
11	ocr	833	1,181,730	0	0	0	0	1,181,730	
11	ocr	834	3,520,571	0	36,563	0	0	3,557,134	
11	ocr	835	1,715,162	0	1,091	0	0	1,716,252	
11	ocr	836	1,875,805	0	276	0	0	1,876,081	
11	ocr	837	229,114	0	92	0	0	229,206	
11	ocr	841	123,439	21,544	113,322	13,897	0	272,202	
11	ocr	842	13,259	0	429	0	0	13,688	
11	ocr	843	0	0	31	0	0	31	
11	ocr	844	21,453	0	15,389	8,413	0	45,255	
11	ocr	845	6,492	26,704	15,106	1,277	0	49,579	
11	ocr	846	0	0	0	939	0	939	
11	ocr	851	119,514	25,093	136,640	46,508	0	327,755	
11	ocr	852	6,277	0	0	1,482	0	7,759	
11	ocr	853	65,015	0	2,026	0	0	67,041	
11	ocr	854	10,016	1,257	15,109	14,068	0	40,450	
11	ocr	855	97	0	17,350	3,847	0	21,294	
11	ocr	856	0	0	2,287	1,341	0	3,628	
11	ocr	881	13,220,048	0	0	0	0	13,220,048	
11	ocr	882	129,323	0	0	0	0	129,323	
11	ocr	883	4,149,813	0	0	0	0	4,149,813	
11	ocr	884	3,604,120	0	0	0	0	3,604,120	
11	ocr	885	2,484,816	0	0	0	0	2,484,816	
11	ocr	886	6,477	0	0	0	0	6,477	
11	ocr	887	26,344	0	0	0	0	26,344	
11	bcs	861	10	0	0	4,178	0	4,188	
11	bcs	862	24,661	0	0	0	0	24,661	
11	bcs	863	2,099	0	0	0	0	2,099	
11	bcs	864	47,333	0	0	25,547	0	72,880	
11	bcs	865	59,574	0	4,182	7,261	0	71,017	
11	bcs	866	365,533	0	1,571	0	0	367,104	
11	bcs	867	86,662	0	1,034	0	0	87,696	
									40,834,772

11	DCS	868	11,637	0	0	0	0	0	0	11,637
11	DCS	869	21,727	0	0	0	0	0	0	21,727
11	DCS	871	4,702,392	20,404	147,779	23,648	0	0	0	4,894,222
11	DCS	872	4,614,328	24,988	27,117	0	0	0	0	4,666,433
11	DCS	873	8,195,340	0	58	0	0	0	0	8,195,398
11	DCS	874	15,875,078	12,653	386,138	162,241	0	0	0	16,436,109
11	DCS	875	6,772,152	59	29,922	46	0	0	0	6,802,178
11	DCS	876	10,651,112	38,265	353,372	48,050	0	0	0	11,090,798
11	DCS	877	1,592,760	7,418	15,854	2,130	0	0	0	1,618,161
11	DCS	878	5,524,690	11,825	189,311	23,992	0	0	0	5,749,818
11	DCS	879	4,786,392	5,327	169,724	23,839	0	0	0	4,985,282
11	DCS	891	7,977,680	31,782	90,329	36,276	0	0	0	8,136,067
11	DCS	892	8,132,326	0	33,188	69	0	0	0	8,165,583
11	DCS	893	12,182,583	0	1,052	0	0	0	0	12,183,636
11	DCS	894	11,056,699	78,692	306,071	69,876	0	0	0	11,511,338
11	DCS	895	6,445,327	0	7,447	0	0	0	0	6,452,774
11	DCS	896	12,890,789	1,641	260,329	11,146	0	0	0	13,163,905
11	DCS	897	2,475,188	0	11,066	0	0	0	0	2,486,254
11	DCS	898	5,432,805	2,859	184,525	51,119	0	0	0	5,671,308
11	DCS	899	5,232,303	3,000	121,626	49,690	0	0	0	5,408,618
11	DCS	910	5,701	0	23,996	37,849	0	0	0	67,545
11	DCS	911	1,608	160	4,350	4,768	0	0	0	10,886
11	DCS	914	171,913	12	21,177	0	0	0	0	183,101
11	DCS	915	144,889	11	3,578	0	0	0	0	148,477
11	DCS	916	6,055	0	0	0	0	0	0	6,055
11	DCS	917	5,365	0	0	0	0	0	0	5,365
11	DCS	918	24,474,109	8,194	274,546	53,604	0	0	0	24,811,453
11	DCS	919	20,500,548	7,951	203,698	45,961	0	0	0	20,758,159
11	DCS	971	11,747,113	0	0	0	0	0	0	11,747,113
11	DCS	972	3,151,741	0	0	0	0	0	0	3,151,741
11	DCS	973	4,582,630	225	0	0	0	0	0	4,582,855
11	DCS	974	3,216,101	0	0	0	0	0	0	3,216,101
11	DCS	975	2,126,603	0	0	0	0	0	0	2,126,603
11	DCS	976	280,960	0	0	0	0	0	0	280,960
11	DCS	977	27,332	0	0	0	0	0	0	27,332
11	DCS	978	89,404	0	0	0	0	0	0	89,404
11	DCS	979	89,945	0	0	0	0	0	0	89,945
209,591,986										

12	fsm	081	16,183,112	62,595	250,888	0	16,496,694	0
12	fsm	082	421,796	108	0	0	421,904	0
12	fsm	083	2,947,079	0	0	0	2,947,079	0
12	fsm	084	2,569,707	14,889	30,581	0	2,615,187	0
12	fsm	085	1,016,983	2	30,514	0	1,047,499	0
12	fsm	086	4,289,375	43,967	83,510	0	4,416,852	0
12	fsm	087	414,159	0	0	0	414,159	0
12	fsm	088	73	0	0	0	73	0
12	fsm	089	167	0	0	0	167	0
12	fsm	091	64,943	0	196,356	87,911	329,210	0
12	fsm	093	16,925	0	0	0	16,925	0
12	fsm	094	10,249	0	52,560	16,701	79,510	0
12	fsm	095	6,817	0	29,781	0	36,598	0
12	fsm	096	18,780	0	87,258	31,684	137,722	0
12	fsm	097	2,976	0	3,816	0	6,592	0
12	fsm	141	3,993,345	5,736	8,214	0	4,007,296	0
12	fsm	142	691,322	0	0	0	691,322	0
12	fsm	143	2,607,229	2	0	0	2,607,231	0
12	fsm	144	2,877,415	10,064	17,421	0	2,904,899	0
12	fsm	145	1,100,596	0	6	0	1,100,602	0
12	fsm	146	2,383,263	3,474	8,735	0	2,395,472	0
12	fsm	147	85,673	0	1,009	0	86,682	0
12	fsm	148	233,369	0	0	0	233,369	0
12	fsm	441	214	0	0	0	214	0
12	fsm	442	38	0	0	0	38	0
12	fsm	443	60	0	0	0	60	0
12	fsm	444	1,889	0	0	0	1,889	0
12	fsm	961	85,086	0	0	0	85,086	0
12	fsm	962	14,372	0	234	0	14,606	0
12	fsm	963	113,502	0	25	0	113,527	0
12	fsm	964	729,240	2,870	6,747	0	738,857	0
12	fsm	965	220,333	1,135	13	0	221,482	0
12	fsm	966	2,105,670	1,205	14,938	0	2,121,813	0
12	fsm	967	2,184	0	0	0	2,184	0
13	spbs Oth	134	391,097	0	0	0	391,097	0
13	spbs Oth	135	274,042	0	0	447	274,489	0
13	spbs Oth	136	462,993	0	8	0	463,001	0

17,326,627

28,966,171

13	spbs	Oth	137	834,788	0	0	0	0	0	0	0	0	0	0	834,788	1,963,375
13	spbs	Prio	138	355,485	0	0	0	0	0	0	0	0	0	0	355,485	
13	spbs	Prio	139	269,960	32	0	0	0	0	0	0	0	0	0	269,992	625,477
14	manf		029	344,792	955	72	0	0	0	0	0	0	0	345,819		
14	manf		030	6,127,324	5,439	195,525	108,259	26,429	6,462,976							
14	manf		040	1,124,093	47	11,435	7,095	0	1,142,670							
14	manf		043	2,058,698	0	1,631	639	0	2,060,969							
14	manf		044	4,098,686	8,949	283,808	120,030	58,589	4,548,062							
14	manf		045	1,007,102	0	12,775	15,106	0	1,034,983							
14	manf		150	2,783,895	19,132	87,103	0	6,159	2,896,289							
14	manf		151	0	0	1,280	0	0	1,280							
14	manf		152	0	0	264	0	0	264							
14	manf		153	0	0	1,033	0	0	1,033							
14	manf		155	89	0	0	0	0	89							
14	manf		160	10,457,699	26,468	309,399	118,533	0	10,912,099							
14	manf		165	16	0	0	0	0	16							
14	manf		168	778,363	5	22,898	9,767	0	811,033							
14	manf		169	505,758	2,796	15,225	726	0	524,505							30,742,085
14	manf		060	780,795	6,671	54,548	17,210	1,590	860,613							
14	manf		069	39,537	0	0	0	0	39,537							
14	manf		070	230,438	0	3,008	130	0	233,578							
14	manf		073	464,469	0	84	79	0	484,632							
14	manf		074	1,705,681	3,620	226,551	73,888	5,953	2,015,893							
14	manf		075	343,572	-2	9,373	15,122	0	368,065							
14	manf		170	1,098,675	16,196	93,270	3,310	1,753	1,213,204							
14	manf		171	24	0	1,513	0	0	1,537							
14	manf		172	0	0	580	0	0	560							
14	manf		173	26	0	1,246	0	0	1,272							
14	manf		174	14	0	0	0	0	14							
14	manf		175	4,230,718	14,777	179,549	62,226	0	4,487,270							
14	manf		176	3	0	0	0	0	3							
14	manf		178	222,087	1	5,573	2,558	0	230,219							
14	manf		179	77,682	0	6,804	0	0	84,486							10,001,079
14	manp		100	177,054	0	17,847	12,265	133	207,299							
14	manp		130	73,994	1	15,495	2,368	0	91,858							
14	manp		200	287,166	7,683	29,657	4,099	216	328,821							
14	Priority		050	1,341,131	2,070	17,727	7,717	0	1,368,645							

14	Priority	055	795,086	236	2,114	0	797,436	0	2,166,081
17	1cancMPP	010	695,589	1	18,343	0	713,933	0	
17	1cancMPP	011	2,367,020	33,299	406,533	101,377	2,908,228	0	
17	1cancMPP	012	104,204	0	25,667	0	129,871	0	
17	1cancMPP	013	592,104	0	165,300	46,577	803,981	0	
17	1cancMPP	014	837,478	244	35,321	20,511	907,975	14,421	
17	1cancMPP	015	28,795,143	38,702	76,611	0	28,910,456	0	
17	1cancMPP	016	36,044	0	1,155	129	37,329	0	
17	1cancMPP	020	9,026,737	37,061	33,964	419	9,098,181	0	
17	1cancMPP	021	117,432	0	0	0	117,432	0	
17	1cancMPP	022	20,474	0	0	0	20,474	0	
17	1cancMPP	023	4	0	0	0	4	0	
17	1cancMPP	020B	12,883,562	0	2	0	12,883,565	0	56,531,427
Total			390,450,338	701,489	6,470,032	1,639,946	399,377,058	115,243	399,377,058

**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

Source	Mail Processing	Remote Encoding	Window Service	Administrative	W/S 3.0.1, LR-H-196
	12,058,966,532	396,430,778	2,013,204,885	1,987,492,877	
FY 1996 split factors					
MODS	76%	100%	42%	70%	IOCS tally costs by FY 1996 component and office group (excluding a/c 6522)
BMC	5%		0%	6%	REC costs 100% MODS
Non-MODS	18%		58%	24%	
FY 1996 cost components distributed to office groups					
MODS	9,171,596	396,431	845,130	1,399,892	Split factors applied to component costs
BMC	629,478	0	986	110,415	
Non-MODS	2,257,893	0	1,167,089	477,186	
FY 1996 cost component recap (mail processing and remote encoding consolidated)					
MODS	9,568,026		845,130	1,399,892	
BMC	629,478		986	110,415	
Non-MODS	2,257,893		1,167,089	477,186	

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
Claims & Inquiry				
Window Service				
Administrative				

W/S 3.0.1, page 1, LR-H-201

BY 1996 split factors

Mail Processing	18%
Claims & Inquiry	35%
Window Service	64%
Administrative	38%

W/S 3.0.1, page 2, LR-H-201,
component cost subtotals by
office group

MODS	77%
BMC	5%
Non-MODS	18%

BY 1996 cost components distributed to office groups

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

Split factors applied to
component costs

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

MODS	10,251,778	688,720	695,103
BMC	633,817	991	110,563
Non-MODS	2,361,817	1,216,909	496,399

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

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

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

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 LIOCATT output, which may be

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

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 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.**

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

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

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

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**

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

1996 are obtained from LIOCATT output, which may be 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 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.

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

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

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

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**

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

weighting is performed in program ALB095, LR-H-21. The IOCS cost inputs for FY 1996 are obtained from LIOCATT output, which may be 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 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.**

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

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

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

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.

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

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.

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

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.

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

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**

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

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.

**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 Bradley)**

OCA/USPS-T14-28. Please refer to Table 19 ("Proxy Variabilities for Mail Processing Activities Without Recorded Piece Handlings" and Table 20 ("Proxy Variabilities for Customer Service Activities). Each table lists two different types of activities: an activity that *requires* a proxy variability, and an activity *providing* the proxy variability.

- b. For each activity providing the proxy variability, please describe in what ways that activity is (1) identical to, (2) substantially similar to, and (3) different from the activity requiring a proxy variability with which it is matched.

OCA/USPS-T14-28 Response.

- b. The attachment to this response contains a table listing the similarities between the "receiving" and "providing" activities. The MODS operation numbers corresponding to the cost pools may be found, with brief descriptions, in LR-H-146 at I-12. Appendix A of LR-H-147 contains more detailed descriptions of certain operations. These sources can be used to determine differences between MODS operations as desired.

Activity That Requires a Proxy Variability (cost pool name)	Activity Providing the Proxy Variability	Similarity
Mechanized Sack Sorting (1Sack_m)	BMC Mechanized Sack Sorting	Similar equipment
Mechanized Parcel Sorting (mecparc)	BMC Mechanized Parcel Sorting	Similar equipment
Bulk Presort (1Bulk pr)	Opening Units	Labor description (H-147, Appendix A, p. 2) includes activities similar to opening unit—e.g., traying
Manual Sack Sorting (1Sack_h)	BMC Platform	BMC platform work has significant manual sack sorting component
Mailgram Sorting (Mailgram)	Manual Letter Sorting	Significant portion of Mailgram operation is manual casing of letter-shaped pieces
Express Mail Sorting (Express, LD48_Exp)	Manual Priority Mail Sorting	Both are manual, high dispatch priority, separate mailstream
ACDCS (1Scan)	Pouching	Mail dispatching schedules drive workload
Business Reply Mail/Postage Due (BusReply)	Manual Letter Sorting	BusReply cost pool includes manual portion of BRM work; work involves manual sorting of letters/cards
Automated Sorting at Stations and Branches (LD41)	OCR & BCS Activities	Similar equipment; Function 1 OCR and BCS cost pools include similar scheme work
Mechanized Sorting at Stations and Branches (LD42)	LSM & FSM Activities	Similar equipment; Function 1 LSM and FSM cost pools include similar scheme work

Similarity	Activity Providing the Proxy Variability	Activity That Requires a Proxy (cost pool name)
Manual sorting of letters and flats	Manual Letter and Manual Flat Activities	Manual Sorting at Stations and Branches (LD43)
Manual sorting of letters and flats	Manual Letter and Manual Flat Activities	Box Section Sorting at Stations and Branches (LD44)
Special service-related	Registry Activity	Special Service Activities at Customer Service Offices (LD48_SSV)
Misc. customer service includes low- variability quasi-administrative work; some special service work	Registry Activity	Miscellaneous Activities at Customer Service Offices (LD48_Oth)
Computer mail forwarding is a mechanized-type activity including keying	Average of Mechanized Activities	Mail Markup and Forwarding (LD49)
LD79 includes platform acceptance and related work	Platform Activity	Business Mail Entry (LD79)

Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner

TW/USPS-T12-1.

- a. Was the LIOCATT program used to distribute clerk and mailhandler costs in this docket? If yes, please provide the output of the LIOCATT program.
- b. Please provide the LIOCATT output, as provided in previous rate cases, for the mail processing cost distribution used in the FY96 CRA report.

TW/USPS-T12-1. Response:

- a. The LIOCATT program was used to distribute clerk and mailhandler costs for FY96. The distribution of BY96 clerk and mailhandler costs to subclass does not use LIOCATT. Please consult LR-H-146 for full details.
- b. I am informed that the LIOCATT output relating to the FY96 CRA report was provided by the Postal Service on July 9, 1997, pursuant to the Commission's periodic reporting rules, and is thus presumably on file with the Commission's docket section.

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

TW/USPS-T12-2.

- a. Approximately when did the Postal Service decide to move to MODS based attribution of clerk and mailhandler wage costs?**
- b. Prior to the new method described in your testimony, was any use made of the MODS numbers recorded by IOCS clerks? If yes, please describe how this information was used.**
- c. How does an IOCS clerk know which MODS number to enter for a sampled clerk or mailhandler? Please provide a copy of the instructions given to IOCS clerks for the purpose of recording the correct MODS number.**
- d. During FY96, were IOCS clerks aware that the MODS numbers they recorded would be put to a much more important use than in any previous year?**
- e. During FY96, were IOCS clerks aware that their detailed observations of the activity performed by sampled employees would be superseded by MODS numbers?**
- f. Since when have MODS numbers been recorded by IOCS clerks?**
- g. When a sampled employee is on a break, and after the break will start an assignment different from the one he had before the break, which MODS number is the IOCS clerk supposed to record?**
- h. What proportion of IOCS tallies taken in MODS facilities had a valid MODS number in FY96?**
- i. What procedures were applied to assure that the MODS numbers recorded by IOCS clerks were not only valid numbers but correctly described the observed employee's activity?**
- j. What proportion of the IOCS tallies, taken in MODS facilities but without valid MODS numbers, could not be assigned to any cost pool? If there were such tallies, please explain how they were used.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

TW/USPS-T12-2 Response.

- a. It is my understanding that, in light of the controversies over mail processing cost distribution that arose over the last several general rate cases, the Postal Service began to consider a number of potential improvements to the mail processing cost distribution process. One type of potential improvement that was under consideration over the last several years was the methodology presented in this case in my testimony and that of Dr. Bradley. It was recognized, however, that consideration of such a comprehensive change would require a great deal of data assessment and database development, feasibility research, coordination with operational personnel, and other similar types of preparation activities. It would be quite difficult for me or anyone else to identify any particular point in time during this process that the Postal Service "decided to move" to the new approach. Refinements in the methodology, including the incorporation of more recent data, continued virtually up to the point of filing of this case.**
- b. To the best of my knowledge the MODS number recorded by IOCS clerks has not been used in the LIOCATT cost distribution system prior to now, however, it is my understanding that the MODS operation number has been used for various other analyses over the years. I am not familiar**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

with the details of these other analyses.

- c. The data collector can ask the employee or ask the employee's supervisor. Note that for the purposes of the costing method described in my testimony, the correct MODS number is the MODS operation the employee is actually clocked into, which is not necessarily the operation in which he/she is working. While the MODS number and the observed activity are consistent in most cases, when the two are inconsistent, the tally should be associated with the MODS clock number rather than the observed activity. This is because the variabilities are estimated using MODS data which include whatever clocking errors have occurred. The cost pools are consistent with the variabilities that are applied to them. The tallies are only used to form the distribution keys. The tallies must, likewise, be consistent with the cost pools and underlying variabilities. Hence, we rely on IOCS to report the operation into which an employee is clocked. The IOCS Field Operating Instructions (Handbook F-45) alert data collectors that the MODS work center number may not match the observed employee activity. Data collectors are instructed to "enter... [the] work center that the employee is clocked into at the time of the reading. The MODS work center number may not necessarily match the employee's activity at the time of the reading." Please see Handbook F-

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

45, January 1995, p. 35. Similar wording may be found in the September 1990 and September 1991 releases of Handbook F-45. Handbook F-45 was filed in Docket No. MC96-3 as LR-SSR-12.

- d. My understanding is that no directives were issued to data collectors regarding this matter.

- e. It is not true that the MODS number supersedes the detailed observation of the employee's activity. Under the old methodology, CAG and Basic Function determined the cost pools for the LIOCATT cost distribution process. These did not rely on questions 18 and 19 that report the detailed activities of the employee being sampled. Under the new methodology, the MODS number is used to develop the distribution key. The distribution key must use the MODS number into which the employee is clocked so it is consistent with the cost pool. The observed activity questions are only used to predict the MODS number when the tally contains a missing or invalid MODS number. IOCS data collectors were not given any instructions regarding diminished importance of questions 18 and 19.

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

- f. The recording of MODS numbers pre-dates the introduction of CODES IOCS. I researched past revisions of the IOCS Field Operating Instructions (Handbook F-45), and determined that data collectors were instructed to record the MODS number as early as FY84, and possibly before.
- g. The correct MODS number is the operation into which the employee is clocked. Please see LR-H-147, at section 312.124. Note that the assignment of IOCS tallies, including break/personal needs tallies, to cost pools does not affect the cost pool dollar amounts. Further, break and personal needs tallies are not used in the distribution key.
- h. There are 246 clerk and mailhandler tallies with "invalid" MODS numbers, and 2,297 tallies with blank or zero MODS numbers. These 2,543 tallies are approximately 1.32% of the 193,138 clerk and mailhandler tallies taken at MODS 1&2 offices.
- i. Please see the answer to part c, above. For purposes of the new costing methodology we need IOCS data collectors to report the operation into which sampled employees are clocked. This is how data collectors are instructed, and we believe this is what data collectors are doing with

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

only a small number of exceptions. In the larger sense, we would also like the MODS data to be reasonably accurate with respect to the activity being performed, so that our estimation of variabilities is accurate. We believe the MODS data to be reasonably accurate, especially at the level of aggregation used in the cost model. A small number of erroneously clocked hours will not have a substantial impact on the variability estimates. Further, the variability estimates are done using an aggregation of MODS numbers. Any errors in clocking that occur among the operations within a cost pool have no effect on the cost pool formations, variability estimates, and the distribution keys.

- j. All tallies are assigned to cost pools. If the Question 18/19-based mapping cannot be carried out, the tally is assigned to either the "1MISC" or "LD43" cost pool. "LD43" is used as a residual cost pool because LDC 43 includes allied labor-type work at stations and branches. Please note, however, that the assignment of tallies to cost pools has no impact on the dollar value of the cost pool. For MODS offices, cost pools are formed by applying the proportions of MOD System hours to Pay Data System costs. The assignment of tallies only impacts the distribution key for each cost pool.

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

TW/USPS-T12-3. Please refer to Tables 2 and 6 in your testimony.

- a. Does the line for "mixed mail" in Table 6 refer to costs associated with mail processing tallies showing IOCS activity codes 5300-5750? If no, please specify the types of tallies and the IOCS activity codes that this line represents.**
- b. Does the line for "other" in Table 6 refer to costs associated with mail processing tallies showing IOCS activity codes 6521-6521? If no, please specify the types of tallies and the range of IOCS activity codes that this line represents.**
- c. Please specify the IOCS activity codes that correspond to the costs shown for mail subclasses and service categories in Table 6.**
- d. Do the various costs in Tables 2 and 6 represent identical sets of IOCS activity codes, distributed with the old and new methodologies respectively? If they do not represent the same set of IOCS codes, please clarify.**
- e. Please provide a breakdown of the estimated costs show in Table 6 by MODS, BMC and non-MODS cost pools. In the case of "mixed mail" and "other" costs, please provide the breakdown both by cost pool and by IOCS activity codes.**
- f. Please provide the information requested in Part E above, as well as the information contained in Tables 4 and 5 of your testimony, in the form of an Excel, Quattro or Lotus spreadsheet.**

TW/USPS-T12-3. Response:

- a. Yes. Please note that I employed this definition of mixed-mail in Table 6 so that mixed-mail is defined consistently with Table 2. In the cost distribution methodology described in my testimony, IOCS Question 21 information is used to identify mixed-mail tallies. As a result, some tallies with mixed-mail activity codes are treated as not-handling-mail in**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

the new methodology, and IOCS costs associated with some mail-related activities such as moving empty equipment are distributed as mixed-mail.

- b. The line for "other" in Table 6 includes all activity codes assigned to tallies in the mail processing cost pools except mail and special services codes (0010-4950) and mixed mail codes (5300-5750). Please consult the first attachment to the response to TW/USPS-T12-3 for a list of the activity codes. Descriptions of the activity codes may be found in LR-H-1.
1. The bulk of the tallies and tally dollars are in activity codes 6521-6523, and other activities traditionally associated with mail processing. Please see USPS-T-12, at 6-7, for a brief discussion of the "migration" of tallies between components.
- c. Please consult the second attachment to the response to TW/USPS-T12-3. This is derived from the source code to program MOD4DIST, lines 245-370, in LR-H-146.
- d. The "other" category is defined as a residual category in both cases. Since the "old" and "new" methodologies define mail processing differently, the activity codes included in "other" in Table 2 of my testimony are not the same as in Table A. Neither table incorporates a

**Response of United States Postal Service Witness Degen
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redistribution of mixed-mail or "other" costs to the subclasses of mail and special services.

- e. Please consult the third attachment to the response to TW/USPS-T12-3.

- f. The Microsoft Excel spreadsheet tw-3e.xls contains the response to part e in electronic form. The Excel spreadsheet table1-6.xls contains the information from Tables 1-6 in my testimony, USPS-T-12, in electronic form. These are filed in LR-H-219.

TW-3b

First attachment, Response to TW/USPS-T12-3

"Not-handling-mail" activity codes, definition from MOD1DIR, lines 12-32
Activity code is based on F262 field

<u>Activity Code</u>	<u>Comments</u>
10	Included with special services in Table 6
50	Included with special services in Table 6
90	Included with special services in Table 6
5020	
5040	
5050	
5060	
5070	
5080	
5090	
5110	
5120	
5130	
5170	
5180	
5610	Included with mixed-mail in Table 6
5620	Included with mixed-mail in Table 6
5700	Included with mixed-mail in Table 6
5750	Included with mixed-mail in Table 6
6000	
6010	
6020	
6030	
6040	
6045	
6050	
6070	
6073	
6080	
6110	
6120	
6130	
6140	
6170	
6180	
6200	
6210	
6220	
6230	
6231	
6240	
6270	
6320	
6330	
6420	

TW-3b

First attachment, Response to TW/USPS-T12-3

"Not-handling-mail" activity codes, definition from MOD1DIR, lines 12-32
Activity code is based on F262 field

Activity Code Comments

6430
6460
6480
6495
6500
6511
6512
6514
6516
6519
6521
6522
6523
6570
6580
6610
6620
6630
6640
6650
6660

Second attachment, response to TW/USPS-T12-3

Assignment of IOCS activity codes to mail subclasses and special services

Subclass or Special Service	Activity Codes
First-Class	
Letters and Parcels	X060, X061, X092
Presort Letters and Parcels	X080, X081, X085, X086, X091, X093
Postal Cards	1000
Private Mailing Cards	1020, 1021, 1052
Presort Cards	1022, 1035, 1040, 1045, 1051, 1056
Priority Mail	
Express Mail	X160, X165, X170, 5302
Mailgrams	X110, X111, 5303
	1100
Second Class	
Within County	X211
Outside County – Regular	X212
Outside County – Non Profit	X213
Outside County – Classroom	X214
Third Class	
Single Piece Rate	X360
Bulk – Regular Carrier Route	X310, X315
Bulk – Regular Other	X340, 1345, 2345
Bulk – Non Profit Carrier Route	X330, X335
Bulk – Non Profit Other	X350
Fourth Class	
Parcels – Zone Rate	4400, 4405, 4410, 4491, 4492
Bound Printed Matter	4460, 4465, 4470, 4480, 4490, 4495, 4496
Special Rate	X420, X425, X430, X435
Library Rate	X440
USPS	
Free for Blind/Handicapped	X510, 5346
International	X910, X915, X950, 5347
	X7XX, X8XX, 5460, 5461
Registry	0060
Certified	0050
Insurance	0070, 0080
COD	0030
Special Delivery	0010
Special Handling	0020
Other Special Services	0090, 0190, 0210, 0300

Note: Class-specific mixed mail codes (53XX-54XX) are included as "Mixed Mail" in USPS-T-12, Table 2 and Table 6.

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	manl	manf	manp	mecparc	spbs Oth	spbs Prio	lim/	fsm/
1st L&P	409,628	102,638	1,735	581	7,792	3,475	345,019	219,938
PvtCds	22,037	40	0	55	32	4	18,087	172
PostalCds	376	0	0	0	0	0	379	0
PreL	77,050	7,674	153	0	373	361	48,873	10,787
PreCds	5,726	212	0	0	61	0	2,599	0
Priority	2,159	5,716	2,787	1,031	2,509	10,271	62	4,792
Express	709	439	84	0	0	0	61	58
2nd IC	429	1,809	0	0	34	0	72	218
2nd NP	1,338	6,250	92	53	474	53	200	4,761
2nd CL	0	237	0	0	58	0	0	435
2nd Reg	6,390	41,546	402	99	2,070	453	564	24,110
3rd SP	4,006	2,537	130	0	466	77	1,579	2,597
BRCRT	6,304	3,992	227	101	2,818	317	2,103	5,617
BRO	95,992	62,922	980	149	11,371	509	20,654	102,018
NPCRT	1,033	355	0	45	177	0	479	416
NPO	39,838	12,887	72	146	2,106	0	9,613	16,396
4th ZPP	409	418	1,427	637	274	285	53	563
BPM	251	1,585	242	162	351	58	0	843
SPC	197	485	427	53	141	111	73	728
LIB	50	419	111	103	58	0	0	212
Mailgrams	49	0	0	0	0	0	0	0
Free	264	341	0	0	203	237	0	0
Intl	8,777	3,066	159	0	64	376	7,455	3,396
USPS	3,283	1,008	223	44	261	218	1,438	2,330
Registry	461	59	49	0	32	61	23	69
Certified	0	0	0	0	0	0	0	0
Insurance	0	0	0	0	0	0	0	0
COD	0	0	0	0	0	0	0	0
Sp Delvry	0	0	0	0	0	0	0	0
Oth Ssv	4,304	877	0	143	30	0	1,583	1,500
Total Direct Mail	691,059	257,511	9,302	3,401	31,753	16,867	460,968	401,956
Mixed Mail								
5301	0	71	0	0	0	0	0	64
5302	0	0	26	0	28	188	0	0
5303	0	0	0	0	0	0	0	0
5331	0	0	0	0	42	0	0	0
5340	182	2,177	0	0	185	0	73	1,281
5341	0	37	0	0	73	0	0	0
5345	0	0	0	0	0	0	0	0
5460	85	57	6	0	0	69	76	69
5461	0	0	0	0	0	0	0	0
5610	103,303	3,977	233	41	188	263	65,382	4,777
5620	4,328	55,263	152	0	154	262	732	87,732
5700	589	204	2,523	1,325	1,938	1,632	275	402
5750	14,479	5,131	2,983	855	18,849	10,669	2,600	6,153
Total Mixed Mail	122,965	66,916	5,922	2,321	21,456	13,083	69,137	100,478
Other								
5020	114	71	0	0	0	0	0	0
5040	256	165	22	35	0	0	59	614
5050	0	0	0	0	0	0	0	0
5060	0	0	0	0	0	0	0	0
5070	0	0	0	0	0	0	0	0
5080	0	0	0	0	0	0	0	149
5090	0	0	0	0	0	0	0	0
5110	0	0	0	0	0	0	0	0
5120	0	0	0	0	0	0	0	0
5130	0	0	0	0	0	0	0	0

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	manl	manf	manp	mecparc	spbs Oth	spbs Prio	limv	fsmv
5170	89	0	0	0	0	0	0	203
5180	0	0	0	0	0	0	0	0
6000	203	0	0	0	0	0	0	51
6010	626	0	0	0	0	0	0	212
6020	727	119	0	0	0	0	0	0
6030	290	166	0	0	0	0	0	84
6040	0	0	0	0	0	0	0	0
6045	0	0	0	0	0	0	0	0
6050	0	54	0	0	0	0	0	0
6070	0	0	0	0	0	0	0	0
6073	0	0	0	0	0	0	0	0
6080	0	0	0	0	0	0	0	0
6110	0	0	0	0	0	0	0	0
6120	0	0	0	0	0	0	0	0
6130	0	0	0	0	0	0	0	0
6140	0	0	0	0	0	0	0	0
6170	533	153	0	60	0	0	191	190
6180	0	0	0	0	0	0	62	0
6200	0	54	0	0	0	0	0	50
6210	440	392	139	36	54	0	94	283
6220	79	0	0	0	0	0	0	0
6230	511	156	24	0	0	0	350	73
6231	638	220	49	0	0	0	119	60
6240	3,711	522	24	0	52	0	66	137
6270	0	0	0	0	0	0	0	0
6320	51	0	42	0	0	0	0	106
6330	305	48	0	0	0	0	0	140
6420	213	103	24	0	88	3	224	0
6430	1,411	371	65	0	265	144	610	609
6460	41	89	0	0	0	0	0	0
6480	105	80	24	0	0	0	220	64
6495	279	0	0	0	0	0	151	521
6500	0	0	0	0	0	0	68	0
6511	137	0	0	0	0	3	153	0
6512	0	0	0	0	0	0	0	312
6514	0	0	0	0	0	0	0	0
6516	201	0	0	0	0	39	50	71
6519	388	324	0	0	58	10	76	200
6521	165,513	76,002	3,893	1,181	14,225	10,221	88,058	99,247
6522	26,211	10,088	478	148	2,130	947	11,352	11,866
6523	40,901	28,542	3,178	1,327	10,472	4,900	25,277	54,453
6570	295	0	20	0	23	0	423	46
6580	464	71	48	0	0	0	66	137
6610	436	91	71	0	24	0	145	132
6620	310	41	26	0	0	4	71	64
6630	9,967	3,511	367	156	1,066	146	4,179	3,912
6640	38	0	0	0	0	3	0	0
6650	224	0	0	0	0	3	0	118
6660	105	0	0	0	0	0	0	0
Total Other	255,809	121,431	8,495	2,944	28,456	16,423	132,065	174,104
Grand Total	1,069,834	445,858	23,719	8,666	81,666	46,373	662,170	676,538

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	ocr/	bcs/	LD41	LD42	priority	express	Registry	LD15
1st L&P	67,211	189,076	3,302	441	3,126	591	457	124,751
PvtCds	1,529	3,786	0	8	28	28	19	3,636
PostalCds	46	0	0	0	0	0	0	0
PreL	15,228	90,809	2,265	55	272	110	0	26,237
PreCds	405	1,929	42	10	0	0	0	3,784
Priority	0	111	0	9	32,719	520	36	0
Express	0	39	0	0	540	7,999	86	0
2nd IC	0	0	0	0	0	0	0	0
2nd NP	54	177	0	0	0	0	0	0
2nd CL	0	0	0	0	0	0	0	0
2nd Reg	95	285	35	29	233	54	19	0
3rd SP	192	1,274	49	20	191	54	0	1,484
BRCRT	1,324	4,619	108	16	101	0	0	6,160
BRO	6,988	40,968	721	279	187	55	6	15,976
NPCRT	398	1,165	31	14	0	0	0	0
NPO	3,047	13,427	163	32	28	27	0	5,565
4th ZPP	0	0	0	12	159	0	5	0
BPM	0	0	0	0	40	0	1	0
SPC	49	0	0	11	73	14	10	0
LIB	0	0	0	0	0	0	0	0
Mailgrams	0	0	0	0	0	0	0	0
Free	0	0	34	0	25	0	0	0
Intf	1,428	1,490	0	0	728	628	87	4,982
USPS	223	395	0	11	1,439	292	137	3,448
Registry	114	0	0	0	34	57	5,646	0
Certified	0	0	0	0	0	0	26	0
Insurance	0	0	0	0	0	0	0	0
COD	0	0	0	0	0	0	0	0
Sp Delvry	0	0	0	0	0	28	0	0
Oth Ssv	501	681	0	0	97	0	131	3,723
Total Direct Mail	98,832	350,232	6,750	947	40,022	10,457	6,667	199,745
Mixed Mail								
5301	0	0	0	0	70	0	0	0
5302	0	0	0	0	344	1	0	0
5303	0	0	0	0	0	39	0	0
5331	0	0	0	0	0	0	0	0
5340	0	66	0	0	0	0	0	0
5341	0	0	0	0	0	0	0	0
5345	0	0	0	0	0	0	0	0
5460	0	99	0	0	0	38	7	0
5461	0	0	0	0	0	10	1	0
5610	30,334	124,787	5,734	132	547	112	70	57,332
5620	90	111	32	100	335	130	28	0
5700	0	137	0	0	6,920	215	16	0
5750	1,243	4,737	519	65	17,128	3,306	1,525	37,134
Total Mixed Mail	31,666	129,938	6,286	297	25,345	3,850	1,647	94,466
Other								
5020	0	0	0	0	0	0	0	0
5040	84	0	0	20	65	14	45	0
5050	0	0	0	0	0	0	9	0
5060	0	0	0	0	0	0	0	0
5070	0	0	0	0	31	0	0	0
5080	0	54	0	0	0	0	0	0
5090	0	0	0	0	0	0	0	0
5110	0	0	0	0	0	0	0	0
5120	0	0	0	0	0	0	0	0
5130	0	0	0	0	0	0	11	0

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	ocr/	bcs/	LD41	LD42	priority	express	Registry	LD15
5170	37	0	0	0	27	54	18	0
5180	0	0	0	0	0	0	0	0
6000	0	0	0	0	0	0	0	0
6010	74	43	0	10	33	161	64	0
6020	0	0	0	0	0	0	0	0
6030	0	0	0	0	32	0	9	0
6040	0	0	0	0	0	0	7	0
6045	0	45	0	0	0	20	0	0
6050	0	0	0	0	0	0	0	0
6070	0	0	0	0	0	0	0	0
6073	0	0	0	0	0	0	0	0
6080	0	0	0	0	0	0	0	0
6110	0	0	0	0	0	0	0	0
6120	0	0	0	0	0	0	0	0
6130	0	0	0	0	0	0	0	0
6140	0	0	0	0	0	0	0	0
6170	0	58	0	51	101	37	75	0
6180	0	0	0	0	0	0	0	0
6200	0	0	0	0	0	0	0	0
6210	0	243	53	14	372	149	53	0
6220	0	0	0	0	43	51	10	0
6230	0	0	0	0	115	129	6,566	0
6231	0	58	0	11	513	12,049	102	638
6240	0	62	0	0	123	0	28	0
6270	0	0	0	0	0	0	0	0
6320	0	0	0	29	0	25	27	0
6330	38	0	0	0	31	13	26	0
6420	54	318	0	0	2	8	45	1,712
6430	175	787	32	0	107	38	24	0
6460	0	64	0	0	0	0	0	0
6480	94	124	0	0	95	29	0	0
6495	46	0	0	0	110	0	9	0
6500	0	58	0	0	0	0	0	0
6511	0	182	123	0	2	0	0	3,037
6512	0	0	0	0	0	0	0	0
6514	0	0	0	0	0	0	0	0
6516	0	0	0	0	2	0	10	4,212
6519	128	258	32	0	118	0	10	0
6521	24,463	86,838	1,711	354	17,353	5,544	2,396	50,470
6522	3,255	10,682	309	16	2,162	635	234	3,684
6523	15,525	58,568	1,008	133	11,136	1,413	739	18,013
6570	77	261	0	0	0	0	11	0
6580	0	66	0	0	28	0	55	0
6610	0	0	0	0	12	7	0	0
6620	89	223	34	0	57	35	59	2,025
6630	1,584	4,661	535	66	1,433	655	455	5,535
6640	0	0	0	0	0	0	0	0
6650	0	0	0	0	174	39	0	0
6660	0	62	0	0	40	43	13	0
Total Other	45,721	163,715	3,837	702	34,318	21,148	11,109	89,327
Grand Total	176,220	643,885	16,873	1,946	99,685	35,456	19,423	383,539

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code						LD48 Sp		LD49
	Bus Reply	REWRAP	MAILGRAM	LD48 Exp	LD48_Adm	Serv	LD48 Oth	
1st L&P	3,721	1,993	0	35	0	1,336	1,800	43,364
PvICds	263	110	0	0	0	36	115	2,946
PostalCds	0	54	0	0	0	0	0	0
PreL	504	49	0	0	0	266	622	32,488
PreCds	73	0	0	0	0	0	13	1,106
Priority	107	515	0	0	0	171	245	880
Express	52	0	0	228	0	410	63	0
2nd IC	0	0	0	0	0	0	0	358
2nd NP	0	0	0	0	0	19	31	3,071
2nd CL	0	0	0	0	0	0	0	0
2nd Reg	0	60	0	0	0	44	128	11,378
3rd SP	111	58	0	0	0	26	33	4,212
BRCRT	0	0	0	0	0	80	239	1,190
BRO	157	379	0	0	0	223	351	4,759
NPCRT	0	0	0	0	0	0	52	161
NPO	49	0	0	0	0	8	72	717
4th ZPP	52	0	41	0	0	9	84	338
BPM	54	0	0	0	0	16	7	1,062
SPC	0	0	0	0	0	37	46	158
LIB	0	0	0	0	0	0	0	43
Mailgrams	0	0	0	0	0	0	0	0
Free	0	0	0	0	0	0	0	120
Intl	161	127	0	0	0	77	0	472
USPS	147	0	0	0	0	85	60	6,734
Registry	48	0	39	7	0	640	165	0
Certified	422	0	0	0	0	695	323	0
Insurance	0	0	0	0	0	0	8	0
COD	0	0	0	0	0	22	21	0
Sp Delvry	0	0	0	0	0	52	9	0
Oth Ssv	7,056	0	0	0	0	993	500	6,155
Total Direct Mail	12,977	3,345	80	271	0	5,247	4,965	121,731
Mixed Mail								
5301	0	0	0	0	0	0	19	0
5302	0	0	0	0	0	0	0	0
5303	0	0	0	0	0	0	0	0
5331	0	0	0	0	0	0	0	0
5340	0	0	0	0	0	0	0	475
5341	0	0	0	0	0	0	0	0
5345	0	0	0	0	0	0	0	0
5450	0	0	0	0	0	0	0	0
5451	0	0	0	0	0	0	0	0
5610	472	489	0	0	0	207	398	693
5620	0	0	0	0	0	53	118	53
5700	107	302	0	0	0	25	78	0
5750	1,310	2,205	78	43	0	556	1,392	4,516
Total Mixed Mail	1,889	2,996	78	43	0	842	2,004	5,737
Other								
5020	0	0	0	0	0	0	29	0
5040	0	0	27	0	0	129	339	0
5050	0	0	0	0	0	10	0	0
5060	0	0	0	0	0	0	8	0
5070	0	0	0	15	0	0	23	0
5080	0	0	0	0	0	10	15	0
5090	0	0	0	0	0	8	0	0
5110	0	0	0	0	0	10	0	0
5120	0	0	0	0	0	0	8	0
5130	0	0	0	0	0	0	0	0

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code						LD48 Sp		LD49
	Bus Reply	REWRAP	MAILGRAM	LD48 Exp	LD48_Adm	Serv	LD48 Oth	
5170	0	0	0	0	0	19	23	41
5180	0	0	0	0	0	0	0	0
6000	0	0	0	0	0	83	93	0
6010	0	0	0	16	0	145	337	0
6020	0	0	0	0	0	72	150	0
6030	0	0	0	0	0	44	61	0
6040	0	0	0	0	0	8	34	0
6045	0	0	0	0	0	10	32	0
6050	0	0	0	0	0	10	0	0
6070	0	0	0	0	0	0	16	0
6073	0	0	0	0	0	19	17	0
6080	0	0	0	0	0	0	8	0
6110	0	0	0	0	0	16	13	0
6120	0	0	0	0	0	0	16	0
6130	0	0	0	0	0	9	18	0
6140	0	0	0	0	0	0	7	0
6170	0	0	0	0	0	493	1,075	51
6180	0	0	0	0	0	9	47	0
6200	0	0	0	0	0	20	92	0
6210	64	0	0	0	0	50	73	43
6220	0	0	0	68	0	312	34	42
6230	146	0	0	78	0	854	193	0
6231	0	0	0	491	0	399	103	0
6240	55	1,261	0	0	0	74	168	93
6270	0	0	0	0	0	0	0	0
6320	49	0	0	0	0	19	352	0
6330	0	113	0	50	0	43	154	140
6420	0	277	39	0	0	283	225	245
6430	0	47	0	0	0	2,215	415	91
6460	0	0	0	0	0	17	22	0
6480	0	0	0	20	0	0	9	120
6495	55	55	0	0	0	0	15	0
6500	0	0	0	0	0	0	0	0
6511	0	0	0	0	0	0	0	43
6512	0	0	0	0	0	0	0	0
6514	0	0	0	0	0	0	0	0
6516	0	0	0	0	0	0	26	49
6519	55	0	0	0	0	18	112	49
6521	3,235	2,368	0	130	0	1,594	2,190	32,846
6522	369	233	0	28	0	179	358	4,067
6523	657	634	41	14	0	394	1,371	5,615
6570	0	0	0	0	0	36	436	55,458
6580	4,763	63	0	0	0	934	337	160
6610	0	0	0	0	0	12	76	0
6620	150	0	0	102	0	128	347	0
6630	516	854	29	116	0	1,304	2,699	2,777
6640	0	0	0	0	0	8	33	0
6650	0	0	0	0	0	187	273	0
6660	0	0	0	0	0	18	43	220
Total Other	10,114	5,904	136	1,128	0	10,204	12,523	102,150
Grand Total	24,981	12,245	293	1,441	0	16,292	19,512	229,618

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	LD79	LD44	LD43	1Platfrm	10Ppref	10Pbulk	1POUCHING	1SackS_h	1SackS_m
1st L&P	1,099	34,506	75,961	18,800	75,803	14,098	49,875	3,409	1,191
PvtCds	156	646	1,723	53	948	279	812	85	0
PostalCds	0	0	41	0	8	0	106	0	0
PreL	2,580	10,394	19,049	4,187	18,093	2,904	10,368	994	179
PreCds	150	41	359	92	241	120	391	0	0
Priority	269	2,053	12,742	6,884	12,686	1,703	7,997	2,013	545
Express	0	405	1,399	1,061	653	114	562	173	0
2nd IC	69	82	449	93	216	63	63	133	6
2nd NP	77	243	1,575	792	2,905	611	1,210	512	512
2nd CL	0	0	42	9	106	116	59	4	5
2nd Reg	204	1,874	9,655	5,879	17,613	4,267	5,268	2,512	1,419
3rd SP	166	38	1,403	638	909	830	554	113	10
BRCRT	982	788	12,676	3,068	4,507	6,105	1,569	1,036	326
BRO	4,920	6,787	28,411	8,171	19,521	33,032	13,103	2,802	1,407
NPCRT	194	91	1,553	134	235	877	151	146	59
NPO	2,317	1,069	5,640	1,373	4,857	7,459	2,408	528	364
4th ZPP	77	89	4,279	3,613	1,091	625	433	722	585
BPM	0	147	1,975	554	845	388	280	155	69
SPC	0	209	2,122	819	481	333	373	125	175
LIB	0	0	358	66	143	62	371	53	0
Mailgrams	0	0	0	0	0	0	0	0	0
Free	0	0	307	93	457	0	280	79	0
Intl	50	173	1,168	1,825	1,644	240	2,855	182	424
USPS	254	312	1,195	551	1,474	54	922	162	0
Registry	58	356	1,166	390	515	0	180	0	0
Certified	0	0	2,034	53	0	0	0	0	0
Insurance	0	0	115	0	0	0	0	0	0
COD	0	0	312	0	0	0	0	0	0
Sp Delvry	0	0	0	44	0	0	0	0	0
Oth SSv	36	292	2,052	90	453	258	235	107	0
Total Direct Mail	13,658	60,593	189,763	59,334	166,403	74,537	100,422	16,046	7,276
Mixed Mail									
5301	0	40	34	299	451	0	75	0	0
5302	0	0	60	269	75	0	367	134	157
5303	0	0	0	147	0	0	79	0	0
5331	0	0	0	50	29	87	0	75	64
5340	86	39	370	139	868	236	257	65	52
5341	0	0	38	263	24	25	77	43	129
5345	0	0	22	268	0	0	0	0	0
5460	0	45	0	116	159	0	50	0	60
5461	0	0	3	16	19	0	0	10	161
5610	212	6,058	26,358	10,053	32,614	11,388	31,921	1,167	258
5620	0	487	8,289	5,013	9,367	6,517	10,867	799	0
5700	70	273	7,104	5,972	5,539	2,154	2,460	1,422	1,304
5750	3,479	6,643	34,729	293,972	113,458	46,510	86,206	33,592	18,292
Total Mixed Mail	3,847	13,584	77,008	316,576	162,604	66,919	132,359	37,306	20,478
Other									
5020	0	84	37	0	0	0	0	0	0
5040	0	854	4,879	41	59	0	0	34	113
5050	0	0	120	0	0	0	0	0	0
5060	0	0	0	0	0	0	0	0	0
5070	0	61	101	0	0	0	0	0	0
5080	0	164	327	0	0	0	0	35	0
5090	0	0	0	0	0	0	0	0	0
5110	0	38	144	0	0	0	0	0	0
5120	0	0	0	0	0	0	0	0	0
5130	0	0	111	0	0	0	0	0	0

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	LD79	LD44	LD43	1Platfrm	10Ppref	10Pbulk	1POUCHING	1SackS_h	1SackS_m
5170	229	85	466	0	0	0	0	0	0
5180	90	0	0	0	0	0	0	0	0
6000	163	368	481	120	0	0	0	0	0
6010	190	650	2,702	156	63	198	0	0	0
6020	0	1,853	633	0	0	0	0	0	57
6030	36	805	642	51	0	0	0	0	0
6040	0	0	506	45	0	0	0	0	0
6045	0	0	84	35	0	0	0	41	0
6050	0	0	0	0	0	0	0	0	0
6070	36	40	337	0	0	0	0	0	0
6073	0	0	41	0	0	0	43	0	0
6080	0	0	129	0	0	0	0	0	0
6110	0	91	153	0	0	0	0	0	0
6120	34	91	41	0	0	0	0	0	0
6130	0	38	36	0	0	0	0	0	0
6140	0	0	0	0	0	0	0	0	0
6170	507	1,418	3,571	346	78	92	114	0	0
6180	0	85	45	0	0	0	0	0	0
6200	0	195	284	0	0	0	0	0	0
6210	35,981	157	1,962	26,050	1,734	483	1,316	2,085	1,080
6220	0	0	95	0	104	0	113	0	0
6230	91	77	1,571	201	318	113	294	36	0
6231	180	38	1,140	675	755	17	661	110	0
6240	0	214	1,516	190	362	44	264	0	0
6270	0	0	0	0	0	0	0	0	0
6320	0	80	701	342	253	195	169	0	0
6330	1,253	149	505	145	51	0	120	0	0
6420	762	376	1,271	583	298	111	3	41	0
6430	127	351	4,643	826	585	98	224	68	59
6460	611	55	0	23	157	0	0	0	0
6480	1,102	0	89	119	496	0	331	0	91
6495	0	0	88	0	0	0	111	0	0
6500	0	0	51	97	0	0	0	0	0
6511	0	0	50	0	0	0	0	0	0
6512	0	0	35	0	0	0	0	0	0
6514	0	0	0	0	0	0	0	0	0
6516	0	38	37	139	102	116	143	0	0
6519	883	39	571	734	612	228	323	38	0
6521	8,297	11,364	68,350	101,567	94,884	42,537	62,803	16,719	9,349
6522	1,514	1,538	7,852	14,254	15,019	7,569	8,610	2,108	1,010
6523	2,607	4,338	40,752	110,944	81,148	36,552	50,520	13,082	7,189
6570	41	145	791	0	37	0	0	0	0
6580	364	331	1,633	53	318	114	112	0	0
6610	439	0	37	415	445	56	97	80	0
6620	663	259	841	932	474	62	19	75	0
6630	24,598	2,907	9,000	11,911	9,176	3,425	3,863	1,111	640
6640	0	40	338	93	53	0	0	0	0
6650	69	271	863	102	53	0	0	0	0
6660	56	75	266	156	53	0	0	0	0
Total Other	80,924	29,764	160,917	271,347	207,688	92,010	130,254	35,665	19,587
Grand Total	98,430	103,942	427,687	647,257	536,694	233,465	363,035	89,017	47,341

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	1CancMP				1SUP_AD		1SUP Oth	1MISC	INTL
	1Bulk pr	P	1SCAN	1EEQMT	Window	M			
1st L&P	528	74,628	2,398	264	0	2,940	0	5,899	3,858
PvtCds	25	1,807	4	0	0	79	0	259	137
PostalCds	0	37	0	0	0	0	0	0	0
PreL	1,010	2,590	784	0	0	493	0	418	514
PreCds	67	75	0	0	0	30	0	109	0
Priority	93	2,833	4,051	0	0	76	0	489	755
Express	0	40	845	54	0	106	0	182	396
2nd IC	0	2	0	57	0	28	0	2	3
2nd NP	0	43	0	0	0	0	0	125	12
2nd CL	0	0	0	0	0	0	0	1	0
2nd Reg	69	381	96	68	0	29	0	165	356
3rd SP	72	501	49	0	0	42	0	129	63
BRCRT	140	332	53	0	0	86	0	124	42
BRO	149	1,079	108	375	0	461	0	807	531
NPCRT	0	40	0	0	0	0	0	49	0
NPO	181	516	0	0	0	33	0	449	155
4th ZPP	0	402	3	62	0	125	0	129	80
BPM	31	72	59	0	0	0	0	14	0
SPC	0	76	0	0	0	0	0	0	0
LIB	0	74	0	0	0	0	0	0	15
Mailgrams	0	0	0	0	0	0	0	0	0
Free	0	76	0	51	0	0	0	0	69
Intl	4	948	65	0	0	92	0	610	28,611
USPS	0	640	12	0	0	221	0	387	136
Registry	0	0	176	0	0	197	0	375	3,236
Certified	0	0	0	0	0	109	0	72	34
Insurance	0	0	0	0	0	0	0	0	0
COD	0	0	0	0	0	75	0	0	0
Sp Delvry	0	0	0	0	0	2	0	0	0
Oth Ssv	0	1,529	56	0	0	341	0	463	10
Total Direct Mail	2,368	88,721	8,761	930	0	5,566	0	11,258	39,014
Mixed Mail									
530J	0	35	123	0	0	0	0	0	0
5302	0	0	87	0	0	0	0	65	24
5303	0	0	84	0	0	0	0	0	16
5331	0	40	1	0	0	0	0	0	0
5340	0	29	0	0	0	0	0	0	0
5341	0	0	1	0	0	0	0	0	0
5345	0	0	0	0	0	0	0	0	0
5460	0	38	0	0	0	0	0	0	291
5461	0	0	0	0	0	0	0	0	295
5610	200	13,889	528	60	0	1,139	0	6,085	2,998
5620	0	2,096	200	59	0	270	0	2,057	1,187
5700	107	217	319	252	0	79	0	296	1,854
5750	1,766	30,017	20,410	5,430	0	4,788	0	17,618	11,967
Total Mixed Mail	2,073	46,361	21,753	5,801	0	6,275	0	26,121	18,632
Other									
5020	0	0	0	0	0	0	0	0	0
5040	209	227	44	0	0	386	0	80	438
5050	0	0	0	0	0	0	0	0	38
5060	0	0	0	0	0	0	0	0	0
5070	0	0	0	0	0	34	0	0	0
5080	43	0	0	0	0	0	0	0	38
5090	0	0	0	0	0	0	0	0	0
5110	0	0	0	0	0	0	0	0	0
5120	0	0	0	0	0	0	0	0	0
5130	0	0	0	0	0	0	0	0	0

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	1CancMP		1SUP_AD					1MISC	INTL	
	1Bulk pr	P	1SCAN	1EEQMT	Window	M	1SUP Oth			
5170	0	0	0	0	0	0	63	0	0	0
5180	0	0	0	0	0	0	0	0	0	0
6000	0	37	0	0	0	0	34	0	0	71
6010	85	97	0	0	0	0	321	0	312	225
6020	0	46	0	0	0	0	0	0	57	0
6030	0	0	0	0	0	0	30	0	57	73
6040	57	0	0	0	0	0	70	0	44	116
6045	0	0	0	0	0	0	0	0	0	0
6050	0	0	0	0	0	0	0	0	0	0
6070	0	0	0	0	0	0	0	0	0	0
6073	0	0	0	0	0	0	0	0	0	0
6080	0	0	0	0	0	0	48	0	0	0
6110	0	0	0	0	0	0	0	0	0	0
6120	0	0	0	0	0	0	56	0	0	0
6130	0	0	0	0	0	0	0	0	0	0
6140	0	0	0	0	0	0	0	0	0	0
6170	95	92	0	0	0	0	407	0	398	490
6180	0	0	0	0	0	0	0	0	0	0
6200	26	0	0	0	0	0	0	0	0	39
6210	96	485	1,527	122	0	0	386	0	461	1,262
6220	0	0	0	0	0	0	0	0	57	0
6230	0	116	67	63	0	0	278	0	310	1,121
6231	0	38	408	107	0	0	119	0	794	2,177
6240	0	1,246	54	19	0	0	370	0	1,202	21
6270	0	0	0	0	0	0	0	0	0	0
6320	0	0	0	286	0	0	412	0	513	52
6330	0	178	0	0	0	0	212	0	491	43
6420	0	35	52	242	0	0	415	0	671	178
6430	70	149	90	0	0	0	643	0	1,818	195
6460	0	0	0	59	0	0	48	0	44	0
6480	0	45	0	49	0	0	764	0	2,096	119
6495	62	0	0	75	0	0	156	0	257	49
6500	0	40	0	0	0	0	715	0	504	0
6511	0	0	0	0	0	0	81	0	65	5
6512	0	0	0	0	0	0	41	0	66	0
6514	0	0	0	0	0	0	0	0	63	0
6516	0	0	3	57	0	0	245	0	200	0
6519	25	108	58	182	0	0	1,969	0	2,682	157
6521	1,754	28,707	8,135	3,670	0	0	5,262	0	10,337	13,321
6522	152	3,157	790	550	0	0	1,238	0	1,456	974
6523	993	14,959	4,168	25,128	0	0	1,240	0	6,516	4,886
6570	0	114	63	91	0	0	564	0	346	69
6580	0	544	0	0	0	0	915	0	789	42
6610	0	141	20	51	0	0	6,067	0	4,193	146
6620	0	174	813	135	0	0	1,508	0	804	398
6630	333	2,338	1,304	1,425	0	0	67,852	0	26,296	2,112
6640	0	0	0	0	0	0	566	0	76	0
6650	31	0	0	117	0	0	1,466	0	598	172
6660	0	0	0	51	0	0	1,040	0	705	5
Total Other	4,029	53,073	17,595	32,478	0	96,023	0	65,358	29,029	
Grand Total	8,470	188,154	48,109	39,210	0	107,864	0	102,737	86,675	

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	Total MODS	SSM	Allied	PSM	SPB	NMO	Platform	Total BMCs
1st L&P	1,897,267	70	841	444	521	0	98	1,974
PvtCds	59,944	0	36	0	0	0	0	36
PostalCds	1,047	0	0	0	0	0	0	0
PreL	388,735	70	0	0	102	0	59	231
PreCds	17,634	0	0	0	0	0	0	0
Priority	119,829	0	230	275	52	40	65	662
Express	16,760	0	0	0	0	0	8	8
2nd IC	4,188	7	5	0	9	0	8	29
2nd NP	25,191	360	334	1	296	0	316	1,307
2nd CL	1,072	66	104	0	2	0	69	242
2nd Reg	137,847	2,402	1,179	68	646	129	1,164	5,587
3rd SP	24,611	204	1,716	1,845	693	40	491	4,989
BRCRT	67,151	1,498	1,815	526	876	214	1,341	6,270
BRO	487,308	6,577	15,656	17,819	11,620	1,903	5,406	59,080
NPCRT	7,854	58	225	61	82	40	95	561
NPO	131,545	987	2,839	1,056	2,347	292	811	8,331
4th ZPP	17,078	1,859	8,120	9,723	2,293	3,848	4,551	30,394
BPM	9,284	460	3,275	8,299	799	619	1,522	14,974
SPC	7,325	688	3,556	12,477	1,066	496	1,233	19,517
LIB	2,137	209	740	1,851	175	580	398	3,953
Mailgrams	49	0	0	0	0	0	0	0
Free	2,635	0	204	448	201	0	30	883
Intl	72,364	758	3,276	3,888	1,449	345	860	10,576
USPS	28,097	115	400	287	154	338	197	1,491
Registry	14,153	0	130	0	0	0	0	130
Certified	3,768	0	0	0	0	0	0	0
Insurance	123	0	10	0	0	0	0	10
COD	429	0	0	0	0	0	0	0
Sp Delvry	135	0	0	0	0	0	0	0
Oth SSv	34,198	0	104	54	0	0	8	166
Total Direct Mail	3,579,758	16,487	44,795	59,120	23,382	8,884	18,730	171,399
Mixed Mail								
5361	1,281	0	36	0	0	0	0	36
5302	1,824	0	0	0	0	0	0	0
5303	366	0	0	0	0	0	0	0
5331	388	70	0	0	14	0	34	118
5340	6,580	70	179	0	154	0	0	403
5341	709	70	44	0	57	0	281	452
5345	290	0	114	0	0	0	70	183
5460	1,264	137	107	145	85	87	127	688
5461	514	0	81	115	15	0	59	270
5610	544,402	0	1,535	0	0	0	95	1,630
5620	196,879	0	675	0	0	0	131	806
5700	46,108	0	8,701	15,399	1,457	3,736	1,074	30,367
5750	866,454	12,580	44,334	0	13,034	3,619	52,186	125,752
Total Mixed Mail	1,667,060	12,927	55,805	15,659	14,816	7,442	54,055	160,704
Other								
5020	335	0	0	0	0	0	0	0
5040	9,238	0	0	0	0	0	0	0
5050	176	0	0	0	0	0	0	0
5060	8	0	0	0	0	0	0	0
5070	266	0	0	0	0	0	0	0
5080	835	0	0	0	0	0	0	0
5090	8	0	0	0	0	0	0	0
5110	191	0	0	0	0	0	0	0
5120	8	0	0	0	0	0	0	0
5130	122	0	0	0	0	0	0	0

Third attachment, Response to TWJSPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	Total MODS	SSM	Allied	PSM	SPB	NMO	Platform	Total BMCs
5170	1,355	0	0	0	0	0	0	0
5180	90	0	0	0	0	0	0	0
6000	1,704	0	0	0	0	0	0	0
6010	6,719	0	0	0	0	0	0	0
6020	3,714	0	0	0	0	0	0	0
6030	2,361	0	0	0	0	0	0	0
6040	887	0	0	0	0	0	0	0
6045	266	0	0	0	0	0	0	0
6050	63	0	0	0	0	0	0	0
6070	429	0	0	0	0	0	0	0
6073	119	0	0	0	0	0	0	0
6080	185	0	0	0	0	0	0	0
6110	273	0	0	0	0	0	0	0
6120	237	0	0	0	0	0	0	0
6130	101	0	0	0	0	0	0	0
6140	7	0	0	0	0	0	0	0
6170	10,678	0	0	0	0	0	0	0
6180	248	0	0	0	0	0	0	0
6200	759	0	0	0	0	0	0	0
6210	77,738	0	0	0	0	0	4,773	4,773
6220	1,007	0	0	0	0	0	0	0
6230	13,851	0	115	0	0	0	0	115
6231	22,669	0	33	0	0	0	0	33
6240	11,879	0	668	0	0	0	0	668
6270	0	0	0	0	0	0	0	0
6320	3,702	0	0	0	0	0	0	0
6330	4,248	0	0	0	0	0	0	0
6420	8,902	0	404	0	0	0	0	404
6430	17,352	0	35	0	0	0	0	35
6450	1,229	0	0	0	0	0	0	0
6480	6,285	0	0	0	0	0	0	0
6495	2,040	0	0	0	0	0	0	0
6500	1,533	0	0	0	0	0	0	0
6511	3,883	0	0	0	0	0	0	0
6512	455	0	0	0	0	0	0	0
6514	63	0	0	0	0	0	0	0
6516	5,741	0	0	0	0	0	0	0
6519	10,446	0	0	0	0	0	0	0
6521	1,176,887	0	0	0	0	0	101	101
6522	157,220	0	0	0	0	0	0	0
6523	689,331	1,076	23,309	919	8,385	3,316	15,807	52,811
6570	59,347	0	74	0	0	0	0	74
6580	12,407	0	39	0	0	0	0	39
6610	13,191	0	0	0	0	0	0	0
6620	10,921	0	0	0	0	0	0	0
6630	214,814	0	0	0	0	0	0	0
6640	1,250	0	0	0	0	0	0	0
6650	4,759	0	0	0	0	0	0	0
6650	2,952	0	0	0	0	0	0	0
Total Other	2,577,505	1,076	24,678	919	8,385	3,316	20,682	59,055
Grand Total	7,824,322	30,490	125,278	75,698	46,583	19,642	93,467	391,158

Third attachment, Response to TW/USPS-T12-3

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	Outgoing	Incoming	Transit	Other	Total Non-MODS	Grand Total
1st L&P	73,921	430,955	2,390	59,660	566,926	2,466,167
PVCds	2,025	14,278	134	1,898	18,335	78,315
PostalCds	165	408	0	42	615	1,662
PreL	14,433	121,113	1,103	13,139	149,788	538,754
PreCds	739	4,119	88	498	5,445	23,079
Priority	4,498	32,159	0	4,919	41,576	162,067
Express	1,394	5,350	371	976	8,091	24,858
2nd IC	340	2,965	0	200	3,505	7,722
2nd NP	527	8,497	43	914	9,981	36,478
2nd CL	1	739	0	47	787	2,101
2nd Reg	4,698	49,082	0	5,127	58,907	202,342
3rd SP	1,785	5,389	0	829	8,003	37,603
BRCRT	2,700	41,033	0	2,931	46,664	120,085
BRO	18,703	167,059	205	17,380	203,347	749,735
NPCRT	242	3,173	26	317	3,757	12,172
NPO	4,172	32,971	304	4,332	41,778	181,653
4th ZPP	853	8,376	160	814	10,203	57,674
BPM	650	6,178	130	458	7,416	31,673
SPC	478	4,167	68	362	5,076	31,918
LIB	353	554	0	87	994	7,084
Mailgrams	0	0	0	1	1	50
Free	174	319	0	92	585	4,103
Intl	1,576	2,593	13	2,112	6,295	89,235
USPS	2,407	6,540	69	979	9,996	39,583
Registry	829	4,641	78	1,424	6,973	21,256
Certified	849	8,825	0	528	10,202	13,970
Insurance	44	355	0	16	415	547
COD	68	1,014	0	55	1,137	1,566
Sp Delvry	0	0	0	11	11	146
Oth SSv	1,965	13,116	0	1,496	16,576	50,940
Total Direct Mail	140,589	975,966	5,183	121,646	1,243,385	4,994,541
Mixed Mail						
5301	143	145	0	47	335	1,652
5302	14	95	0	59	169	1,993
5303	0	0	0	11	11	377
5331	38	86	0	16	140	645
5340	255	2,483	0	248	2,986	9,969
5341	0	155	0	25	181	1,342
5345	0	57	0	10	67	540
5460	13	43	0	39	96	2,047
5461	14	0	0	16	30	814
5610	13,346	66,769	256	15,063	95,434	641,465
5620	4,028	24,986	0	5,634	34,648	232,334
5700	1,992	11,838	0	1,907	15,737	92,213
5750	42,322	89,311	1,591	29,216	162,440	1,154,646
Total Mixed Mail	62,167	195,970	1,847	52,290	312,274	2,140,038
Other						
5020	0	0	0	17	17	352
5040	0	0	0	436	436	9,674
5050	0	0	0	9	9	185
5060	0	0	0	1	1	9
5070	0	0	0	18	18	283
5080	0	0	0	34	34	869
5090	0	0	0	2	2	10
5110	0	0	0	9	9	200
5120	0	0	0	9	9	17
5130	0	0	0	5	5	127

Costs from USPS-T12, Table 6, by cost pool and subclass/activity code

Subclass/Activity Code	Outgoing	Incoming	Transit	Other	Total Non-MODS	Grand Total
5170	0	0	0	50	50	1,405
5180	0	0	0	3	3	92
6000	0	0	0	97	97	1,801
6010	0	0	0	318	318	7,037
6020	0	0	0	151	151	3,866
6030	0	0	0	105	105	2,486
6040	0	0	0	48	48	935
6045	0	0	0	20	20	286
6050	0	0	0	5	5	68
6070	0	0	0	27	27	456
6073	0	0	0	15	15	134
6080	0	0	0	13	13	198
6110	0	0	0	12	12	285
6120	0	0	0	24	24	261
6130	0	0	0	8	8	109
6140	0	0	0	1	1	9
6170	0	0	0	804	804	11,481
6180	0	0	0	14	14	263
6200	0	0	0	49	49	808
6210	14,156	6,313	690	3,186	24,345	106,856
6220	90	13	341	88	533	1,540
6230	1,379	7,407	87	1,852	10,725	24,692
6231	1,213	2,498	105	1,242	5,058	27,760
6240	1,751	4,864	0	677	7,292	19,838
6270	0	0	0	2	2	2
6320	0	0	0	210	210	3,912
6330	0	0	0	208	208	4,455
6420	0	3,887	0	665	4,552	13,858
6430	1,051	13,157	0	1,632	15,840	33,228
6460	0	0	0	47	47	1,276
6480	66	0	0	191	257	6,542
6495	0	0	0	65	65	2,105
6500	0	0	0	49	49	1,582
6511	0	0	0	26	26	3,909
6512	0	0	0	11	11	465
6514	0	0	0	2	2	65
6516	0	0	0	51	51	5,792
6519	0	0	0	329	329	10,775
6521	0	0	0	36,326	36,326	1,213,314
6522	0	0	0	4,353	4,353	161,573
6523	25,199	83,296	1,439	22,249	132,182	874,325
6570	1,410	3,303	320	1,883	6,915	66,336
6580	267	8,876	0	951	10,094	22,540
6610	0	0	0	468	468	13,660
6620	0	0	0	461	461	11,382
6630	0	0	0	8,078	8,078	222,892
6640	0	0	0	77	77	1,326
6650	0	0	0	415	415	5,174
6660	0	0	0	118	118	3,070
Total Other	46,582	133,613	2,981	88,215	271,392	2,907,951
Grand Total	249,338	1,305,550	10,011	262,151	1,827,050	10,042,530

**Response of United States Postal Service Witness Degen
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TW/USPS-T12-4.

- a. Please provide a precise definition of the terms "not-handling tallies", "not-handling-mail costs" and "not handling costs" as the terms are used in your testimony and in LR-H-146. In particular, specify the IOCS activity codes corresponding to these terms. If there are cases when an IOCS activity code may or may not indicate a not-handling tally, please explain fully.
- b. If on a tally taken at a MODS office the IOCS activity code is 5610 (mixed letters) and the MODS number is 175 (manual flats incoming secondary), which cost pool will the tally be assigned to?
- c. If on a tally taken at a MODS office the IOCS activity code is 5620 (mixed flats) and the MODS number is 060 (manual letters outgoing primary), which cost pool will the tally be assigned to?
- d. If on a tally taken at a MODS office the IOCS activity code is 5750 (mixed all shapes) and the tally does not have a valid MODS number, which cost pool will the tally be assigned to?
- e. If on a tally taken at a MODS office the IOCS activity code is 6521 (breaks, personal needs) and the tally does not have a valid MODS numbers, which cost pool will the tally be assigned to?

TW/USPS-T12-4. Response:

- a. Please see LR-H-146, at II-7, for a formal definition of handling and not-handling tally categories. Also see the source code to program MOD1DIR, lines 12-32. As employed in the testimony (see USPS-T-12, at 10) and LR-H-146, the terms "not-handling-mail costs" and "not handling costs" generally refer to dollar weights of IOCS not-handling tallies. The "distributed not-handling costs" for a given cost pool are the distributed IOCS tally dollars for the not-handling-mail tallies associated

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with the cost pool and are used to form distribution keys for the cost pool dollars. The first attachment to the response to TW/USPS-T12-3 lists the activity codes observed in tallies classified as not-handling-mail under the new methodology.

- b. A tally with MODS number 175 will be assigned to the manual flats cost pool. The IOCS activity code is not used to assign tallies to cost pools. The 5610 activity code is assigned based on the IOCS Question 19 response which, as discussed in the response to TW/USPS-T12-2, should not have precedence over the MODS operation number.
- c. A tally with MODS number 060 will be assigned to the manual letters cost pool.
- d. The cost pool cannot be determined from the scenario described. When no MODS number is associated with a tally, the cost pool assignment is based on IOCS Question 19 responses, if possible. See the source code to program MOD1POOL, lines 297001-413001 for details.
- e. Please see the response to part (d), above.

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TW/USPS-T12-5. Please describe how information on "basic function" and facility size (CAG) available on IOCS tallies was used in your new methodology for distributing clerk and mailhandler costs. Additionally, please respond to the following questions.

- a. In distributing the costs associated with IOCS activity codes 5300-5750 and 6521-6523 within each MODS cost pool, did you make any use of the "basic function" data recorded by IOCS clerks? If yes, please describe how you used this information. If no, please explain why you chose not to use it.**
- b. In distributing the costs associated with IOCS activity codes 5300-5750 and 6521-6523 within each BMC cost pool, did you make any use of the "basic function" data recorded by IOCS clerks? If yes, please describe how you used this information. If no, please explain why you chose not to use it.**
- c. In distributing the costs associated with IOCS activity codes 5300-5750 and 6521-6523 for non-MODS, non-BMC facilities, did you make any use of the "basic function" data recorded by IOCS clerks? If yes, please describe how you used this information. If no, please explain why you chose not to use it.**
- d. In distributing the costs associated with IOCS activity codes 5300-5750 and 6521-6523 within each MODS cost pool, did you make any use of the facility size (CAG) data recorded by IOCS clerks? If yes, please describe how you used this information. If no, please explain why you chose not to use it.**
- e. In distributing the costs associated with IOCS activity codes 5300-5750 and 6521-6523 within each BMC cost pool, did you make any use of the facility size (CAG) data recorded by IOCS clerks? If yes, please describe how you used this information. If no, please explain why you chose not to use it.**
- f. In distributing the costs associated with IOCS activity codes 5300-5750 and 6521-6523 for non-MODS, non-BMC facilities, did you make any use of the facility size (CAG) data recorded by IOCS clerks? If yes, please describe how you used this information. If no, please explain why you chose not to use it.**

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TW/USPS-T12-5. Response:

"Basic function" is not used to distribute clerk and mailhandler costs for MODS and BMC facilities. The pool of volume variable costs for the non-MODS, non-BMC offices is distributed to basic function using the distribution of IOCS mail processing tally dollars, and distribution keys are formed by basic function, using the treatment of mixed-mail and not-handling-mail tallies described in the testimony. CAG information is not used, except to the extent that the tally dollar weights depend on the tally CAG.

- a. No. The basic function information was not used because the MODS cost pools provide a better and more detailed breakdown of mail processing at MODS facilities for distribution key formation. Please note that activity codes 53XX-54XX are distributing activity codes for the mixed item, mixed container, and not-handling mail steps of the distribution key formation process.**

- b. No. The basic function information was not used because the BMC cost pools provide a better and more detailed breakdown of mail processing at BMCs for distribution key formation.**

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- c. Yes. As explained above and in LR-H-146, non-MODS, non-BMC mail processing cost pools and distribution keys are based on basic function.**

- d. Please see the explanation above. The reasons for not using CAG to form cost pools directly are the same as for basic function.**

- e. Please see the explanation above.**

- f. Please see the explanation above.**

**Response of United States Postal Service Witness Degen
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TW/USPS-T12-6.

- a. Please describe the instructions to IOCS data collectors in FY96 for recording data on mixed mail items and containers and for application of the top piece rule. Please also provide a copy of those instructions and explain all differences between the instructions that applied in FY96 and those that applied in FY93 and were described in the R94-1 rate case (see, e.g. Docket R94-1, USPS-T-4 at 5 and LR-G-12).**
- b. What were the costs associated with (1) counted mixed mail items; (2) uncounted mixed mail items; and (3) mixed mail containers under your new FY96 attribution methodology?**
- c. Please describe how your treatment of tallies representing counted mixed mail items, uncounted mixed mail items and mixed mail containers differs from the treatment that was used in FY93 and described in the R94-1 rate case, as well as the rationale for making any changes. Additionally, please describe any difference between your new method and the method applied in the FY96 CRA and, if applicable, the rationale behind changes made.**
- d. Are the costs associated with counted and uncounted mixed mail items and mixed mail containers included under the direct costs distributed to subclasses and special services in Table 6 of your testimony? If no, please specify which portion of the costs for each tally type is included under subclass and special service costs and which portion is included under mixed mail in Table 6.**
- e. Is the distribution of uncounted mixed mail item tallies based on data for counted mixed mail items? If no, please describe how the distribution was done.**
- f. Is the distribution of uncounted mixed mail items performed separately within each cost pool, based on counted mixed mail items from the same cost pool, or based on counted item data from all cost pools? Please explain.**
- g. Is the distribution of uncounted mixed mail item tallies based on data for counted mixed mail items of the same item type only? If no, please describe how the distribution was done.**

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- h. In LR-H-146, at page II-3, the last sub-step listed under Step 1 is:
"Construct piece shape/item type distribution factors for Step 2, based on direct tallies." Please explain which direct tallies were used for this purpose and provide a table, in spreadsheet form, showing the piece shape/item type distribution factors that were constructed. Additionally, please explain which of these factors were used to distribute uncounted mixed mail item tallies and which were used to distribute mixed mail container tallies.**
- i. Please provide a table, in spreadsheet form, showing the attributed costs associated with counted mixed mail items, uncounted mixed mail items and mixed mail containers per item and container type and by cost pool.**
- j. Please provide a table, in spreadsheet form, showing the attributed costs associated with counted mixed mail items, uncounted mixed mail items and mixed mail containers per item and container type and by mail subclass.**
- k. At page II-3, LR-H-146 says:**

"Distributing sets consist of records with a mail or special service activity code (F262 = 1000-4950, 53XX-54-XX, and 0010-0300 for specified situations) and distributed sets consist of those without."

Please explain how tallies with activity code 53XX-54XX are distributed to individual mail subclasses and whether costs corresponding to such tallies appear as "direct" or "mixed" costs in Table 6 of your testimony.

TW/USPS-T12-6. Response:

- a. The instructions for IOCS Questions 21 and 22, are contained in section 12 of LR-SSR-12, Docket No. MC96-3.**
- b. Please consult LR-H-219, which will be filed shortly. Note that for this analysis, "uncounted mixed mail items" includes empty items, since**

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these are treated identically. The analysis of "mixed mail containers" is of "identified" containers.

- c. I am informed that the treatment of counted mixed-mail items is the same in the FY 1996 CRA as in the base year for the R94-1 rate case. The treatment of counted mixed-mail items in BY 1996 is similar to that used in FY 1996 in the sense that the counted item information is combined with identical mail and top piece rule items to form a distribution key for the uncounted mixed-mail item dollars. There are a number of significant changes introduced in the new methodology. These changes are described in my testimony, USPS-T-12, at 9-10, and in LR-H-146. The rationale for these changes is that item and container type, cost pool, and data container contents (where available) contain more and better information for the mixed-mail distribution than basic function, CAG, and the mixed-mail activity codes.
- d. Tallies for counted items are divided into several records corresponding to each of the subclasses of mail observed in the counted item, and assigned the appropriate direct activity codes. These are treated as direct tallies for compilation of Table 6. Uncounted item and mixed-mail container tallies have mixed-mail activity codes and are thus included in

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the mixed-mail line of Table 6.

- e. **Yes. Counted mixed-mail items and other direct item tallies are combined to form distribution keys for uncounted mixed-mail item tallies. Please see USPS-T-12 at 9 (lines 8-11).**

- f. **Yes. Please see USPS-T-12 at 9 (lines 10-13).**

- g. **Yes. Please see USPS-T-12 at 9 (lines 10-13).**

- h. **The direct tallies for the shape distribution factors are direct tallies handling single pieces of mail, by shape and cost pool. The direct tallies for the item type distribution factors are tallies for identical mail and top piece rule items, plus pro-rated tallies for counted mail items. The item type distribution factors are used to distribute both uncounted mixed-mail items and pro-rated tally costs of handling items observed in "identified" mixed-mail containers. The shape distribution factors are used to distribute the pro-rated tally costs of handling loose mail in "identified" mixed-mail containers. Please consult LR-H-219.**

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- i. Please consult LR-H-219.**

- j. Please consult LR-H-219.**

- k. "Tallies with activity code 53XX-54XX" includes some identical mail, top piece rule, and counted mixed-mail items, and the portion of uncounted mixed-mail item tallies, mixed-mail container tallies, and not-handling tallies distributed to those activity codes in the distribution key formation process. These are redistributed to the subclasses of mail in the MOD4DIST program. Please see the answer to TW/USPS-T12-3, part c, for the direct activity codes associated with each subclass of mail. Also see the source code to program MOD4DIST, lines 373-425. In Table 6 of my testimony, these costs appear as "mixed" costs.**

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TW/USPS-T12-7. Please provide a spreadsheet showing the following information in tabular form. For each cost pool, and for each "basic function", specify the "direct" costs attributed to each subclass and special service, consistent with the total "direct" costs for each subclass and special service in Table 6 of your testimony, as well as all costs summarized as "mixed" or "other" in Table 6 of your testimony, by IOCS activity code.

TW/USPS-T12-7. Response:

Please consult the spreadsheet tw-7.xls, filed in LR-H-219. Please note that the volume variable cost pools cannot be disaggregated by basic function using MODS data so this table is an artificial construct in the context of the new costing methodology. To obtain volume variable cost pools disaggregated by basic function, we used the total IOCS tally dollars by cost pool and basic function to distribute the volume variable costs from Table 4 of my testimony.

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TW/USPS-T12-8. The MODS cost pools listed in Table 4 of your testimony include LDC codes 41-44, 48-49 and 79. Please explain which types of operations these codes describe. In particular:

- a. LDC 41 is referred to as "Unit Distribution - Automated". What types of units are being distributed, with what kinds of automation and using what kinds of sortation schemes? Also please explain why this type of operation is specified separately from the other cost pools that denote automated distribution such as OCR, BCS, etc.**
- b. LDC 42 is referred to as "Unit Distribution - Mechanized". What types of units are being distributed, with what kinds of mechanization and using what kinds of sortation schemes? Also please explain why this type of operation is specified separately from the other cost pools that denote mechanized distribution such as LSM, FSM, etc.**
- c. LDC 44 is referred to as "Post Office Box Distribution". What items are distributed to boxes in this operation? Also, please state whether this represents all box distribution in MODS offices, or whether distribution to boxes also occurs as part of other cost pools such as manual letters and manual flats.**
- d. Are these LDC functions all part of mail processing?**
- e. Does each three-digit MODS number correspond to a unique LDC code?**
- f. Are there ranges of one or more three-digit MODS numbers for every LDC code?**
- g. Please provide a table that shows the relationship between all LDC codes and all three-digit MODS numbers used by the Postal Service.**

TW/USPS-T12-8. Response:

Please see LR-H-146, I-32 to I-38. The definitions of LDCs are also contained in the MODS manual (M-32) and the updates thereto; please see LR-H-147. LDC codes 41-43 encompass distribution of mail to carrier route

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at stations, branches, and associate offices. LDC 41 also includes delivery point sequencing. LDC 44 covers distribution of mail to post office box sections or to the post office boxes in stations, branches, and associate offices. The LDC 48 cost pools include administrative work of Customer Services employees, work related to Express Mail and the provision of special services, some markup activities, and bulk mail acceptance in facilities without a specialized acceptance staff. LDC 49 encompasses non-supervisory work in Computerized Forwarding System (CFS) units. LDC 79 encompasses non-supervisory work in mailing requirements, bulk mail acceptance, presort verification, and other revenue protection activities.

- a. The term "unit" refers to the carrier unit in a station, branch, or associate office. The MODS codes associated with the LDC 41 cost pool are related to automated secondary distribution (i.e., distribution to carrier route) and tertiary distribution (delivery point sequencing, DPS). It is my understanding that this sortation is performed on the Carrier Sequence Barcode Sorter (CSBCS) and that the equipment is primarily used for DPS. See USPS-T-4 at 7 for a description of the CSBCS. The main reason to specify this pool separately from the BCS pool is to allow for differences in variability and the mail class distribution of delivery point barcoded mail being worked in the stations and branches, and barcoded

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mail worked in the plants.

- b. See (a) above for the meaning of the term "unit." LDC 42 is mechanized distribution of letters and flats to carrier route. The reason to separate this pool from the LSM and FSM pool are the same as those given in (a).
- c. LDC 44 includes distribution of letters, flats, IPPs, and parcel post to box sections and actual post office boxes in stations, branches, and associate offices. Other distribution-related cost pools such as manual letters, manual flats, BCS, and so on, include MODS codes for sortation to box section at plants.
- d. Yes. The borderline case is the LD48_Adm cost pool, but since this pool has a variability factor of zero, it does not enter into the distributed variable costs for the mail processing cost component.
- e. With respect to clerks and mailhandlers, each MODS code is associated with a single LDC. Some MODS codes may be assigned to different LDCs when the employee is a supervisor.

**Response of United States Postal Service Witness Degen
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- f. Yes, for each non-vacant mail processing LDC code there is a corresponding range of MODS codes.**

- g. Please see Witness Bradley's Testimony, USPS-T-14, Exhibit 14A.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

TW/USPS-T12-9. Please refer to your answer to TW/USPS-T12-6b.

- a. Please explain what you mean by the term "identified containers" and describe the IOCS information that identifies these containers.**
- b. Are there also tallies for "unidentified" containers? If yes, describe the IOCS activity codes used for "unidentified" containers. Also, please provide the costs associated with "unidentified" containers by activity code and cost pool.**
- c. LR-H-219 shows \$358.811 million, \$56.720 million and \$23.356 million in mixed container costs for MODS, BMC, and Non-MODS facilities respectively. Do these include any costs of handling empty containers? If yes, please identify the portion of these costs, for each type of container and facility, that represents empty container handling.**
- d. LR-H-219 shows \$235.213 million, \$37.939 million and \$20.647 million in uncounted mixed mail item costs for MODS, BMC, and Non-MODS facilities respectively. You state that these include empty items. Please identify the portion of these costs, for each type of item and facility, that represents empty items.**
- e. Spreadsheet TW-3E in LR-H-219 shows \$689.331 million, \$52.811 million and \$132.182 million in activity code 6523 (empty equipment) costs for MODS, BMC, and Non-MODS facilities respectively. Are any of these costs distributed as either mixed item or mixed container costs? If yes, please identify the portion of 6523 costs that are distributed as mixed item or container costs respectively, by cost pool. If no, please describe the activity codes that in the TW-3E, and TW-7 spreadsheets represent empty item and container costs that are distributed with uncounted mixed items and containers.**

TW/USPS-T12-9 Response.

- a. "Identified containers" are mixed-mail containers for which the data collector entered numerical percentages of container volume (cube) occupied by shapes of loose mail and/or items in response to IOCS question 21d. At least one of the percentages must be a positive number. This is determined using IOCS variables F9901-F9919, F9420,**

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and F9421. Please see the source code to program MOD1DIR, lines 136-153, LR-H-146.

- b. "Unidentified" containers are containers which do not contain identical mail (in which case a direct activity code should be assigned to the tally), the contents of which (if any) were not "identified" by the data collector per my response to part a. Empty containers are included in this set. Please see Attachment 1 to this response for the requested tables.
- c. No. I am informed that the referenced LR-H-219 mixed container costs are for identified containers only and therefore do not include empty equipment costs.
- d. Please see Attachment 2 to this response.
- e. Yes. Please see Attachment 3 to this response. I am informed that activity code 6523 can be assigned in two basic ways. The employee may be observed handling an item or container which is determined to be empty by the data collector. Or, if the employee is not handling a piece of mail, an item, or a container, some question 18 responses will cause the tally to be assigned activity code 6523 by program ALB040, LR-H-21.

FY 96 MODS 1&2 Offices - Volume-Variable Costs for
 Unidentified' Containers
 by Activity Codes and Cost Pool

TABLE OF ACTV BY POOL

ACTV	POOL	Frequency	bcs/	express	fsm/	lsm/	manf	manl	manp	meccparc	ocr/	priority	Total
5610		1291.8	0	202.76	1351.2	0	2285.1	0	0	744.46	0	14575	
5620		0	0	1054.9	0	718.84	0	0	0	0	0	2413.4	
5700		0	0	98.236	0	0	0	23.766	46.011	0	41.225	1151.3	
5750		0	30.153	0	0	230.69	559.65	0	0	0	242.98	17368	
6480		0	0	0	0	0	0	0	0	0	0	57.244	
6516		0	0	0	0	0	0	0	0	0	0	9.7894	
6523		18274	523.02	17312	5471.2	11994	11968	1776.9	571.88	4412	4179.8	277964	
6630		0	0	0	0	0	0	0	0	0	0	76.852	
Total		19566.1	553.169	18667.4	6822.41	12943.3	14812.9	1800.66	617.891	5156.42	4463.97	313615	

(Continued)

TABLE OF ACTV BY POOL

ACTV	POOL											Total
Frequency	spbs Oth	spbsPrio	BusReply	INTL	LD15	LD41	LD42	LD43	LD44	LD48	Oth	Total
5610	31.632	0	0	38.337	4023.6	38.466	0	2728	0	13.809		14575
5620	0	0	0	0	0	0	16.052	294.96	0	0		2413.4
5700	30.666	51.981	0	75.926	0	0	0	0	0	12.193		1151.3
5750	288.35	72.851	73.104	25.207	2146.7	0	0	491.39	40.171	0		17368
6480	0	0	0	0	0	0	0	0	0	0		57.244
6516	0	0	0	0	0	0	0	0	0	0		9.7894
6523	4726.1	1940	370.95	1525	12662	188.86	0	13305	979.63	499.35		277964
6630	0	0	0	0	0	0	0	0	0	0		76.852
Total	5076.76	2064.81	444.054	1664.47	18832.4	227.328	16.0518	16818.9	1019.8	525.357		313615

(Continued)

FY 96 MODS 1&2 Offices - Volume-Variable Costs for
 Unidentified Containers
 by Activity Codes and Cost Pool

TABLE OF ACTV BY POOL

ACTV	POOL											Total
Frequency	LD48	SSv	LD49	LD79	Registry	REWRAP	Bulk pr	CancMPP	EEQMT	MISC	OPbulk	
5610	9.3118	0	0	0	0	0	0	482.02	0	65.658	58.484	14575
5620	0	0	0	0	0	0	0	0	0	65.658	0	2413.4
5700	0	0	0	0.5245	0	0	0	0	0	0	76.218	1151.3
5750	0	142.49	0	13.148	0	29.526	977.93	61.926	1078.9	823.3	17368	
6480	0	0	57.244	0	0	0	0	0	0	0	0	57.244
6516	0	0	0	9.7894	0	0	0	0	0	0	0	9.7894
6523	166.24	2572.9	1360.5	432.32	167.56	399.28	7597.8	5113.5	2249.8	16844	277964	
6630	0	0	40.238	0	0	0	0	0	0	0	0	76.852
Total	175.556	2715.34	1457.97	455.785	167.555	428.803	9057.79	5175.45	3460	17801.5	313615	

(Continued)

TABLE OF ACTV BY POOL

ACTV	POOL	Frequency	1OPpref	1Platfrm	1POUCHNG	1SackS_h	1SackS_m	1SCAN	1SUPPORT	Total
5610		441.35	41.449	728.02	0	0	0	0	0	14575
5620		96.395	0	166.59	0	0	0	0	0	2413.4
5700		284.1	322.01	2.7476	0	85.704	0	0	0	1151.3
5750		2011.3	5769.5	1395.2	171.99	343.78	223.68	123.71		17368
6480		0	0	0	0	0	0	0	0	57.244
6516		0	0	0	0	0	0	0	0	9.7894
6523		38232	54964	22961	6163.2	3238.2	2253	570.03		277964
6630		0	0	0	0	0	0	36.613		76.852
Total		41065.2	61096.7	25253.3	6335.17	3667.69	2476.7	730.351		313615

FY 96 BMCS - Volume-Variable Costs for
 Unidentified Containers
 By activity code and Cost Pool

TABLE OF ACTV BY POOL

ACTV	POOL							Total
Frequency	nmo	psm	spb	ssm	Othr	Pla		
5610	0	0	0	0	0	0	28.42	28.42
5700	0	0	109.93	0	87.914	0		197.84
5750	0	0	144.46	48.569	2998.4	1628.7		4820.1
6523	719.57	391.81	3641.8	54.234	9948.4	6281.9		21038
Total	719.574	391.809	3896.19	102.803	13034.7	7939.05		26084.1

FY 96 NONMODS - Volume-Variable Costs for
 Unidentified Containers
 By Activity and Basic Function

TABLE OF ACTV BY POOL

ACTV	POOL					Total
Frequency	incoming	outgoing	transit	Other		
5610	2861.1	0	0	0		2861.1
5620	958.51	0	0	0		958.51
5700	346.06	0	0	0		346.06
5750	2523.9	819.73	0	387.14		3730.8
6523	34033	11834	1075.7	4243.5		51187
Total	40723	12653.6	1075.71	4630.66		59083

FY 96 MODS 142 Offices - Volume-Variable Costs for

Uncounted Mixed Mail Items (incl. empty)
and Mixed Mail 'Identified' Containers
by f9215

----- IS THE ITEM EMPTY=Y -----

TABLE OF TYPE BY MIXCATG

TYPE	MIXCATG	
Frequency	(mx_items)	Total
sckB_O	1970.8	1970.8
sckBwn	6070.3	6070.3
sckGrn	4536.5	4536.5
sckInt	930.14	930.14
sckO_Y	6959.2	6959.2
sckOth	2287.7	2287.7
sckWh1	5526.3	5526.3
sckWh2	10072	10072
sckWh3	4973.2	4973.2
tray_F	43108	43108
tray_L	78965	78965
tray_P	2588.4	2588.4
ConCon	4149.4	4149.4
Othr_I	6070.7	6070.7
Pallet	4724.6	4724.6
Total	182933	182933

FY 96 BMCS - Volume-Variable Costs for
 Counted and Uncounted Mixed Mail Items (incl.empty)
 and Mixed Mail 'Identified' Containers
 by f9215

----- IS THE ITEM EMPTY=Y -----

TABLE OF TYPE BY MIXCATG

TYPE	MIXCATG	
Frequency	mx_items	Total
sckBwn	352.05	352.05
sckInt	12.83	12.83
sckO_Y	31.88	31.88
sckOth	133.35	133.35
sckWh1	4911.6	4911.6
sckWh2	2062.7	2062.7
sckWh3	1240.2	1240.2
tray_F	623.44	623.44
tray_L	392.82	392.82
tray_P	117.73	117.73
Othr_I	512.26	512.26
Pallet	2507.5	2507.5
Total	12898.4	12898.4

FY 96 NONMODS - Volume-Variable Costs for
 Counted and Uncounted Mixed Mail Items (incl. empty)
 and Mixed Mail 'Identified' Containers
 by f9215

----- IS THE ITEM EMPTY=Y -----

TABLE OF TYPE BY MIXCATG

TYPE	MIXCATG	Frequency	mx_items	Total
sckB_O		88.037		88.037
sckBwn		1223.6		1223.6
sckGrn		1261.4		1261.4
sckO_Y		589.94		589.94
sckOth		948.77		948.77
sckWh1		1580		1580
sckWh2		2034.1		2034.1
sckWh3		2170.8		2170.8
tray_F		6751.9		6751.9
tray_L		12459		12459
tray_P		104.98		104.98
ConCon		911.23		911.23
Othr_1		1419.9		1419.9
Pallet		855.25		855.25
Total		32399.4		32399.4

Attachment 3 - TW/USPS-T12-9
Proportion of Activity Code 6523 Costs by Cost Pool and Handling Category

Cost Pool	Handling Item	Handling Container	Not-Handling	Total
manl	36.89%	29.25%	33.85%	100.00%
manf	24.37%	42.02%	33.60%	100.00%
manp	13.64%	56.74%	29.62%	100.00%
mecparc	37.06%	43.08%	19.86%	100.00%
spbs Oth	26.71%	45.12%	28.17%	100.00%
spbs Prio	27.90%	39.59%	32.50%	100.00%
ism/	53.26%	21.63%	25.11%	100.00%
fsm/	35.84%	31.78%	32.39%	100.00%
ocr/	40.73%	28.50%	30.76%	100.00%
bcs/	43.10%	31.27%	25.63%	100.00%
LD41	37.71%	19.70%	42.59%	100.00%
LD42	0.00%	0.00%	100.00%	100.00%
priority	33.32%	37.52%	29.16%	100.00%
express	41.07%	36.93%	22.01%	100.00%
Registry	35.34%	58.48%	6.18%	100.00%
Bus Reply	35.52%	56.07%	8.41%	100.00%
REWRAP	46.54%	26.45%	27.02%	100.00%
MAILGRAM	0.00%	0.00%	100.00%	100.00%
LD48 Exp	100.00%	0.00%	0.00%	100.00%
LD48_Adm	13.63%	34.82%	51.55%	100.00%
LD48 Sp Serv	15.00%	42.13%	42.87%	100.00%
LD48 Oth	10.31%	36.43%	53.26%	100.00%
LD49	51.59%	45.82%	2.60%	100.00%
LD79	22.83%	52.13%	25.04%	100.00%
LD44	25.09%	22.58%	52.32%	100.00%
LD43	18.47%	32.76%	48.77%	100.00%
1Platfrm	10.67%	49.54%	39.78%	100.00%
10Ppref	23.93%	47.11%	28.95%	100.00%
10Pbulk	23.11%	46.08%	30.81%	100.00%
1POUCHING	26.80%	45.45%	27.75%	100.00%
1SackS_h	12.03%	47.11%	40.86%	100.00%
1SackS_m	14.93%	45.05%	40.02%	100.00%
1Bulk pr	41.74%	40.22%	18.04%	100.00%
1CancMPP	21.14%	51.08%	27.77%	100.00%
1SCAN	11.49%	54.05%	34.46%	100.00%
1EEQMT	27.48%	20.35%	52.17%	100.00%
1SUP_ADM	11.40%	45.61%	42.98%	100.00%
1MISC	15.24%	34.53%	50.24%	100.00%
INTL	38.33%	31.33%	32.34%	100.00%
BMC SSM	93.33%	6.67%	0.00%	100.00%
BMC Allied	31.36%	52.62%	16.03%	100.00%
BMC PSM	45.91%	54.09%	0.00%	100.00%
BMC SPB	49.49%	35.28%	15.23%	100.00%
BMC NMO	9.92%	65.53%	24.55%	100.00%
BMC Platform	19.06%	47.14%	33.80%	100.00%
Non-MODS	26.80%	42.03%	31.37%	100.00%

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

TW/USPS-T12-10. Please refer to your answer to TW/USPS-T12-6d. You state that "Uncounted item and mixed mail container tallies have mixed-mail activity codes and are thus included in the mixed mail line of Table 6."

- a. According to Table B-2 in LR-H-1, activity codes 5740 and 5745 represent "Mixed Mail (Handling Single Item)" and "Mixed Mail (Handling Container of Multiple items)". Yet, in the TW-3E and TW-7 spreadsheets there are no entries for either of these activity codes. Please explain why these activity codes are not used and identify the activity codes that are used for uncounted mixed mail items and mixed mail containers respectively.**
- b. Please provide, in spreadsheet form consistent with the format used in spreadsheet TW-7, a breakdown of the uncounted mixed mail item costs by activity code, cost pool and basic functions.**
- c. Please provide, in spreadsheet form consistent with the format used in spreadsheet TW-7, a breakdown of the mixed mail container costs by activity code, cost pool and basic function.**

TW/USPS-T12-10 Response.

- a. Activity codes 5740 and 5745 do not appear because they are recoded in program ALB105, LR-H-21. These can be recovered from question 21 data in the H-23 IOCS file if desired, so no information is lost in the recoding. The procedure would be to examine tallies with activity codes in the range 5610-5750, assigning activity code 5740 if the value of F9214 is in the range 'A'-'P' or activity code 5745 if the value of F9219 is in the range 'A'-'J.'**
- b. Please see Attachment 1 to this response. Please note that the new cost distribution methodology uses the item type in variable F9214 to distribute these costs, not the recorded activity code or basic function.**

**Response of United States Postal Service Witness Degen
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- c. Please see Attachment 2 to this response. Please note that the requested cost breakdown combines costs for both "identified" and "unidentified" mixed-mail containers, and that the new cost distribution methodology does not use the recorded activity code or basic function to distribute these costs.

Attachment 1, Response to TW/USPS-T12-10

FY96 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Items

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
10Pbulk	Outgoing	1,635	1,356	337	6,137	0	0	6,992	0	16,457
	Incoming	2,513	1,260	389	6,770	0	0	11,902	0	22,835
	Transit	66	0	0	273	0	0	178	0	515
	Other	0	0	0	220	0	0	619	0	839
10Ppref	Outgoing	6,849	2,285	661	19,639	0	0	22,146	0	51,579
	Incoming	6,192	1,890	866	20,924	0	0	25,811	0	55,682
	Transit	0	0	0	259	0	0	270	0	528
	Other	0	0	0	222	0	0	2,063	0	2,305
1Bulk pr	Outgoing	62	0	68	545	0	0	526	0	1,202
	Incoming	59	0	0	288	0	0	179	0	527
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	66	0	66
1CancMPP	Outgoing	2,977	477	59	9,906	0	0	8,385	0	21,804
	Incoming	1,245	249	0	5,853	0	0	3,284	0	10,631
	Transit	0	0	0	189	0	0	132	0	320
	Other	54	0	0	217	0	0	969	0	1,240
1EEQMT	Outgoing	63	0	138	540	0	0	1,912	0	2,655
	Incoming	0	0	0	189	0	0	1,008	0	1,197
	Transit	0	0	0	59	0	0	67	0	126
	Other	0	0	0	722	0	0	2,461	0	3,184
1MISC	Outgoing	809	208	0	2,061	70	0	1,102	0	4,250
	Incoming	137	210	0	1,020	0	0	682	136	2,184
	Transit	0	0	0	92	0	0	0	0	92
	Other	0	0	0	152	0	0	700	0	852
1Platform	Outgoing	2,090	1,752	1,340	64,228	0	0	29,502	0	98,911
	Incoming	3,537	1,377	1,284	50,716	0	0	25,820	4	82,738
	Transit	127	166	95	10,836	0	0	7,388	24	18,636
	Other	52	0	175	2,641	0	0	12,846	0	15,714
1POUCHING	Outgoing	8,244	2,633	515	18,170	0	0	18,244	57	47,663
	Incoming	4,720	1,880	414	7,618	68	0	7,540	0	22,241
	Transit	85	0	0	456	0	0	140	0	682
	Other	0	0	0	123	0	0	1,109	0	1,232

Attachment 1, Response to TW/USPS-T12-10

FY96 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Items

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
1SackS_h	Outgoing	239	117	268	8,279	0	0	4,803	0	13,706
	Incoming	533	245	606	6,153	0	0	3,803	0	11,340
	Transit	0	0	6	1,983	0	0	739	0	2,728
	Other	0	0	0	214	0	0	1,210	0	1,424
1SackS_m	Outgoing	0	0	225	1,640	0	0	2,103	0	3,968
	Incoming	57	0	63	1,360	0	0	877	0	2,358
	Transit	0	0	0	127	0	0	54	0	181
	Other	0	0	0	0	0	0	332	0	332
1SCAN	Outgoing	119	6	129	4,064	0	0	2,391	0	6,710
	Incoming	22	0	45	1,094	0	0	298	0	1,460
	Transit	0	0	0	797	0	0	21	0	818
	Other	0	0	0	6	0	0	185	0	191
1SUP_ADM	Outgoing	68	0	67	605	0	0	419	0	1,159
	Incoming	281	142	0	258	0	0	500	62	1,243
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	70	0	0	51	0	122
bcs/	Outgoing	8,124	0	0	553	0	0	7,182	0	15,859
	Incoming	14,332	0	0	857	0	0	12,690	0	27,879
	Transit	0	0	0	0	0	0	48	0	48
	Other	0	0	0	0	0	0	63	0	63
Bus Reply	Outgoing	0	0	0	165	0	0	142	0	307
	Incoming	63	0	0	576	0	0	277	0	916
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	63	0	63
express	Outgoing	0	63	72	716	0	0	1,039	0	1,891
	Incoming	52	0	0	485	0	0	197	0	734
	Transit	0	0	0	627	0	0	71	0	698
	Other	0	0	0	157	0	0	0	0	157
fsm/	Outgoing	310	6,404	97	518	0	0	8,759	0	16,087
	Incoming	396	7,776	137	696	0	0	8,040	0	17,045
	Transit	0	0	0	0	0	0	110	0	110
	Other	0	0	0	0	0	0	198	0	198

Attachment 1, Response to TW/USPS-T12-10

FY98 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function – Mixed Items

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
INTL	Outgoing	755	558	748	3,447	0	0	1,673	62	7,241
	Incoming	67	0	11	553	0	0	198	0	828
	Transit	23	0	0	1,234	0	0	450	0	1,707
	Other	0	0	0	4	0	0	29	0	33
LD15	Outgoing	465	0	0	145	0	70	241	0	920
	Incoming	41	0	0	63	0	0	187	0	291
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
LD41	Outgoing	50	0	0	0	0	0	89	0	139
	Incoming	599	0	0	58	0	0	191	0	848
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
LD42	Outgoing	68	107	0	59	0	0	0	0	235
	Incoming	0	82	0	0	0	0	0	0	82
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	67	0	0	0	0	67
LD43	Outgoing	730	447	62	3,728	0	0	2,665	0	7,651
	Incoming	6,875	2,486	2,351	9,001	0	0	14,333	0	35,045
	Transit	0	0	0	61	0	0	149	0	210
	Other	62	0	0	353	0	0	1,043	0	1,458
LD44	Outgoing	0	0	0	98	0	0	97	0	195
	Incoming	229	95	101	510	0	0	1,097	0	2,032
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	58	0	58
LD48 Exp	Outgoing	0	0	0	0	0	0	0	0	0
	Incoming	0	0	0	3	0	0	0	0	3
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
LD48 Oth	Outgoing	0	0	0	767	0	0	384	0	1,151
	Incoming	519	300	183	1,730	0	0	2,369	0	5,101
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	452	0	452

Attachment 1, Response to TW/USPB-T12-10

FY96 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Items

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
LD48 Sp Serv	Outgoing	57	0	0	210	0	0	210	0	477
	Incoming	0	116	48	400	0	0	704	0	1,268
	Transit	0	0	0	51	0	0	0	0	51
	Other	0	0	0	0	0	0	101	0	101
LD48_Adm	Outgoing	117	0	0	111	0	0	400	0	628
	Incoming	0	103	0	696	0	0	898	0	1,497
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	83	0	0	103	0	186
LD49	Outgoing	0	0	0	1,514	0	0	1,193	0	2,708
	Incoming	52	0	0	607	0	0	434	0	1,092
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	317	0	0	1,378	0	1,695
LD79	Outgoing	0	0	0	1,145	0	0	662	0	1,807
	Incoming	0	0	0	117	0	0	770	58	945
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	82	0	523	0	605
ism/	Outgoing	4,061	0	63	198	0	0	3,414	0	7,736
	Incoming	2,973	70	0	54	0	0	1,813	0	4,910
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
manf	Outgoing	105	4,027	0	727	0	0	4,095	0	8,954
	Incoming	460	10,618	0	954	0	0	10,015	0	22,046
	Transit	4	0	0	0	0	0	0	0	4
	Other	0	0	0	0	0	0	67	0	67
manf	Outgoing	4,681	169	0	1,147	0	0	5,232	0	11,229
	Incoming	10,328	1,071	115	1,752	0	0	9,626	0	22,894
	Transit	0	0	0	3	0	0	181	0	184
	Other	0	0	0	199	0	0	219	0	418
manp	Outgoing	0	68	533	1,145	0	0	1,719	0	3,465
	Incoming	0	63	1,507	942	0	0	3,094	0	5,607
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	191	0	191

Attachment 1, Response to TW/USPS-T12-10

FY96 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Items

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
mecparc	Outgoing	0	0	153	192	0	0	529	0	874
	Incoming	0	0	243	59	0	0	168	0	471
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	59	0	59
ocrl	Outgoing	3,944	0	0	245	0	0	3,664	0	7,854
	Incoming	3,017	0	0	289	0	0	2,050	0	5,356
	Transit	0	0	0	0	0	0	130	0	130
	Other	0	0	0	61	0	0	132	0	193
priority	Outgoing	66	0	2,276	4,710	0	0	5,574	0	12,625
	Incoming	0	3	493	1,258	0	0	1,673	0	3,428
	Transit	0	0	0	519	0	0	121	0	640
	Other	0	0	0	0	0	0	206	0	206
Registry	Outgoing	0	0	4	1,801	0	0	1,413	0	3,218
	Incoming	0	0	0	1,824	0	0	638	0	2,662
	Transit	0	0	0	390	0	0	272	0	661
	Other	0	0	0	127	0	72	678	0	877
REWRAP	Outgoing	130	0	0	136	0	0	130	0	396
	Incoming	0	0	0	22	0	0	0	0	22
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	173	0	0	63	0	236
spbs Oth	Outgoing	67	105	387	5,053	0	0	4,841	0	10,453
	Incoming	72	0	248	4,683	0	0	5,862	0	10,865
	Transit	0	0	81	0	0	0	0	0	81
	Other	0	0	0	63	0	0	126	0	190
spbs Prio	Outgoing	0	0	447	2,249	0	0	1,291	0	3,987
	Incoming	132	51	68	1,233	0	0	1,010	0	2,493
	Transit	0	0	0	0	0	0	3	0	3
	Other	0	0	0	94	0	0	0	0	94
BMC - SSM	Outgoing	0	0	0	394	0	0	55	0	449
	Incoming	0	0	0	151	0	0	0	0	151
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0

Attachment 1, Response to TW/USPS-T12-10

FY98 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Items

Cost Pool	Basic Function	Activity Code								Grand Total
		5810	5620	5700	5750	6480	6516	6523	6630	
BMC - Allied	Outgoing	144	48	972	12,234	0	0	9,868	0	23,266
	Incoming	134	0	1,336	8,220	0	0	7,512	0	17,202
	Transit	13	0	93	605	0	0	107	0	818
	Other	0	0	0	305	0	0	1,074	0	1,380
BMC - PSM	Outgoing	0	0	398	0	0	0	116	0	514
	Incoming	0	0	516	0	0	0	320	0	836
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
BMC - SPB	Outgoing	0	0	54	1,838	0	0	1,468	0	3,360
	Incoming	0	0	0	794	0	0	1,812	0	2,606
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
BMC - NMO	Outgoing	0	0	755	435	0	0	1,731	0	2,921
	Incoming	0	0	531	231	0	0	948	0	1,709
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
BMC - Platfor	Outgoing	0	101	54	9,072	0	0	4,823	0	14,050
	Incoming	102	0	97	9,277	0	0	3,398	0	12,874
	Transit	0	0	0	1,266	0	0	1,141	0	2,406
	Other	0	0	0	355	0	0	2,507	0	2,862
Non-MODS	Outgoing	0	0	0	0	0	0	0	0	0
	Incoming	12,419	7,707	2,866	31,175	0	0	41,242	0	95,408
	Transit	0	0	0	964	0	0	1,304	0	2,268
	Other	0	0	0	955	0	0	5,142	0	6,097

Attachment 2, Response to TW/USPS-T12-10

FY96 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Containers

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
10Pbulk	Outgoing	1,635	1,356	337	6,137	0	0	6,992	0	16,457
	Incoming	2,513	1,260	389	6,770	0	0	11,902	0	22,835
	Transit	66	0	0	273	0	0	176	0	515
	Other	0	0	0	220	0	0	619	0	839
10Ppref	Outgoing	6,849	2,285	661	19,639	0	0	22,146	0	51,579
	Incoming	6,192	1,890	866	20,924	0	0	25,811	0	55,682
	Transit	0	0	0	259	0	0	270	0	528
	Other	0	0	0	222	0	0	2,083	0	2,305
1Bulk pr	Outgoing	62	0	68	545	0	0	526	0	1,202
	Incoming	59	0	0	288	0	0	179	0	527
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	66	0	66
1CancMPP	Outgoing	2,977	477	59	9,906	0	0	8,385	0	21,804
	Incoming	1,245	249	0	5,853	0	0	3,284	0	10,631
	Transit	0	0	0	189	0	0	132	0	320
	Other	54	0	0	217	0	0	969	0	1,240
1EEQMT	Outgoing	63	0	138	540	0	0	1,912	0	2,655
	Incoming	0	0	0	189	0	0	1,008	0	1,197
	Transit	0	0	0	59	0	0	67	0	126
	Other	0	0	0	722	0	0	2,461	0	3,184
1MISC	Outgoing	809	208	0	2,061	70	0	1,102	0	4,250
	Incoming	137	210	0	1,020	0	0	682	136	2,184
	Transit	0	0	0	92	0	0	0	0	92
	Other	0	0	0	152	0	0	700	0	852
1Platfrm	Outgoing	2,090	1,752	1,340	64,228	0	0	29,502	0	98,911
	Incoming	3,537	1,377	1,284	50,716	0	0	25,820	4	82,738
	Transit	127	166	95	10,836	0	0	7,388	24	18,636
	Other	52	0	175	2,641	0	0	12,846	0	15,714
1POUCHING	Outgoing	8,244	2,633	515	18,170	0	0	18,244	57	47,863
	Incoming	4,720	1,880	414	7,618	68	0	7,540	0	22,241
	Transit	85	0	0	456	0	0	140	0	682
	Other	0	0	0	123	0	0	1,109	0	1,232

Attachment 2, Response to TW/USPS-T12-10
FY98 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Containers

Cost Pool	Basic Function	Activity Code								Grand Total
		5810	5820	5700	5750	6480	6516	6523	6630	
1SackS_h	Outgoing	239	117	268	8,279	0	0	4,803	0	13,706
	Incoming	533	245	606	6,153	0	0	3,803	0	11,340
	Transit	0	0	6	1,983	0	0	739	0	2,728
	Other	0	0	0	214	0	0	1,210	0	1,424
1SackS_m	Outgoing	0	0	225	1,640	0	0	2,103	0	3,968
	Incoming	57	0	63	1,360	0	0	877	0	2,358
	Transit	0	0	0	127	0	0	54	0	181
	Other	0	0	0	0	0	0	332	0	332
1SCAN	Outgoing	119	6	129	4,064	0	0	2,391	0	6,710
	Incoming	22	0	45	1,094	0	0	298	0	1,460
	Transit	0	0	0	797	0	0	21	0	818
	Other	0	0	0	6	0	0	185	0	191
1SUP_ADM	Outgoing	68	0	67	605	0	0	419	0	1,159
	Incoming	281	142	0	258	0	0	500	62	1,243
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	70	0	0	51	0	122
bcs/	Outgoing	8,124	0	0	553	0	0	7,182	0	15,859
	Incoming	14,332	0	0	857	0	0	12,890	0	27,879
	Transit	0	0	0	0	0	0	48	0	48
	Other	0	0	0	0	0	0	63	0	63
Bus Reply	Outgoing	0	0	0	165	0	0	142	0	307
	Incoming	63	0	0	576	0	0	277	0	916
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	63	0	63
express	Outgoing	0	63	72	716	0	0	1,039	0	1,891
	Incoming	52	0	0	485	0	0	197	0	734
	Transit	0	0	0	627	0	0	71	0	698
	Other	0	0	0	157	0	0	0	0	157
fsm/	Outgoing	310	6,404	97	518	0	0	8,759	0	16,087
	Incoming	396	7,776	137	696	0	0	8,040	0	17,045
	Transit	0	0	0	0	0	0	110	0	110
	Other	0	0	0	0	0	0	198	0	198

Attachment 2, Response to TW/USPS-T12-10

FY96 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function – Mixed Containers

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
INTL	Outgoing	755	556	748	3,447	0	0	1,673	62	7,241
	Incoming	67	0	11	553	0	0	198	0	828
	Transit	23	0	0	1,234	0	0	450	0	1,707
	Other	0	0	0	4	0	0	29	0	33
LD15	Outgoing	465	0	0	145	0	70	241	0	920
	Incoming	41	0	0	63	0	0	187	0	291
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
LD41	Outgoing	50	0	0	0	0	0	89	0	139
	Incoming	599	0	0	58	0	0	191	0	848
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
LD42	Outgoing	68	107	0	59	0	0	0	0	235
	Incoming	0	82	0	0	0	0	0	0	82
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	67	0	0	0	0	67
LD43	Outgoing	730	447	62	3,728	0	0	2,685	0	7,651
	Incoming	6,875	2,486	2,351	9,001	0	0	14,333	0	35,045
	Transit	0	0	0	61	0	0	149	0	210
	Other	62	0	0	353	0	0	1,043	0	1,458
LD44	Outgoing	0	0	0	98	0	0	97	0	195
	Incoming	229	95	101	510	0	0	1,097	0	2,032
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	58	0	58
LD48 Exp	Outgoing	0	0	0	0	0	0	0	0	0
	Incoming	0	0	0	3	0	0	0	0	3
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
LD48 Oth	Outgoing	0	0	0	767	0	0	384	0	1,151
	Incoming	519	300	183	1,730	0	0	2,369	0	5,101
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	452	0	452

Attachment 2, Response to TW/USPS-T12-10

FY98 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function – Mixed Containers

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
LD48 Sp Serv	Outgoing	57	0	0	210	0	0	210	0	477
	Incoming	0	116	48	400	0	0	704	0	1,268
	Transit	0	0	0	51	0	0	0	0	51
	Other	0	0	0	0	0	0	101	0	101
LD48_Adm	Outgoing	117	0	0	111	0	0	400	0	628
	Incoming	0	103	0	696	0	0	698	0	1,497
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	83	0	0	103	0	186
LD49	Outgoing	0	0	0	1,514	0	0	1,193	0	2,708
	Incoming	52	0	0	607	0	0	434	0	1,092
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	317	0	0	1,378	0	1,695
LD79	Outgoing	0	0	0	1,145	0	0	662	0	1,807
	Incoming	0	0	0	117	0	0	770	58	945
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	82	0	523	0	605
ism/	Outgoing	4,061	0	63	198	0	0	3,414	0	7,736
	Incoming	2,973	70	0	54	0	0	1,813	0	4,910
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
manf	Outgoing	105	4,027	0	727	0	0	4,095	0	8,954
	Incoming	460	10,618	0	954	0	0	10,015	0	22,046
	Transit	4	0	0	0	0	0	0	0	4
	Other	0	0	0	0	0	0	67	0	67
manl	Outgoing	4,681	169	0	1,147	0	0	5,232	0	11,229
	Incoming	10,328	1,071	115	1,752	0	0	9,626	0	22,894
	Transit	0	0	0	3	0	0	181	0	184
	Other	0	0	0	199	0	0	219	0	418
manp	Outgoing	0	68	533	1,145	0	0	1,719	0	3,465
	Incoming	0	63	1,507	942	0	0	3,094	0	5,607
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	191	0	191

Attachment 2, Response to TW/USPS-T12-10

FY98 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Containers

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6518	6523	6630	
mecparc	Outgoing	0	0	153	192	0	0	529	0	874
	Incoming	0	0	243	59	0	0	168	0	471
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	59	0	59
ocrl	Outgoing	3,944	0	0	245	0	0	3,664	0	7,854
	Incoming	3,017	0	0	289	0	0	2,050	0	5,356
	Transit	0	0	0	0	0	0	130	0	130
	Other	0	0	0	61	0	0	132	0	193
priority	Outgoing	66	0	2,276	4,710	0	0	5,574	0	12,625
	Incoming	0	3	493	1,258	0	0	1,673	0	3,428
	Transit	0	0	0	519	0	0	121	0	640
	Other	0	0	0	0	0	0	206	0	206
Registry	Outgoing	0	0	4	1,601	0	0	1,413	0	3,218
	Incoming	0	0	0	1,624	0	0	838	0	2,662
	Transit	0	0	0	390	0	0	272	0	661
	Other	0	0	0	127	0	72	678	0	877
REWRAP	Outgoing	130	0	0	136	0	0	130	0	396
	Incoming	0	0	0	22	0	0	0	0	22
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	173	0	0	63	0	236
spbs Oth	Outgoing	67	105	387	5,053	0	0	4,841	0	10,453
	Incoming	72	0	248	4,683	0	0	5,862	0	10,865
	Transit	0	0	81	0	0	0	0	0	81
	Other	0	0	0	63	0	0	126	0	190
spbs Prio	Outgoing	0	0	447	2,249	0	0	1,291	0	3,987
	Incoming	132	51	68	1,233	0	0	1,010	0	2,493
	Transit	0	0	0	0	0	0	3	0	3
	Other	0	0	0	94	0	0	0	0	94
BMC - SSM	Outgoing	0	0	0	394	0	0	55	0	449
	Incoming	0	0	0	151	0	0	0	0	151
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0

Attachment 2, Response to TW/USPS-T12-10

FY98 IOCS Tally Dollars (\$000s) by activity code, cost pool, and basic function -- Mixed Containers

Cost Pool	Basic Function	Activity Code								Grand Total
		5610	5620	5700	5750	6480	6516	6523	6630	
BMC - Allied	Outgoing	144	48	972	12,234	0	0	9,868	0	23,266
	Incoming	134	0	1,336	8,220	0	0	7,512	0	17,202
	Transit	13	0	93	605	0	0	107	0	818
	Other	0	0	0	305	0	0	1,074	0	1,380
BMC - PSM	Outgoing	0	0	398	0	0	0	116	0	514
	Incoming	0	0	516	0	0	0	320	0	836
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
BMC - SPB	Outgoing	0	0	54	1,838	0	0	1,468	0	3,360
	Incoming	0	0	0	794	0	0	1,812	0	2,606
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
BMC - NMO	Outgoing	0	0	755	435	0	0	1,731	0	2,921
	Incoming	0	0	531	231	0	0	948	0	1,709
	Transit	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0
BMC - Platfor	Outgoing	0	101	54	9,072	0	0	4,823	0	14,050
	Incoming	102	0	97	9,277	0	0	3,398	0	12,874
	Transit	0	0	0	1,266	0	0	1,141	0	2,406
	Other	0	0	0	355	0	0	2,507	0	2,862
Non-MODS	Outgoing	0	0	0	0	0	0	0	0	0
	Incoming	12,419	7,707	2,866	31,175	0	0	41,242	0	95,408
	Transit	0	0	0	964	0	0	1,304	0	2,268
	Other	0	0	0	955	0	0	5,142	0	6,097

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

TW/USPS-T12-11

- a. Please confirm that under the current instructions governing use of the "top piece rule" by IOCS clerks, a direct tally should always result when an employee is observed handling a bundle. If you do not confirm, please describe the conditions under which the top piece rule does not apply and the conditions under which a direct tally should not result when an employee is observed handling a mixed mail bundle.**
- b. The part of LR-H-219 that responds to TW/USPS-T12-6b indicates that some bundles were recorded as mixed mail items, but no bundles were recorded as counted items. Please explain how some bundles were recorded as mixed mail items despite the top piece rule, and why none of these bundles were counted.**
- c. What are the current instructions to IOCS clerks regarding the selection of which mixed mail items to count and which not to count.**
- d. Are any safeguards in place to assure that IOCS clerks, when encountering employees handling mixed mail items, will not choose to count the items with a few pieces and not count items with many pieces, thereby introducing a bias in the IOCS results? If yes, please describe these procedures, including written and oral instructions given to IOCS clerks, and explain why these safeguards are believed to be sufficient to prevent biased results.**
- e. Please confirm that under the current instructions governing use of the "top piece rule" by IOCS clerks, a direct tally should always result when an employee is observed handling a tray of letters or flats. If you do not confirm, please describe the conditions under which the top piece rule does not apply and the conditions under which a direct tally should not result when an employee is observed handling a mixed mail tray.**
- f. The part of LR-H-219 that responds to TW/USPS-T12-6b indicates that some letter and flats trays were recorded as mixed mail items, but no trays were recorded as counted items. Please explain how some trays were recorded as mixed mail items despite the top piece rule, and why none of these trays were counted.**
- g. Is it possible based on IOCS records, to identify the costs associated with "direct items" in LR-H-219 that result from application of the top piece rule, separately from the costs of items that contained only one subclass? If yes, please provide, for each item and facility type, the direct item costs that resulted from application of the top piece rule.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

TW/USPS-T12-11 Response.

- a. Confirmed, since the bundle should be counted if the top piece rule does not apply, assuming that the question 22/23/24 data is sufficiently complete and self-consistent for the purpose of programs ALB040 and ALB898, LR-H-21, which assign the activity code. If the data for questions 22-24 are missing, incomplete, or inconsistent, a mixed-mail activity code may be assigned to the tally. The data could be missing because picking up a piece of mail for identification in questions 22 and 23 would interfere with mail processing flow, dispatching, etc. In such cases, it would also be unlikely that the data collector would be able to count the item's contents.**
- b. I am informed that the CODES software prompts data collectors to apply the Top Piece Rule to all bundles, letter trays, and flat trays. Please see my response to part a for a discussion of how mixed-mail codes might be assigned. Counting applies to items containing nonidentical pieces other than bundles, letter trays, and flat trays.**
- c. The instruction is to count the item if possible. If it would be "extremely difficult" to count the pieces of mail in the item, the item may be considered uncountable. Please see LR-H-49, p. 90-91 for examples. Additionally, as mentioned in my response to part a, the data collector**

**Response of United States Postal Service Witness Degen
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may not be able to count the item if to do so would interfere with the mail processing flow or dispatching.

- d. My answer to part c refers to the written instructions provided to data collectors. I am not aware of any oral instructions. The "safeguard" against data collection technicians taking shortcuts is the statistical programs coordinator (SPC) in each district. It is the SPC's job to educate, instruct, and monitor the work of the data collection technicians.
- e. Confirmed, subject to the same caveats as in part a.
- f. The case in which the Top Piece Rule does not apply to trays of mail is the same as with bundles. Please see my answer to part b.
- g. No. Identical mail items, by definition, contain only one subclass, and it is also possible to identify counted items in which only one subclass was observed. However, it is not possible to determine from IOCS data whether Top Piece Rule items containing nonidentical mail contained mail of more than one subclass.

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner**

TW/USPS-T12-12.

- a. Please describe, in as much detail as possible, the activities engaged in by an employee at a manual flats case that lead to a mixed mail item tally if the employee is observed by an IOCS clerk.**
- b. Please describe, in as much detail as possible, the activities engaged in by an employee at a manual flats case that lead to a mixed mail container tally if the employee is observed by an IOCS clerk.**
- c. Please describe, in as much detail as possible, the activities engaged in by an employee at a manual flats case, excluding breaks for personal needs, that lead to a "not handling" tally if the employee is observed by an IOCS clerk.**
- d. Please confirm that a direct tally should always result if an employee at a manual flats case is observed sorting flats into the case. If there are any exceptions, please describe them.**
- e. Please confirm that, with the current instruction to use of the top piece rule, a direct tally should always result if an employee at a manual flat case is observed sweeping sorted flats from the case. If there are any exceptions, please describe them.**
- f. Please confirm that, with the current instructions for use of the top piece rule, a direct tally should always result if an employee at a manual flats case is observed fetching or breaking bundles of flats to be sorted. If there are any exceptions, please describe them.**
- g. Please confirm that, with the current instructions for use of the top piece rule, a direct tally should always result if an employee at a manual flats case is observed fetching or opening a tray of flats to be sorted. If there are any exceptions, please describe them.**
- h. Please confirm that a direct tally should always result if an employee at a manual flats case is observed fetching or opening a mailer prepared sack of periodicals flats to be sorted. If there are any exceptions, please describe them.**

TW/USPS-T12-12 Response.

- a. Although most such observations should (and do) result in direct tallies, the only prerequisite for a mixed-mail item tally is that the employee be observed handling an item. The possible situations would include the actual sortation work, given that the employee has a quantity of mail in**

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the hand at the time of the observation. Exigencies of the mail flow, interruptions of the data collection process, and human error in data collection or entry could all cause a tally to be missing data so it would have to be classified as mixed-mail. Please see my response to TW/USPS-T12-11 parts a and b for discussion of how the mixed-mail activity code is assigned.

- b. First, the employee must be observed handling a container of mail. If the container contents are not identical mail, a mixed-mail tally will result, since neither the top piece rule nor the question 24 counting procedure applies.
- c. Under the new methodology, not-handling-mail tallies result whenever the employee is observed without mail or a piece of empty equipment in the hand, as recorded in questions 20 and 21. The exception is if employees are operating, loading, sweeping, or keying mail at piece sorting machines (BCS, OCR, LSM, FSM, Facer/Canceler), and mail is present at the machine, CODES prompts the data collector to pull the nearest piece of mail, which is used to answer the mail identification questions.
- d. The situation is comparable to TW/USPS-T12-11 part a, assuming that the employee sorting mail into the case has some quantity of mail in the

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hand. (The quantity of mail in the hand is classified as a "bundle.") My response to that question applies here as well.

- e. Confirmed, assuming the employee is observed with a quantity of loose mail or a single item (tray or bundle) in the hand, and subject to the caveats laid out in my response to part a above and to TW/USPS-T12-11 parts a and b.
- f. Confirmed if the employee has a single bundle in the hand, and subject to the caveats laid out in my response to TW/USPS-T12-11 parts a and b. Otherwise not confirmed. If the employee is handling multiple bundles of nonidentical mail, or a container with bundles of nonidentical mail, in which case the observation is of a mixed-mail container (this category includes multiple items not in a container).
- g. Confirmed if the employee has a single tray in the hand, and subject to the caveats laid out in my response to part a above and to TW/USPS-T12-11 parts a and b. Not confirmed if the employee is handling multiple trays of nonidentical mail, or a container with trays of nonidentical mail, in which case the observation is of a mixed-mail container.
- h. Confirmed if the employee has a single sack in the hand, the sack is observed to contain identical mail or is counted in question 24, and subject to the caveats laid out in my response to part a above and to

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TW/USPS-T12-11 parts a and b. If the employee is handling multiple sacks of non-identical periodicals or a container with multiple sacks of non-identical periodicals, the observation is of a mixed-mail container. If the sack is empty having just been dumped, the observation should be of an empty sack handling, which receives activity code 6523 in program ALB040, but is treated as an uncounted mixed-mail sack observation in the new distribution key methodology. IOCS question 20 instructions (LR-H-49, p. 85) are that data collectors should not ask employees to pick up a piece of mail if they are not already handling mail at the time of the observation.

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TW/USPS-T12-13.

- a. *Please describe, in as much detail as possible, the activities engaged in by an employee at a flat sorting machine (FSM) that lead to a mixed mail item tally if the employee is observed by an IOCS clerk.*
- b. *Please describe, in as much detail as possible, the activities engaged in by an employee at an FSM, excluding breaks for personal needs, that lead to a mixed mail container tally if the employee is observed by an IOCS clerk.*
- c. *Please describe, in as much detail as possible, the activities engaged in by an employee at an FSM, excluding breaks for personal needs, that lead to a "not handling" tally if the employee is observed by an IOCS clerk.*
- d. *Please confirm that a direct tally should always result if an employee at an FSM is observed feeding or keying flats to be sorted on the machine. If there are any exceptions, please describe them.*
- e. *Please confirm that, with the current instructions for use of the top piece rule, a direct tally should always result if an employee at an FSM is observed sweeping sorted flats or closing and banding trays into which flats have been sorted. If there are any exceptions, please describe them.*
- f. *Please confirm that, with the current instructions for use of the top piece rule, a direct tally should always result if an employee at an FSM is observed fetching or breaking bundles or trays of flats to be sorted, or placing these flats on the ledge from which they will be sorted. If there are any exceptions, please describe them.*
- g. *Please confirm that a direct tally should always result if an employee at an FSM is observed fetching or opening a mailer prepared sack of periodicals flats to be sorted or placing these flats on the ledge from which they will be sorted. If there are any exceptions, please describe them.*

TW/USPS-T12-13 Response.

- a. **Rule 7 under the Top Piece Rule description (LR-H-49, p. 89) applies if the employee is keying, and instructs the data collector to take the next piece of mail from the source of supply. If the employee is feeding flats into the FSM, or engaged in other work allied to FSM, the only formal**

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requirement, as in TW/USPS-T12-12 part a, is that the employee be observed handling an item.

- b. The situation is the same as in TW/USPS-T12-12 part b: it is not possible to specify precisely, but the employee must be observed handling a container of nonidentical mail. I do not believe that keying labor would result in a mixed container tally, but other FSM labor, and work allied to FSM, could lead to such an observation.
- c. The situation is the same as in TW/USPS-T12-12 part c. Please see my response to that question.
- d. This situation is analogous to TW/USPS-T12-11 part a, in that the Top Piece Rule will probably apply to the observation. Confirmed subject to the caveats laid out in my response to that question.
- e. The situation is analogous to part d if the employee is observed handling a quantity of loose flats or a single bundle or tray, in which case see my response to part d. Not confirmed if the employee is observed handling multiple trays containing non-identical mail, in which case the observation would be classified as a mixed container tally.
- f. Please see my response to TW/USPS-T12-12 parts f and g.
- g. Please see my response to TW/USPS-T12-12 part h.

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TW/USPS-T12-14.

- a. Please describe, in as much detail as possible, the activities engaged in by an employee at an opening unit that lead to a mixed mail item tally if the employee is observed by an IOCS clerk.
- b. Please describe, in as much detail as possible, the activities engaged in by an employee at an opening unit that lead to a mixed mail container tally if the employee is observed by an IOCS clerk.
- c. Please describe, in as much detail as possible, the activities engaged in by an employee at an opening unit, excluding breaks for personal needs, that lead to a "not-handling" tally if the employee is observed by an IOCS clerk.
- d. Please confirm that, with the current instructions for use of the top piece rule, a direct tally should always be result if an employee at an opening unit is observed sorting bundles or individual mail pieces into containers, even if the bundles contain mail from more than one subclass. If you do not confirm, please explain and describe all exceptions.
- e. Please confirm that, with the current instructions for use of the top piece rule, a direct tally should always result if an employee at on opening unit is observed handling trays of letters or flats. If there are any exceptions, please describe them.
- f. Please confirm that a direct tally should always result if an employee at an opening unit is observed bringing a mailer prepared pallet of periodicals mail to the opening unit or opening the pallet prior to sorting of its contents. If there are any exceptions, please describe them.
- g. Please confirm that a direct tally should always result if an employee at an opening unit is observed bringing a mailer prepared sack of periodicals mail to the opening unit, opening the sack or dumping its contents on the opening belt. If there are any exceptions, please describe them.
- h. Please describe the activity code(s) that will result if an employee at an opening unit is observed handling or sorting a sack that has just been dumped on the opening belt and that contained periodicals mail.
- i. Please describe the activity code(s) that will result if an employee at an opening unit is observed handling or storing a pallet that has just been emptied of its contents and that contained periodicals mail.

TW/USPS-T12-14 Response.

- a. It is not possible to fully specify, however, the employee must be observed handling a single item (tray, sack, bundle). For a discussion of

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the circumstances that might lead to a mixed-mail activity code being assigned, please see my response to TW/USPS-T12-11, parts a and b.

- b. It is not possible to fully specify, however, the employee must be observed handling a container of non-identical mail, or multiple items (trays, sacks, bundles) containing non-identical mail as recorded in questions 20 and 21.
- c. It is not possible to fully specify. The situation is the same as in TW/USPS-T12-12 part c; please see my response to that question. Note that if the employee is observed performing certain functions associated with opening unit operations (see the descriptions of MODS operations 110C and 180C in Appendix A of LR-H-147, and of IOCS question 18c in LR-H-49, p. 59) but is not handling a piece, item, or container of mail (including empty equipment) according to the question 20/21 response, program ALB040 assigns activity code 5750 to the tally. This tally is treated as a not-handling-mail tally in the new distribution key methodology.
- d. Please see my response to TW/USPS-T12-12, part f.
- e. Please see my response to TW/USPS-T12-12, part g.
- f. Pallets are similar to sacks in that the Top Piece Rule does not apply if they do not contain identical mail. Please see my responses to TW/USPS-T12-12 part h and TW/USPS-T12-11 part c.

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g. The data collector should record an empty item handling in this situation.

**For a discussion of the resulting activity code, please see my response to
TW/USPS-T12-12 part h.**

h. Please see my response to TW/USPS-T12-9 part e.

i. Please see my response to part h.

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TW/USPS-T12-15. In your response to TW/USPS-T7 you state that the disaggregation by basic function is an "artificial construct" in the context of your new costing methodology. Do you by this simply mean that separate variability measures have not been developed per basic function within the cost pools? If no, please explain what you mean.

TW/USPS-T12-15 Response.

Neither cost pools, variability measures, nor distribution keys (the last with a partial exception for the non-MODS pool) were developed by basic function.

So, disaggregating the cost distribution by basic function in addition to activity code, though not an invalid exercise, has no particular meaning as a BY 1996 CRA input. The new methodology relies on MODS to create pools of costs based on the operation into which employees are clocked. Further partitions of MODS cost pools based on the IOCS basic function need not be consistent with the clocked-in MODS number.

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TW/USPS-T12-16. In your response to TW/USPS-T8 you describe LDC codes 41-44 as representing distributions done at stations, branches and associate offices.

- a. Please confirm that most stations, branches and associate offices are Non-MODS facilities. If not confirmed, please explain.**
- b. How many stations, branches and associate offices are MODS facilities?**
- c. Are you referring to work done at the main offices, for stations, branches and associate offices, or to work performed at stations, branches and associate offices that is captured in the MODS system? Please explain fully.**

TW/USPS-T12-16 Response.

- a. Confirmed for associate offices only. Stations and branches report to the same finance number as the main customer service unit. These offices do report MODS data through the parent finance number and are considered part of the MODS system for our analysis.**
- b. Please see my response to TW/USPS-T12-17 part c.**
- c. The LDC 41-44 work is performed at stations, branches and associate offices.**

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to Interrogatories of Time Warner**

TW/USPS-T12-17. Please refer to Attachment 1 to your response to OCA/USPS-T12-1 and to witness Moden's response to TW/USPS-T4-1.

- a. Your response to OCA indicated a total of 883 MODS offices. Moden's response referred to above states that "there are currently 419 MODS sites of which 257 are Processing and Distribution Facilities or Centers." Please explain this apparent discrepancy between your answer and that of witness Moden.**
- b. Please define what you mean by NORPES Offices.**
- c. How many of the 883 MODS offices indicated in your response are: (1) SCF's; (2) stations; (3) branches; (4) associate offices; (5) AMF's; or (6) other types of facilities (please identify)? Please provide a list of these offices, identified by type of office and by CAG.**
- d. How many MODS offices are represented in the cost analysis described in your testimony? How many Non-MODS offices?**
- e. Your response to OCA/USPS-T12-1 indicates 376 Non-MODS offices in CAG A/B. How many of these offices are SCF's? How many are Processing and Distribution Facilities or Centers?**

TW/USPS-T12-17 Response.

- a. Several years ago the Postal Service created separate finance numbers for mail processing plants and customer service facilities. These resulted in most larger cities having data recorded for two or more finance numbers. Witness Moden's response to TW/USPS-T4-1 does not appear to include the customer service finance numbers separately from the associated mail processing plants. There are also some classification differences. Witness Moden's list includes BMCs, which are classified as a separate group for the purpose of my testimony. 51 Remote Encoding Center finance numbers in the FY 1996 AP 01 Installation Master File (IMF) were inadvertently excluded from the list of 883 MODS finance**

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numbers used to compute Attachment 1 to OCA/USPS-T12-1 and are included in the non-MODS category in that table. Those finance numbers should be moved from the non-MODS to the MODS office group. Attachment 1 to the response to part c, below, includes the RECs (including additional finance numbers not in the FY 1996 AP 01 IMF). The PMPCs in witness Moden's response are also not classified in the MODS group, however I am informed that these finance numbers have do not have clerk and mailhandler employees in FY96.

- b. NORPES stands for the National On Rolls and Paid Employee System. A "NORPES office" is a finance number with clerk or mailhandler employees according to NORPES.
- c. Please see Attachment 1 to this response. The following table identifies the finance numbers by type.

MODS 1 & 2 facilities, FY96, by type
excludes Remote Encoding Centers

TYPE	Frequency

AMC	30
AMF	32
AO	264
Dist. Office	84
P&DC	176
P&DF	98
SCF	43
VMF	153
Other	3

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- d. All CAG A-J offices with clerks and/or mailhandler costs are represented in the cost analysis described in my testimony.**
- e. The majority of the referenced finance numbers represent accounts without clerk and mailhandler employees or costs. See Attachment 3 to OCA/USPS-T12-1 for the relative clerk and mailhandler compensation totals for each office group and CAG. None of the referenced non-MODS finance numbers are P&DCs or P&DFs. There are two finance numbers classified as SCFs: Jonesboro AK and Pueblo CO.**

MODS 18 ilities, FY96

OBS NAME	GTYPE	CAG
1 BIRMINGHAM	AO	A
2 BIRMINGHAM P&DC	PDC/PDF	A
3 BIRMINGHAM VMF	VMF	A
4 ALABAMA CS DISTRICT	Dstr Ofc	A
5 BIRMINGHAM AMF	AM/AF	A
6 HUNTSVILLE	AO	C
7 HUNTSVILLE P&DF	PDC/PDF	A
8 MOBILE	AO	C
9 MOBILE VMF	VMF	C
10 MOBILE P&DC	PDC/PDF	A
11 MONTGOMERY	AO	B
12 MONTGOMERY P&DC	PDC/PDF	A
13 ANCHORAGE	AO	B
14 ANCHORAGE P&DC	PDC/PDF	A
15 ANCHORAGE VMF	VMF	B
16 ANCHORAGE CS DISTRICT	Dstr Ofc	A
17 ANCHORAGE AMF	AM/AF	A
18 PHOENIX	AO	A
19 PHOENIX P&DC	PDC/PDF	A
20 PHOENIX AMC	AM/AF	A
21 PHOENIX VMF	VMF	A
22 PHOENIX CS DISTRICT	Dstr Ofc	A
23 TUCSON	AO	B
24 TUCSON P&DC	PDC/PDF	A
25 TUCSON VMF	VMF	B
26 FAYETTEVILLE P&DF	PDC/PDF	A
27 FORT SMITH	SCF	C
28 LITTLE ROCK	AO	B
29 LITTLE ROCK P&DC	PDC/PDF	A
30 LITTLE ROCK VMF	VMF	B
31 ARKANSAS CS DISTRICT	Dstr Ofc	A
32 ALHAMBRA/LA PUENTE VMF	VMF	C
33 ALHAMBRA	AO	C
34 INDUSTRY P&DC	PDC/PDF	A
35 ONTARIO AMF	AM/AF	A
36 ANAHEIM	AO	B
37 ANAHEIM P&DF	PDC/PDF	A
38 BAKERSFIELD	AO	C
39 BAKERSFIELD P&DC	PDC/PDF	A
40 BAKERSFIELD VMF	VMF	C
41 FRESNO	AO	B
42 FRESNO P&DC	PDC/PDF	A
43 INGLEWOOD	AO	C

AR

MODS 1&: ties, FY96

OBS	NAME	GTYPE	CAG
44	MARINA P&DC	PDC/PDF	A
45	INGLEWOOD/TORRENCE VMF	VMF	C
46	LONG BEACH	AO	B
47	LONG BEACH P&DC	PDC/PDF	A
48	LONG BEACH VMF	VMF	B
49	LONG BEACH CS DISTRICT	Dstr Ofc	A
50	WORLDWAY AMC	AM/AF	A
51	LOS ANGELES CS DISTRICT	Dstr Ofc	A
52	LOS ANGELES P&DC	PDC/PDF	A
53	LOS ANGELES VMF	VMF	A
54	MARYSVILLE	AO	D
55	MARYSVILLE P&DF	PDC/PDF	A
56	NORTH BAY P&DC	PDC/PDF	A
57	NORTH BAY	AO	C
58	OAKLAND	AO	B
59	OAKLAND P&DC	PDC/PDF	A
60	OAKLAND VMF	VMF	B
61	OAKLAND CS DISTRICT	Dstr Ofc	A
62	OAKLAND AMF	AM/AF	A
63	OXNARD	AO	C
64	OXNARD P&DF	PDC/PDF	A
65	PASADENA	AO	B
66	PASADENA P&DC	PDC/PDF	A
67	REDDING	CA SCF	C
68	SACRAMENTO AMF	AM/AF	A
69	SACRAMENTO VMF	VMF	A
70	SACRAMENTO PO	AO	A
71	SACRAMENTO P&DC	PDC/PDF	A
72	SALINAS	AO	C
73	SALINAS P&DF	PDC/PDF	A
74	SAN BERNARDINO	AO	B
75	SAN BERNARDINO P&DC	PDC/PDF	A
76	SAN BERNARDINO/REDLANDS VMF	VMF	B
77	SAN DIEGO	AO	A
78	SAN DIEGO VMF	VMF	A
79	MARGARET L SELLERS P&DC	PDC/PDF	A
80	MIDWAY P&DF	PDC/PDF	A
81	SAN DIEGO CS DISTRICT	Dstr Ofc	A
82	SAN DIEGO AMF	AM/AF	A
83	SAN FRANCISCO CS DISTRICT	Dstr Ofc	A
84	SAN FRANCISCO	AO	A
85	SAN FRANCISCO VMF	VMF	A
86	SAN FRANCISCO P&DC	PDC/PDF	A

MODS 1c Utilities, FY96

OBS NAME	GTYPE	CAG
87 SAN FRANCISCO AMC	AM/AF	A
88 SAN JOSE	AO	A
89 SAN JOSE P&DC	PDC/PDF	A
90 SAN JOSE VMF	VMF	A
91 SAN JOSE CS DISTRICT	Dstr ofc	A
92 SANTA ANA	AO	A
93 SANTA ANA P&DC	PDC/PDF	A
94 HUNTINGTON BEACH/SANTA ANA VMF	VMF	A
95 SANTA ANA CS DISTRICT	Dstr ofc	A
96 SANTA BARBARA	AO	C
97 SANTA BARBARA/OXNARD VMF	VMF	C
98 SANTA BARBARA P&DC	PDC/PDF	A
99 STOCKTON	AO	C
100 STOCKTON P&DC	PDC/PDF	A
101 STOCKTON VMF	VMF	C
102 VAN NUYS	AO	A
103 VAN NUYS P&DC	PDC/PDF	A
104 VAN NUYS CS DISTRICT	Dstr ofc	A
105 VAN NUYS VMF	VMF	A
106 COLORADO SPRINGS	AO	B
107 COLORADO SPRINGS VMF	VMF	B
108 COLORADO SPRINGS P&DC	PDC/PDF	A
109 DENVER CS DISTRICT	Dstr ofc	A
110 DENVER VMF	VMF	A
111 DENVER	AO	A
112 DENVER P&DC	PDC/PDF	A
113 DENVER AMC	AM/AF	A
114 GRAND JUNCTION CO	SCF	C
115 BRADLEY AMF	AM/AF	A
116 BRIDGEPORT	AO	B
117 BRIDGEPORT P&DF	PDC/PDF	A
118 HARTFORD	AO	A
119 HARTFORD P&DC	PDC/PDF	A
120 HARTFORD VMF	VMF	A
121 CONNECTICUT CS DISTRICT	Dstr ofc	A
122 NEW HAVEN	AO	B
123 SOUTHERN CONNECTICUT P&DC	PDC/PDF	A
124 NEW HAVEN VMF	VMF	B
125 STAMFORD	AO	C
126 STAMFORD P&DC	PDC/PDF	A
127 STAMFORD VMF	VMF	B
128 WATERBURY	AO	C
129 WATERBURY P&DF	PDC/PDF	A

MODS 1. lities, FY96

OBS NAME	GTYPE	CAG
130 WILMINGTON	AO	B
131 DELAWARE P&DF	PDC/PDF	A
132 WILMINGTON/NEW CASTLE VMF	VMF	B
133 NATIONAL POSTAL MUSEUM PJT MK	AO	A
134 WASHINGTON	AO	A
135 WASHINGTON P&DC	PDC/PDF	A
136 WASHINGTON-NATL AMC	AM/AF	A
137 WASHINGTON VMF	VMF	A
138 CAPITAL CS DISTRICT	Dstr Ofc	A
139 U.S. HOUSE OF REPS PO	AO	A
140 DAYTONA BEACH	AO	B
141 DAYTONA P&DF	PDC/PDF	A
142 FORT LAUDERDALE	AO	A
143 FORT LAUDERDALE P&DC	PDC/PDF	A
144 FT LAUDERDALE VMF	VMF	A
145 FORT MYERS	AO	B
146 FORT MYERS P&DC	PDC/PDF	A
147 FT MYERS VMF	VMF	B
148 GAINESVILLE	AO	C
149 GAINESVILLE P&DF	PDC/PDF	A
150 JACKSONVILLE	AO	A
151 JACKSONVILLE P&DC	PDC/PDF	A
152 JACKSONVILLE VMF	VMF	A
153 NORTH FLORIDA CS DISTRICT	Dstr Ofc	A
154 JACKSONVILLE AMF	AM/AF	A
155 LAKE LAND	AO	C
156 LAKE LAND P&DC	PDC/PDF	A
157 MANASOTA P&DC	PDC/PDF	A
158 MIAMI	AO	A
159 MIAMI P&DC	PDC/PDF	A
160 MIAMI AMC	AM/AF	A
161 MIAMI VMF	VMF	A
162 SOUTH FLORIDA CS DISTRICT	Dstr Ofc	A
163 MID FLORIDA P&DC	PDC/PDF	A
164 MID FLORIDA CSU	AO	A
165 ORLANDO	AO	A
166 ORLANDO P&DC	PDC/PDF	A
167 ORLANDO VMF	VMF	A
168 CENTRAL FLORIDA CS DISTRICT	Dstr Ofc	A
169 PANAMA CITY	AO	C
170 PANAMA CITY P&DF	PDC/PDF	A
171 PENSACOLA	AO	C
172 PENSACOLA P&DC	PDC/PDF	A

MODS facilities, FY96

OBS NAME		GTYPE	CAG
173 SAINT PETERSBURG		AO	B
174 ST PETERSBURG P&DC		PDC/PDF	A
175 ST PETERSBURG VMF		VMF	B
176 SOUTH FLORIDA P&DC		PDC/PDF	A
177 TALLAHASSEE		AO	B
178 TALLAHASSEE P&DF		PDC/PDF	A
179 TAMPA		AO	A
180 TAMPA P&DC		PDC/PDF	A
181 TAMPA SUPPORT		AO	A
182 TAMPA VMF		VMF	A
183 SUNCOAST CS DISTRICT		Dstr Ofc	A
184 WEST PALM BEACH		AO	B
185 WEST PALM BEACH P&DC		PDC/PDF	A
186 WEST PALM BEACH VMF		VMF	B
187 ALBANY	GA	SCF	C
188 ATHENS	GA	SCF	C
189 ATLANTA POST OFFICE		AO	A
190 ATLANTA P&DC		PDC/PDF	A
191 ATLANTA AMC		AM/AF	A
192 ATLANTA VMF		VMF	A
193 ATLANTA CS DISTRICT		Dstr Ofc	A
194 ATLANTA VMF #2		VMF	A
195 AUGUSTA		AO	B
196 AUGUSTA P&DF		PDC/PDF	A
197 COLUMBUS		SCF	B
198 COLUMBUS VMF		VMF	B
199 NORTH METRO P&DC		PDC/PDF	A
200 MACON		AO	B
201 MACON P&DC		PDC/PDF	A
202 SOUTH GEORGIA CS DISTRICT		Dstr Ofc	A
203 SAVANNAH		AO	C
204 SAVANNAH VMF		VMF	C
205 SAVANNAH P&DF		PDC/PDF	A
206 HONOLULU		AO	A
207 HONOLULU P&DC		PDC/PDF	A
208 HONOLULU VMF		VMF	A
209 HONOLULU CS DISTRICT		Dstr Ofc	A
210 BOISE		AO	B
211 BOISE P&DC		PDC/PDF	A
212 BOISE VMF		VMF	B
213 BOISE AMF		AM/AF	A
214 POCATELLO	ID	SCF	D
215 O'HARE AMC		AM/AF	A

MODS 1& Facilities, FY96

OBS NAME	GTYPE	CAG
216 BLOOMINGTON	AO	B
217 BLOOMINGTON P&DF	PDC/PDF	A
218 BUSSE SURFACE HUB	PDC/PDF	A
219 CAROL STREAM	AO	B
220 CAROL STREAM P&DC	PDC/PDF	A
221 N SUBURBAN/CAROL STREAM VMF	VMF	A
222 CHAMPAIGN	AO	C
223 CHAMPAIGN VMF	VMF	C
224 CHAMPAIGN P&DF	PDC/PDF	A
225 CHICAGO VMF	VMF	A
226 NORTH ILLINOIS CS DISTRICT	Dstr Ofc	A
227 CHICAGO CS DISTRICT	Dstr Ofc	A
228 SO SUBURBAN FACILITY	AO	C
229 SOUTH SUBURBAN P&DC	PDC/PDF	A
230 CHICAGO P&DC	PDC/PDF	A
231 SOUTH SUBURBAN VMF	VMF	A
232 CENTRAL ILLINOIS CS DISTRICT	Dstr Ofc	A
233 FOX VALLEY P&DC IL	PDC/PDF	A
234 IRVING PARK ROAD P&DC	PDC/PDF	A
235 PALATINE P&DC	PDC/PDF	A
236 PEORIA	AO	B
237 PEORIA P&DF	PDC/PDF	A
238 PEORIA VMF	VMF	B
239 QUINCY	SCF	C
240 QUINCY VMF	VMF	D
241 ROCKFORD	AO	C
242 ROCKFORD P&DC	PDC/PDF	A
243 ROCKFORD VMF	VMF	C
244 ROCK ISLAND	AO	C
245 ROCK ISLAND P&DF	PDC/PDF	A
246 SPRINGFIELD VMF	VMF	B
247 SPRINGFIELD	AO	B
248 SPRINGFIELD P&DC	PDC/PDF	A
249 BLOOMINGTON IN	SCF	C
250 EVANSVILLE	AO	C
251 EVANSVILLE VMF	VMF	C
252 EVANSVILLE P&DF	PDC/PDF	A
253 FORT WAYNE	AO	B
254 FT WAYNE VMF	VMF	B
255 FORT WAYNE P&DC	PDC/PDF	A
256 GARY VMF	VMF	C
257 GARY	AO	C
258 GARY P&DC	PDC/PDF	A

MODS

ilities, FY96

OBS NAME		GTYPE	CAG
259 GREATER INDIANA CS DISTRICT		Dstr Ofc	A
260 INDIANAPOLIS VMF		VMF	A
261 INDIANAPOLIS		AO	A
262 INDIANAPOLIS P&DC		PDC/PDF	A
263 INDIANAPOLIS AMC		AM/AF	A
264 KOKOMO P&DF		PDC/PDF	A
265 KOKOMO		AO	D
266 LAFAYETTE		AO	C
267 LAFAYETTE P&DF		PDC/PDF	A
268 MUNCIE		AO	C
269 MUNCIE P&DF		PDC/PDF	A
270 SOUTH BEND		AO	B
271 SOUTH BEND P&DC		PDC/PDF	A
272 SOUTH BEND VMF		VMF	C
273 TERRE HAUTE		AO	B
274 TERRE HAUTE P&DF		PDC/PDF	A
275 CEDAR RAPIDS		AO	B
276 CEDAR RAPIDS P&DC		PDC/PDF	A
277 CEDAR RAPIDS VMF		VMF	B
278 DES MOINES		AO	A
279 DES MOINES P&DC		PDC/PDF	A
280 DES MOINES VMF		VMF	A
281 HAWKEYE CS DISTRICT		Dstr Ofc	A
282 SIOUX CITY		AO	C
283 SIOUX CITY P&DF		PDC/PDF	A
284 WATERLOO		AO	C
285 WATERLOO P&DF		PDC/PDF	A
286 HUTCHINSON	KS	SCF	C
287 KANSAS CITY KS		AO	B
288 KANSAS CITY KS P&DC		PDC/PDF	A
289 TOPEKA P&DF		PDC/PDF	A
290 TOPEKA		AO	B
291 WICHITA		AO	B
292 WICHITA P&DC		PDC/PDF	A
293 WICHITA VMF		VMF	B
294 ASHLAND		AO	D
295 ASHLAND P&DF		PDC/PDF	A
296 BOWLING GREEN		AO	C
297 BOWLING GREEN P&DF		PDC/PDF	A
298 LEXINGTON		AO	B
299 LEXINGTON P&DC		PDC/PDF	A
300 LEXINGTON VMF		VMF	B
301 LONDON		AO	D

MODS . . .ilities, FY96

OBS NAME		GTYPE	CAG
302 LONDON P&DF		PDC/PDF	A
303 KENTUCKIANA CS DISTRICT		Dstr Ofc	A
304 LOUISVILLE		AO	A
305 LOUISVILLE P&DC		PDC/PDF	A
306 LOUISVILLE VMF		VMF	A
307 LOUISVILLE AMF		AM/AF	A
308 PADUCAH		AO	C
309 PADUCAH P&DF		PDC/PDF	A
310 BATON ROUGE		AO	B
311 BATON ROUGE P&DC		PDC/PDF	A
312 BATON ROUGE VMF		VMF	B
313 LAFAYETTE P&DF		PDC/PDF	A
314 LAFAYETTE		AO	C
315 LAFAYETTE VMF		VMF	C
316 NEW ORLEANS		AO	B
317 NEW ORLEANS P&DC		PDC/PDF	A
318 NEW ORLEANS AMC		AM/AF	A
319 LOUISIANA DISTRICT		Dstr Ofc	A
320 NEW ORLEANS VMF		VMF	B
321 SHREVEPORT		AO	C
322 SHREVEPORT P&DC		PDC/PDF	A
323 SHREVEPORT VMF		VMF	C
324 BANGOR		AO	C
325 BANGOR P&DF		PDC/PDF	A
326 PORTLAND		AO	C
327 PORTLAND P&DC		PDC/PDF	A
328 PORTLAND VMF		VMF	C
329 MAINE CS DISTRICT		Dstr Ofc	A
330 BALTIMORE		AO	A
331 BALTIMORE P&DC		PDC/PDF	A
332 BALTIMORE AMC		AM/AF	A
333 BALTIMORE VMF		VMF	A
334 BALTIMORE CS DISTRICT		Dstr Ofc	A
335 BALTIMORE INC MAIL P&DF		PDC/PDF	A
336 BETHESDA	MD	AO	C
337 CUMBERLAND	MD	SCF	D
338 EASTON		AO	C
339 EASTON P&DF		PDC/PDF	A
340 FREDERICK		AO	B
341 FREDERICK P&DF		PDC/PDF	A
342 HYATTSVILLE	MD	AO	C
343 SOUTHERN MARYLAND		AO	A
344 SOUTHERN MD P&DC		PDC/PDF	A

MODS 18 aties, FY96

OBS	NAME		GTYPE	CAG
345	CAPITOL HEIGHTS VMF		VMF	A
346	SALISBURY	MD	SCF	C
347	SILVER SPRING	MD	AO	C
348	SUBURBAN MARYLAND		AO	B
349	SUBURBAN MD P&DC		PDC/PDF	A
350	SUBURBAN/GAITHERSBURG VMF		VMF	B
351	BOSTON CS DISTRICT		Dstr Ofc	A
352	BOSTON VMF		VMF	A
353	BOSTON P&DC		PDC/PDF	A
354	BOSTON AMC		AM/AF	A
355	NORTHWEST P&D FACILITY		PDC/PDF	A
356	BROCKTON		AO	B
357	BROCKTON P&DC		PDC/PDF	A
358	BUZZARDS BAY		AO	E
359	CAPE COD P&DF		PDC/PDF	A
360	MANSFIELD PRIORITY ANNEX		PDC/PDF	A
361	MIDDLESEX-ESSEX P&DC		PDC/PDF	A
362	MIDDLESEX-CENTRAL CS DISTRICT		Dstr Ofc	A
363	MIDDLESEX-ESSEX		AO	C
364	NORTHERN HASP FACILITY		PDC/PDF	A
365	PITTSFIELD	MA	SCF	C
366	SPRINGFIELD		AO	C
367	SPRINGFIELD P&DC		PDC/PDF	A
368	SPRINGFIELD CS DIST		Dstr Ofc	A
369	SPRINGFIELD VMF		VMF	B
370	WORCESTER PO		AO	B
371	WORCESTER P&DC		PDC/PDF	A
372	WORCESTER VMF		VMF	B
373	DETROIT		AO	A
374	DETROIT P&DC		PDC/PDF	A
375	DETROIT AMC		AM/AF	A
376	DETROIT CS DISTRICT		Dstr Ofc	A
377	DETROIT VMF		VMF	A
378	FLINT		AO	C
379	FLINT P&DC		PDC/PDF	A
380	GRAND RAPIDS		AO	B
381	GRAND RAPIDS P&DC		PDC/PDF	A
382	GREATER MICHIGAN CS DISTRICT		Dstr Ofc	A
383	GRAND RAPIDS VMF		VMF	B
384	GRAND RAPIDS AMF		AM/AF	A
385	IRON MOUNTAIN		AO	E
386	IRON MOUNTAIN P&DF		PDC/PDF	A
387	KALAMAZOO		AO	C

MODS ilities, FY96

OBS NAME		GTYPE	CAG
388 KALAMAZOO P&DC		PDC/PDF	A
389 LANSING		AO	B
390 LANSING P&DC		PDC/PDF	A
391 LANSING VMF		VMF	B
392 ROYAL OAK		AO	B
393 ROYAL OAK P&DC		PDC/PDF	A
394 ROYAL OAK CS DISTRICT		Dstr Ofc	A
395 ROYAL OAK VMF		VMF	C
396 SAGINAW		AO	C
397 SAGINAW P&DC		PDC/PDF	A
398 SAGINAW VMF		VMF	C
399 TRAVERSE CITY		AO	C
400 TRAVERSE CITY P&DF		PDC/PDF	A
401 WAYNE	MI	AO	C
402 DULUTH		AO	C
403 DULUTH P&DF		PDC/PDF	A
404 MANKATO		AO	C
405 MANKATO P&DF		PDC/PDF	A
406 MINNEAPOLIS		AO	A
407 MINNEAPOLIS P&DC		PDC/PDF	A
408 MINNEAPOLIS VMF		VMF	A
409 NORTHLAND CS DISTRICT		Dstr Ofc	A
410 ROCHESTER		AO	C
411 ROCHESTER P&DF		PDC/PDF	A
412 SAINT CLOUD		AO	B
413 SAINT CLOUD P&DF		PDC/PDF	A
414 SAINT PAUL		AO	A
415 SAINT PAUL P&DC		PDC/PDF	A
416 SAINT PAUL VMF		VMF	A
417 TWIN CITIES AMC		AM/AF	A
418 GULFPORT		AO	C
419 GULFPORT P&DF		PDC/PDF	A
420 JACKSON		AO	B
421 JACKSON P&DC		PDC/PDF	A
422 JACKSON VMF		VMF	B
423 MISSISSIPPI CS DISTRICT		Dstr Ofc	A
424 CAPE GIRARDEAU		AO	C
425 CAPE GIRARDEAU P&DF		PDC/PDF	A
426 COLUMBIA		AO	C
427 COLUMBIA P&DF		PDC/PDF	A
428 KANSAS CITY		AO	A
429 KANSAS CITY MO P&DC		PDC/PDF	A
430 KANSAS CITY VMF		VMF	A

MODS 18 ilities, FY96

OBS NAME		GTYPE	CAG
431 KANSAS CITY AMC		AM/AF	A
432 MID-AMERICA CS DISTRICT		Dstr Ofc	A
433 ST LOUIS VMF		VMF	A
434 SAINT LOUIS		AO	A
435 ST LOUIS P&DC		PDC/PDF	A
436 ST LOUIS AMC		AM/AF	A
437 GATEWAY CS DISTRICT		Dstr Ofc	A
438 SPRINGFIELD		AO	C
439 SPRINGFIELD P&DC		PDC/PDF	A
440 BILLINGS		AO	C
441 BILLINGS P&DC		PDC/PDF	A
442 BILLINGS CS DISTRICT		Dstr Ofc	A
443 BUTTE	MT	SCF	D
444 GREAT FALLS	MT	SCF	C
445 MISSOULA		SCF	C
446 GRAND ISLAND		AO	C
447 GRAND ISLAND P&DF		PDC/PDF	A
448 LINCOLN		AO	A
449 LINCOLN P&DF		PDC/PDF	A
450 NORFOLK		AO	D
451 NORFOLK P&DF		PDC/PDF	A
452 OMAHA		AO	A
453 OMAHA P&DC		PDC/PDF	A
454 OMAHA VMF		VMF	A
455 CENTRAL PLAINS CS DISTRICT		Dstr Ofc	A
456 OMAHA AMF		AM/AF	A
457 LAS VEGAS		AO	A
458 LAS VEGAS P&DC		PDC/PDF	A
459 LAS VEGAS AMC		AM/AF	A
460 LAS VEGAS CS DISTRICT		Dstr Ofc	A
461 LAS VEGAS VMF		VMF	A
462 RENO		AO	B
463 RENO P&DC		PDC/PDF	A
464 RENO AMF		AM/AF	A
465 MANCHESTER		AO	B
466 MANCHESTER P&DC		PDC/PDF	A
467 MANCHESTER VMF		VMF	B
468 NEW HAMPSHIRE CS DISTRICT		Dstr Ofc	A
469 PORTSMOUTH		AO	C
470 PORTSMOUTH P&DF		PDC/PDF	A
471 CALDWELL	NJ	AO	C
472 CLIFTON	NJ	AO	C
473 ELIZABETH	NJ	AO	C

MODS ities, FY96

OBS NAME		GTYPE	CAG
474 HACKENSACK		AO	A
475 HACKENSACK VMF		VMF	B
476 HACKENSACK P&DC		PDC/PDF	A
477 JERSEY CITY	NJ	AO	B
478 KILMER P&DC		PDC/PDF	A
479 MONMOUTH P&DC		PDC/PDF	A
480 NEWARK		AO	A
481 NEWARK P&DC		PDC/PDF	A
482 NEWARK AMC		AM/AF	A
483 NORTHERN NJ CS DISTRICT		Dstr Ofc	A
484 NEWARK VMF		VMF	A
485 NEW BRUNSWICK		AO	B
486 NEW BRUNSWICK VMF		VMF	B
487 CENTRAL NJ CS DISTRICT		Dstr Ofc	A
488 NO NJ PRIORITY MAIL PROC CTR		AO	A
489 NORTH JERSEY PMPC		AO	A
490 DOMINICK V DANIELS P&DC		PDC/PDF	A
491 N JERSEY/KEARNY VMF		VMF	A
492 PATERSON		AO	C
493 PATTERSON VMF		VMF	C
494 PATTERSON P&DC		PDC/PDF	A
495 PLAINFIELD	NJ	AO	C
496 RAHWAY	NJ	AO	C
497 RED BANK		AO	C
498 SO JERSEY		AO	C
499 SO JERSEY P&DC		PDC/PDF	A
500 SO JERSEY CS DISTRICT		Dstr Ofc	A
501 S JERSEY/BELLMWR VMF		VMF	A
502 SUMMIT		AO	C
503 TRENTON PO		AO	B
504 TRENTON VMF		VMF	B
505 TRENTON P&DC		PDC/PDF	A
506 WEST JERSEY P&DC		PDC/PDF	A
507 ALBUQUERQUE		AO	A
508 ALBUQUERQUE P&DC		PDC/PDF	A
509 ALBUQUERQUE VMF		VMF	A
510 ALBUQUERQUE CS DISTRICT		Dstr Ofc	A
511 ALBUQUERQUE AMF		AM/AF	A
512 ALBANY		AO	A
513 ALBANY P&DC		PDC/PDF	A
514 ALBANY VMF		VMF	A
515 ALBANY CS DISTRICT		Dstr Ofc	A
516 KENNEDY AMC		AM/AF	A

MODS ilities, FY96

OBS NAME		GTYPE	CAG
517 HALMAR AMF		AM/AF	A
518 BINGHAMTON		AO	C
519 BINGHAMTON P&DF		PDC/PDF	A
520 METRO NY PRIORITY MAIL CTR		AO	A
521 BRONX		AO	B
522 BRONX P&DC		PDC/PDF	A
523 BROOKLYN PO		AO	A
524 BROOKLYN P&DC		PDC/PDF	A
525 BROOKLYN VMF		VMF	A
526 BUFFALO		AO	A
527 BUFFALO P&DC		PDC/PDF	A
528 BUFFALO VMF		VMF	A
529 WESTERN NY CS DISTRICT		Dstr Ofc	A
530 BUFFALO AMF		AM/AF	A
531 ELMIRA		AO	C
532 ELMIRA P&DF		PDC/PDF	A
533 QUEENS		AO	B
534 FLUSHING/QUEENS/JAMAICA VMF		VMF	B
535 GLENS FALLS	NY	SCF	C
536 HICKSVILLE		AO	B
537 HICKSVILLE VMF		VMF	B
538 JAMESTOWN	NY	SCF	D
539 LAGUARDIA AMF		AM/AF	A
540 LONG ISLAND CS DISTRICT		Dstr Ofc	A
541 MID-HUDSON P&DC		PDC/PDF	A
542 MID-ISLAND P&DC		PDC/PDF	A
543 WESTCHESTER		AO	C
544 WHITE PLAINS VMF		VMF	C
545 NEW YORK CS DISTRICT		Dstr Ofc	A
546 NEW YORK VMF		VMF	A
547 NYC MORGAN P&DC		PDC/PDF	A
548 JAMES A FARLEY P&DC		PDC/PDF	A
549 NYC CHURCH ST P&DC		PDC/PDF	A
550 PLATTSBURGH	NY	SCF	D
551 QUEENS P&DC		PDC/PDF	A
552 TRIBORO CS DISTRICT		Dstr Ofc	A
553 ROCHESTER PO		AO	A
554 ROCHESTER P&DC		PDC/PDF	A
555 ROCHESTER VMF		VMF	A
556 ROCKLAND P&DF		AO	A
557 STATEN ISLAND		AO	B
558 STATEN ISLAND VMF		VMF	B
559 STATEN ISLAND P&DF		PDC/PDF	A

MODS 1& 2 Facilities, FY96

OBS NAME		GTYPE	CAG
560 SYRACUSE		AO	B
561 SYRACUSE P&DC		PDC/PDF	A
562 SYRACUSE VMF		VMF	B
563 UTICA		AO	B
564 UTICA P&DF		PDC/PDF	A
565 WATERTOWN	NY	SCF	D
566 WESTCHESTER P&DC		PDC/PDF	A
567 WESTCHESTER CS DISTRICT		Dstr Ofc	A
568 WESTERN NASSAU		AO	A
569 WESTERN NASSAU P&DC		PDC/PDF	A
570 W NASSAU/GARDEN CITY VMF		VMF	A
571 ASHEVILLE		AO	C
572 ASHEVILLE P&DF		PDC/PDF	A
573 CHARLOTTE		AO	A
574 CHARLOTTE P&DC		PDC/PDF	A
575 CHARLOTTE AMC		AM/AF	A
576 MID CAROLINAS CS DISTRICT		Dstr Ofc	A
577 CHARLOTTE VMF		VMF	A
578 FAYETTEVILLE		AO	C
579 FAYETTEVILLE P&DC		PDC/PDF	A
580 GREENSBORO		AO	B
581 GREENSBORO AMC		AM/AF	A
582 GREENSBORO P&DC		PDC/PDF	A
583 GREENSBORO VMF		VMF	B
584 GREENSBORO CS DISTRICT		Dstr Ofc	A
585 HICKORY		AO	C
586 HICKORY P&DF		PDC/PDF	A
587 KINSTON		AO	D
588 KINSTON P&DF		PDC/PDF	A
589 RALEIGH		AO	B
590 RALEIGH P&DC		PDC/PDF	A
591 RALEIGH AMC		AM/AF	A
592 RALEIGH VMF		VMF	B
593 ROCKY MOUNT		AO	C
594 ROCKY MOUNT P&DF		PDC/PDF	A
595 WILMINGTON	NC	AO	C
596 BISMARCK		AO	C
597 BISMARCK P&DF		PDC/PDF	A
598 FARGO		AO	C
599 FARGO P&DC		PDC/PDF	A
600 GRAND FORKS	ND	SCF	C
601 MINOT	ND	SCF	D
602 AKRON		AO	B

MODS facilities, FY96

OBS NAME		GTYPE	CAG
603 AKRON P&DC		PDC/PDF	A
604 AKRON VMF		VMF	B
605 AKRON CS DISTRICT		Dstr Ofc	A
606 CANTON		AO	B
607 CANTON P&DF/PO		PDC/PDF	A
608 CINCINNATI		AO	A
609 CINCINNATI P&DC		PDC/PDF	A
610 CINCINNATI VMF		VMF	A
611 CINCINNATI CS DISTRICT		Dstr Ofc	A
612 CINCINNATI AMF		AM/AF	A
613 CLEVELAND CS DISTRICT		Dstr Ofc	A
614 CLEVELAND		AO	A
615 CLEVELAND VMF		VMF	A
616 CLEVELAND P&DC		PDC/PDF	A
617 CLEVELAND AMF		AM/AF	A
618 COLUMBUS		AO	A
619 COLUMBUS P&DC		PDC/PDF	A
620 COLUMBUS VMF		VMF	A
621 COLUMBUS CS DISTRICT		Dstr Ofc	A
622 COLUMBUS AMF		AM/AF	A
623 DAYTON		AO	B
624 DAYTON P&DF		PDC/PDF	A
625 DAYTON VMF		VMF	A
626 DAYTON AMF		AM/AF	A
627 LIMA		AO	C
628 MANSFIELD	OH	SCF	C
629 STEUBENVILLE	OH	SCF	D
630 TOLEDO		AO	B
631 TOLEDO P&DF		PDC/PDF	A
632 TOLEDO VMF		VMF	B
633 YOUNGSTOWN		AO	C
634 YOUNGSTOWN VMF		VMF	C
635 YOUNGSTOWN P&DF/PO		PDC/PDF	A
636 ZANESVILLE	OH	SCF	D
637 OKLAHOMA CS DISTRICT		Dstr Ofc	A
638 OKLAHOMA CITY VMF		VMF	A
639 OKLAHOMA CITY		AO	A
640 OKLAHOMA CITY P&DC		PDC/PDF	A
641 OKLAHOMA CITY AMF		AM/AF	A
642 TULSA		AO	A
643 TULSA P&DC		PDC/PDF	A
644 TULSA VMF		VMF	A
645 TULSA AMF		AM/AF	A

MODS 1. Cities, FY96

OBS NAME		GTYPE	CAG
646 EUGENE		AO	B
647 EUGENE P&DF		PDC/PDF	A
648 MEDFORD	OR	SCF	C
649 PORTLAND		AO	A
650 PORTLAND P&DC		PDC/PDF	A
651 PORTLAND CS DISTRICT		Dstr Ofc	A
652 PORTLAND AMF		AM/AF	A
653 SALEM		AO	B
654 SALEM VMF		VMF	B
655 SALEM P&DF		PDC/PDF	A
656 ALTOONA	PA	SCF	B
657 SOUTHEASTERN PA		AO	B
658 SOUTHEASTERN PA P&DC		PDC/PDF	A
659 ERIE		AO	C
660 ERIE VMF		VMF	C
661 ERIE CS DISTRICT		Dstr Ofc	A
662 GREENSBURG	PA	SCF	C
663 HARRISBURG		AO	A
664 HARRISBURG P&DC		PDC/PDF	A
665 HARRISBURG VMF		VMF	A
666 HARRISBURG CS DISTRICT		Dstr Ofc	A
667 JOHNSTOWN		AO	C
668 JOHNSTOWN VMF		VMF	C
669 JOHNSTOWN P&DF/PO		PDC/PDF	A
670 KEYSTONE P&DF		PDC/PDF	A
671 LANCASTER CS DISTRICT		Dstr Ofc	A
672 LANCASTER		AO	A
673 LANCASTER P&DC		PDC/PDF	A
674 LANCASTER VMF		VMF	A
675 LEHIGH VALLEY		AO	C
676 LEHIGH VALLEY P&DC		PDC/PDF	A
677 NEW CASTLE P&DF/PO		PDC/PDF	A
678 NEW CASTLE		AO	D
679 PHILADELPHIA CS DISTRICT		Dstr Ofc	A
680 PHILADELPHIA		AO	A
681 PHILADELPHIA AMC		AM/AF	A
682 PHILADELPHIA VMF		VMF	A
683 PITTSBURGH CS DISTRICT		Dstr Ofc	A
684 PITTSBURGH		AO	A
685 PITTSBURGH P&DC		PDC/PDF	A
686 PITTSBURGH AMF		AM/AF	A
687 PITTSBURGH VMF		VMF	A
688 READING P&DF		PDC/PDF	A

MODS 4 Activities, FY96

OBS NAME		GTYPE	CAG
689 READING		AO	B
690 SCRANTON		AO	B
691 SCRANTON P&DF/PO		PDC/PDF	A
692 PHILADELPHIA P&DC		PDC/PDF	A
693 WILKES-BARRE		AO	B
694 WILKES-BARRE P&DF/PO		PDC/PDF	A
695 WILLIAMSPORT		AO	C
696 WILLIAMSPORT P&DF/PO		PDC/PDF	A
697 SAN JUAN		AO	B
698 SAN JUAN P&DC		PDC/PDF	A
699 SAN JUAN VMF		VMF	B
700 CARIBBEAN CS DISTRICT		Dstr Ofc	A
701 SAN JUAN AMF		AM/AF	A
702 PROVIDENCE		AO	B
703 PROVIDENCE P&DC		PDC/PDF	A
704 PROVIDENCE VMF		VMF	B
705 PROVIDENCE CS DISTRICT		Dstr Ofc	A
706 CHARLESTON		AO	C
707 CHARLESTON VMF		VMF	C
708 CHARLESTON P&DF		PDC/PDF	A
709 COLUMBIA		AO	B
710 COLUMBIA P&DC		PDC/PDF	A
711 COLUMBIA VMF		VMF	B
712 COLUMBIA CS DISTRICT		Dstr Ofc	A
713 COLUMBIA AMF		AM/AF	A
714 FLORENCE		AO	C
715 FLORENCE P&DF		PDC/PDF	A
716 GREENVILLE		AO	B
717 GREENVILLE P&DC		PDC/PDF	A
718 GREENVILLE VMF		VMF	B
719 GREENVILLE AMF		AM/AF	A
720 CENTRAL DAKOTA P&DF		PDC/PDF	A
721 RAPID CITY		AO	C
722 RAPID CITY P&DF		PDC/PDF	A
723 SIOUX FALLS		AO	B
724 SIOUX FALLS P&DC		PDC/PDF	A
725 SIOUX FALLS VMF		VMF	B
726 DAKOTAS CS DISTRICT		Dstr Ofc	A
727 CHATTANOOGA		AO	B
728 CHATTANOOGA P&DC		PDC/PDF	A
729 JACKSON	TN	SCF	C
730 JOHNSON CITY	TN	SCF	C
731 KNOXVILLE		AO	B

MOD - ilities, FY96

OBS NAME	GTYPE	CAG
732 KNOXVILLE P&DC	PDC/PDF	A
733 MEMPHIS AMC	AM/AF	A
734 MEMPHIS	AO	A
735 MEMPHIS P&DC	PDC/PDF	A
736 MEMPHIS VMF	VMF	A
737 NASHVILLE	AO	A
738 NASHVILLE P&DC	PDC/PDF	A
739 NASHVILLE AMC	AM/AF	A
740 NASHVILLE VMF	VMF	A
741 TENNESSEE CS DISTRICT	Dstr Ofc	A
742 SUPPORT & REPAIR FACILITY	PDC/PDF	A
743 ABILENE TX	SCF	C
744 AMARILLO	AO	C
745 AMARILLO P&DF	PDC/PDF	A
746 AUSTIN	AO	A
747 AUSTIN P&DC	PDC/PDF	A
748 AUSTIN VMF	VMF	A
749 BEAUMONT	AO	C
750 BEAUMONT P&DF	PDC/PDF	A
751 CORPUS CHRISTI	AO	C
752 CORPUS CHRISTI P&DC	PDC/PDF	A
753 CORPUS CHRISTI VMF	VMF	C
754 DALLAS VMF	VMF	A
755 DALLAS AMC	AM/AF	A
756 DALLAS	AO	A
757 DALLAS CS DISTRICT	Dstr Ofc	A
758 NORTH TEXAS P&DC	PDC/PDF	A
759 DALLAS P&DC	PDC/PDF	A
760 EL PASO	AO	B
761 EL PASO VMF	VMF	B
762 EL PASO P&DC	PDC/PDF	A
763 FT WORTH	AO	A
764 FT WORTH P&DC	PDC/PDF	A
765 FT WORTH VMF	VMF	A
766 FORT WORTH CS DISTRICT	Dstr Ofc	A
767 NORTH HOUSTON P&DC	PDC/PDF	A
768 HOUSTON	AO	A
769 HOUSTON VMF	VMF	A
770 HOUSTON P&DC	PDC/PDF	A
771 HOUSTON AMC	AM/AF	A
772 HOUSTON CS DISTRICT	Dstr Ofc	A
773 INTL & EXPD TD SVC CTR	PDC/PDF	A
774 LONGVIEW TX	SCF	C

MODS 2 Utilities, FY96

OBS	NAME		GTYPE	CAG
775	LUBBOCK		AO	C
776	LUBBOCK P&DF		PDC/PDF	A
777	MCALLEN		AO	C
778	MCALLEN P&DF		PDC/PDF	A
779	MIDLAND		AO	C
780	MIDLAND P&DF		PDC/PDF	A
781	SAN ANTONIO		AO	A
782	SAN ANTONIO P&DC		PDC/PDF	A
783	SAN ANTONIO VMF		VMF	A
784	SAN ANTONIO CS DISTRICT		Dstr Ofc	A
785	SAN ANTONIO AMF		AM/AF	A
786	TEXARKANA		SCF	C
787	TEXARKANA VMF		VMF	C
788	TYLER		AO	C
789	TYLER P&DC		PDC/PDF	A
790	TYLER VMF		VMF	C
791	WACO		AO	C
792	WACO VMF		VMF	C
793	WACO P&DF		PDC/PDF	A
794	WICHITA FALLS	TX	SCF	C
795	PROVO	UT	SCF	C
796	SALT LAKE CITY		AO	A
797	SALT LAKE CITY VMF		VMF	A
798	SALT LAKE CITY CS DISTRICT		Dstr Ofc	A
799	SALT LAKE CITY P&DC		PDC/PDF	A
800	SALT LAKE CITY AMC		AM/AF	A
801	BURLINGTON		AO	B
802	BURLINGTON P&DF		PDC/PDF	A
803	WHITE RIVER JUNCTION		AO	E
804	WHITE RIVER JCT P&DC		PDC/PDF	A
805	BRISTOL	VA	SCF	C
806	CHARLOTTESVILLE		AO	C
807	CHARLOTTESVILLE P&DF		PDC/PDF	A
808	DULLES VMF		VMF	A
809	DULLES P&DC		PDC/PDF	A
810	WASHINGTON-DULLES AMC		AM/AF	A
811	LYNCHBURG		AO	A
812	LYNCHBURG P&DF		PDC/PDF	A
813	NORFOLK		AO	B
814	NORFOLK P&DC		PDC/PDF	A
815	NORFOLK VMF		VMF	B
816	NORFOLK AMF		AM/AF	A
817	MERRIFIELD C/S & CFS		AO	B

MODS

ilities, FY96

OBS NAME		GTYPE	CAG
010 MERRIFIELD P&DC		PDC/PDF	A
019 N VIRGINIA/MERRIFIELD VMF		VMF	B
020 NORTHERN VA CS DISTRICT		Dstr Ofc	A
021 RICHMOND		AO	A
022 RICHMOND P&DC		PDC/PDF	A
023 RICHMOND AMF		AM/AF	A
024 RICHMOND CS DISTRICT		Dstr Ofc	A
025 RICHMOND VMF		VMF	A
026 ROANOKE		AO	B
027 ROANOKE P&DC		PDC/PDF	A
028 ROANOKE VMF		VMF	B
029 WINCHESTER	VA	SCF	D
030 EVERETT		AO	C
031 EVERETT P&DF		PDC/PDF	A
032 OLYMPIA		AO	C
033 OLYMPIA P&DF		PDC/PDF	A
034 PASCO		AO	D
035 PASCO P&DF		PDC/PDF	A
036 SEATTLE		AO	A
037 SEATTLE P&DC		PDC/PDF	A
038 SEATTLE AMF		AM/AF	A
039 SEATTLE VMF		VMF	A
040 SEATTLE CS DISTRICT		Dstr Ofc	A
041 SEATTLE DDC-EAST		AO	A
042 SEATTLE DDC - SOUTH		AO	A
043 SPOKANE		AO	B
044 SPOKANE VMF		VMF	B
045 SPOKANE CS DISTRICT		Dstr Ofc	A
046 SPOKANE P&DC		PDC/PDF	A
047 TACOMA		AO	B
048 TACOMA P&DC		PDC/PDF	A
049 WENATCHEE	WA	SCF	D
050 YAKIMA	WA	SCF	C
051 BLUEFIELD	WV	SCF	E
052 APPALACHIAN CS DISTRICT		Dstr Ofc	A
053 CHARLESTON		AO	B
054 CHARLESTON P&DC		PDC/PDF	A
055 CLARKSBURG		AO	D
056 CLARKSBURG VMF		VMF	D
057 CLARKSBURG P&DF		PDC/PDF	A
058 HUNTINGTON		AO	C
059 HUNTINGTON P&DF		PDC/PDF	A
060 WHEELING		SCF	C

MODS 11 Facilities, FY96

OBS NAME		GTYPE	CAG
061 WHEELING VMF		VMF	C
062 EAU CLAIRE		AO	C
063 EAU CLAIRE P&DF		PDC/PDF	A
064 GREEN BAY		AO	B
065 GREEN BAY P&DC		PDC/PDF	A
066 GREEN BAY VMF		VMF	B
067 LA CROSSE	WI	SCF	C
068 MADISON		AO	A
069 MADISON P&DC		PDC/PDF	A
070 MADISON VMF		VMF	A
071 MILWAUKEE PRIORITY ANNEX		PDC/PDF	A
072 MILWAUKEE		AO	A
073 MILWAUKEE P&DC		PDC/PDF	A
074 MILWAUKEE AMC		AM/AF	A
075 MILWAUKEE VMF		VMF	A
076 MILWAUKEE CS DISTRICT		Dstr Ofc	A
077 OSHKOSH		AO	C
078 OSKOSH P&DF		PDC/PDF	A
079 WAUSAU		AO	C
080 WAUSAU P&DF		PDC/PDF	A
081 CASPER	WY	SCF	D
082 CHEYENNE		AO	C
083 CHEYENNE P&DC		PDC/PDF	A

MODS 2 ilities, FY96

OBS NAME	CAG
1 BIRMINGHAM REMOTE ENCODING CTR	A
2 GLENDALE REMOTE ENC CTR	A
3 SHERWOOD REMOTE ENCODING CTR	A
4 MODESTO REMOTE ENCODING CTR	A
5 SAN BERNARDINO REMOTE ENCOD CT	A
6 SELMA REMOTE ENCODING CTR	A
7 RIVERSIDE REMOTE ENCODING CTR	A
8 CHULA VISTA REMOTE ENCODING CT	A
9 HAYWARD REMOTE ENCD CTR	A
10 TAMPA REMOTE ENCODING CTR	A
11 REMOTE ENCODING CTR	A
12 REMOTE ENCODING CTR	A
13 PEORIA REMOTE ENC CTR	A
14 FORT WAYNE REMOTE ENCODING CTR	A
15 GARY REMOTE ENC CTR	A
16 DES MOINES REMOTE ENC CTR	A
17 DAVENPORT REMOTE ENC CTR	A
18 WICHITA REMOTE ENCODING CTR	A
19 REMOTE ENCODING CTR	A
20 REMOTE ENCODING CTR	A
21 REMOTE ENCODING CTR	A
22 KALAMAZOO REMOTE ENCD CTR	A
23 DULUTH REMOTE ENCODING CTR	A
24 NASHUA REMOTE ENCODING CTR	A
25 KEARNY REMOTE ENCODING CTR	A
26 PRINCETON REMOTE ENCODING CTR	A
27 ALBANY REMOTE ENCODING CTR	A
28 WESTERN NASSAU REMOTE ENC CTR	A
29 SYRACUSE REMOTE ENCODING CTR	A
30 FISHKILL REMOTE ENCD CTR	A
31 GREENSBORO REMOTE ENC CTR	A
32 LUMBERTON REMOTE ENCODING CTR	A
33 FAYETTEVILLE REMOTE ENC CTR	A
34 AKRON REMOTE ENCODING CTR	A
35 DAYTON REMOTE ENCODING CTR	A
36 TULSA REMOTE ENCODING CENTER	A
37 OREGON REMOTE ENCODING CTR	A
38 LEHIGH VLY REMOTE ENC CTR	A
39 PITTSBURGH REMOTE ENC CTR	A
40 REMOTE ENCODING CTR	A
41 CHARLESTON REMOTE ENC CTR	A
42 CHATTANOOGA REMOTE ENCODING CT	A

MODS ilities, FY96

OBS NAME	CAG
43 KNOXVILLE REMOTE ENC CTR	A
44 ANTIOCH REMOTE ENCODING CENTER	A
45 ABILENE REMOTE ENCODING CTR	A
46 BEAUMONT REMOTE ENCODING CTR	A
47 LAREDO REMOTE ENCODING CTR	A
48 MCALLEN REMOTE ENCODING CTR	A
49 SALT LAKE CITY REMOTE ENC CTR	A
50 LYNCHBURG REMOTE ENC CTR	A
51 NEWPORT NEWS REMOTE ENC CTR	A
52 SALEM REMOTE ENCODING CTR	A
53 CHARLESTON REMOTE ENCODING CTR	A
54 FALLING WATERS REMOTE ENCOD CT	A

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

TW/USPS-T12-18. Table T12-18, attached to this interrogatory, presents a breakdown of the mail processing costs attributed by your costing method. The first three columns show cost group number, short name and variability factor, as given in Table 4 of your testimony. The remaining columns break down the attributed costs within each cost group by major groupings of activity codes, based on the data you submitted in spreadsheet TW-3e, as part of your response to TW/USPS-T12-3e. The activity code groups used are: (1) direct (codes 0010-4950); (2) mixed mail (codes 5300-5750); (3) breaks/personal needs (code 6521); (4) clocking in/out (code 6522); (5) empty equipment (code 6523); and (6) all other (codes 5020-5180, 6000-6519 and 6570-6660).

- a. Please confirm that the data in table T12-18 are consistent with your testimony. If you cannot confirm, please provide the necessary corrections and explain why they are necessary.**
- b. Please confirm that if for a given cost group with non-zero variability and a given set of activity codes one divides the volume variable costs by the group variability factor, one gets the total mail processing tally costs corresponding to the given cost group and set of activity codes. If you cannot confirm, please explain.**
- c. Please confirm that if one divides the mixed mail costs for each group in Table T12-18 with the corresponding variability factor, for all groups with non-zero variability, and then adds up the results, one gets total mixed mail tally costs equal to \$2,839.462 million. Please also confirm that in the LIOCATT output used for the FY96 CRA report the total mixed mail costs for segment 3 (including some non-mail processing costs) are only \$2,670.726 million. Additionally, please explain why your method seems to lead to higher costs for activity codes 5300-5750, even though it presumably is based on the same raw IOCS tallies as those used in the FY96 CRA. In particular, please identify cases where some tallies may have been assigned mixed mail activity codes under one method but not under the other, and any differences in the weighting of individual tallies that may have contributed to this apparent discrepancy.**
- d. Please provide an activity code breakdown of the \$148.358 million non-variable costs that your Table 4 associates with cost group 36 (LD48 Adm).**
- e. Please confirm that if one divides the "all other" costs for each group in Table T12-18 with the corresponding variability factor, for all groups with non-zero variability, and then adds up the results, one gets total "all other" tally costs equal to \$1,130.957 million. Please also confirm that in the LIOCATT output used for the FY96 CRA report the costs for these activity codes listed under mail processing are only \$599.160 million.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

- f. Please describe the distribution keys used, in your methodology, to distribute costs associated with each of the following activity codes: 5020-6519 and 6570-6660. Are each of these activity codes distributed separately within each cost group. In particular:
1. Are costs with activity code 6231 (Express Mail) distributed based on direct tally costs within each cost group, or simply attributed to Express Mail? If neither, please explain.
 2. Are costs with Window Service activity codes (5110-5195 and 6000-6200), recorded under mail processing cost groups, distributed based on direct tally costs within each cost group, even to mail subclass that generally do not sue window service? If no, please explain.
 3. Are costs with activity codes 6220 and 6230 (Special Delivery and Registry) distributed based on direct tally costs within each cost group, or simply attributed to Special Delivery and Registry? If neither, please explain.
- g. Under your methodology for distributing mail processing costs, is there any difference in the way that you distribute: (1) non-handling costs associated with a mixed mail activity code (5300-5750); (2) costs associated with activity code 6521; (3) costs associated with activity code 6522; or (4) costs associated with activity codes 5020-5180, 6000-6519 and 6570-6660? If yes, please explain what the differences are.

TW/USPS-T12-18 Response.

- a. Confirmed. However, Table 6 of my testimony, and thus also spreadsheet TW-3e, reflect the new costing method only to a limited extent. Please see my response to ADVO/USPS-T12-1, for discussion.
- b. Not confirmed. If one divides a cost pool's volume variable costs by its variability factor, one obtains the "cost pool costs" (i.e., accrued costs) from Table 4, USPS-T-12. These are not the same as the tally costs derived from the F9250 variable. The tally costs and cost pool costs for a given operation group differ because the cost weighting system (see

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

LR-H-21) computes F9250 based on craft and CAG rather than cost pool.

- c. Not confirmed that IOCS tally costs are \$2,839.462 million. That figure can be interpreted as an estimate of volume variable costs associated with the 5300-5750 activity codes. The issue is not that the tally base for Cost Segment 3 has changed, rather the implicit tally weights have changed because the costs reported in table T12-18 are distributed volume variable costs. The following factors explain the apparent discrepancy. First, the arithmetic exercise by which the \$2,839.462 million figure was calculated does not produce IOCS tally costs, as stated in part b of this response. Second, LDC 15 costs have been distributed to the relatively small number of tallies (including mixed-mail tallies) assigned to the LD15 cost pool, so the implicit dollar weight of mixed-mail tallies in this pool is higher than the tally costs based on the F9250 variable. Third, most activity code 6521 costs in the BMC and non-MODS office groups have been redistributed to other activity codes (including mixed-mail codes), which increases the implicit dollar weights of non-6521 tallies in those pools.
- d. Please see Attachment 1 to this response.
- e. Not confirmed. The "new methodology" costs are a distribution of volume-variable costs to the "other" activity codes, not the IOCS tally

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

costs. Also note that some "other" tally costs have migrated to the mail processing component. As mentioned in my response to ADVO/USPS-T12-1 part d, some such costs were, in fact, redistributed to mail processing in the "old methodology" CRA.

- f. Please see my response to MPA/USPS-T12-1.
1. Activity code 6231 costs are distributed based on direct and distributed mixed-mail tally costs in each cost pool.
 2. The specified costs are distributed based on direct and distributed mixed-mail tally costs in each cost pool.
 3. The specified costs are distributed based on direct and distributed mixed-mail tally costs in each cost pool.
- g. No.

Table T12-18: Mail Processing Costs Per Cost Group And Activity Code

Group		Variab.	Direct	Mixed	Breaks	In/Out	Empty Eq.	All	Total
No.	Name		0010-4950	5300-5750	6521	6522	6523	Other	
1	bcs	94.5%	350.232	129.938	86.838	10.682	58.568	7.627	643.885
2	ocr	78.6%	98.832	31.666	24.463	3.255	15.525	2.479	176.220
3	fsm	91.8%	401.956	100.478	99.247	11.866	54.453	8.538	676.538
4	lsm	90.5%	460.968	69.137	88.058	11.352	25.277	7.379	662.170
5	1SackS_m	99.1%	7.276	20.478	9.349	1.010	7.189	2.040	47.341
6	meccarc	90.2%	3.401	2.321	1.181	148	1.327	288	8.666
7	spbs Oth	46.9%	31.753	21.456	14.225	2.130	10.472	1.629	81.666
8	spbs Prio	80.0%	16.867	13.083	10.221	947	4.900	356	46.373
9	manf	86.6%	257.511	66.916	76.002	10.088	28.542	6.800	445.858
10	manl	79.7%	691.059	122.965	165.513	26.211	40.901	23.185	1,069.834
11	manp	39.5%	9.302	5.922	3.893	478	3.178	947	23.719
12	priority	44.8%	40.022	25.345	17.353	2.162	11.136	3.667	99.685
13	LD15	100.3%	199.746	94.466	50.470	3.684	18.013	17.160	383.539
14	1SCAN	82.9%	8.761	21.753	8.135	790	4.168	4.502	48.109
15	1Bulk pr	72.6%	2.368	2.073	1.754	152	993	1.131	8.470
16	1CancMPP	65.4%	88.721	46.361	28.707	3.157	14.959	6.250	188.154
17	1SackS_h	52.6%	16.046	37.306	16.719	2.108	13.082	3.755	89.017
18	1OpPref	72.0%	166.403	162.604	94.884	15.019	81.148	16.637	536.694
19	1OPbulk	74.1%	74.537	66.919	42.537	7.569	36.552	5.352	233.465
20	1Platform	72.6%	59.334	316.576	101.567	14.254	110.944	44.582	647.257
21	1Pouching	82.9%	100.422	132.359	62.803	8.610	50.520	8.321	363.035
22	BusReply	79.7%	12.977	1.889	3.235	369	657	5.854	24.981
23	REWRAP	78.6%	3.345	2.996	2.368	233	634	2.668	12.245
24	1EEQMT	78.6%	930	5.801	3.670	550	25.128	3.130	39.210
25	express	44.8%	10.457	3.850	5.544	635	1.413	13.556	35.456
26	Mailgram	79.7%	80	78	0	0	41	95	293
27	1Support	78.6%	5.566	6.275	5.262	1.238	1.240	88.283	107.864
28	1MISC	78.6%	11.258	26.121	10.337	1.456	6.516	47.050	102.737
29	Registry	15.3%	6.667	1.647	2.396	234	739	7.740	19.423
30	INTL	78.6%	39.014	18.632	13.321	974	4.886	9.848	86.675
31	LD41	91.0%	6.750	6.286	1.711	309	1.008	809	16.873
32	LD42	91.0%	947	297	354	16	133	200	1,946
33	LD43	82.0%	189.763	77.008	68.350	7.852	40.752	43.963	427.687
34	LD44	82.0%	60.593	13.584	11.364	1.538	4.338	12.525	103.942
35	LD48 Exp	45.0%	271	43	130	28	14	955	1,441
36	LD48 Adm	0.0%	0	0	0	0	0	0	0
37	LD48 SpS	15.3%	5.247	842	1.594	179	394	8.037	16.292
37a	LD48 Oth	15.3%	4.985	2.004	2.190	358	1.371	8.604	19.512
38	LD49	91.0%	121.731	5.737	32.846	4.067	5.615	59.621	229.618
39	LD79	73.0%	13.658	3.847	8.297	1.514	2.607	68.506	98.430
	MODS Tot.		3,579.758	1,667.060	1,176.887	157.220	689.331	554.066	7,824.322
40	Platform	53.0%	18.730	54.055	101	0	15.807	4.773	93.467
41	Allied	54.0%	44.795	55.805	0	0	23.309	1.369	125.278
42	PSM	90.0%	59.120	15.659	0	0	919	0	75.698
43	SSM	99.0%	16.487	12.927	0	0	1.076	0	30.490
44	SPB	73.0%	23.382	14.816	0	0	8.385	0	46.583
45	NMO	67.0%	8.884	7.442	0	0	3.316	0	19.642
	BMC Tot.		171.399	160.704	101	0	52.811	6.142	391.158
46	Non-MODS	78.6%	1,243.385	312.274	36.326	4.353	132.182	98.530	1,827.050
	Total		4,994.541	2,140.038	1,213.314	161.573	874.325	658.739	10,042.530

Attachment 1, Response to TW/USPS-T12-18 part d

**IOCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code
and basic function**

Class/ Activity Code	Basic Function	LD48_Adm
1st L&P	1	1,274
1st L&P	2	4,929
1st L&P	3	59
1st L&P	5	280
PreL	1	478
PreL	2	1,607
PreL	3	0
PreL	5	78
PCds	1	0
PCds	2	0
PCds	3	0
PCds	5	0
Cds	1	0
Cds	2	152
Cds	3	0
Cds	5	0
PreC	1	0
PreC	2	53
PreC	3	0
PreC	5	0
Priority	1	111
Priority	2	730
Priority	3	0
Priority	5	4
Express	1	561
Express	2	500
Express	3	0
Express	5	0
Mailgrams	1	0
Mailgrams	2	0
Mailgrams	3	0
Mailgrams	5	0
2nd IC	1	0
2nd IC	2	0
2nd IC	3	0
2nd IC	5	0
Reg	1	0
Reg	2	367
Reg	3	49
Reg	5	83
NP	1	0
NP	2	80
NP	3	0
NP	5	0
CL	1	0
CL	2	0
CL	3	0

Attachment 1, Response to TW/USPS-T12-18 part d

**IOCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code
and basic function**

Class/ Activity Code	Basic Function	LD48_Adm
CL	5	0
3rd SP	1	51
3rd SP	2	190
3rd SP	3	0
3rd SP	5	0
BRCRT	1	49
BRCRT	2	479
BRCRT	3	0
BRCRT	5	0
BRO	1	318
BRO	2	804
BRO	3	0
BRO	5	211
NPCRT	1	51
NPCRT	2	186
NPCRT	3	0
NPCRT	5	0
NPO	1	98
NPO	2	299
NPO	3	0
NPO	5	59
4th ZPP	1	0
4th ZPP	2	283
4th ZPP	3	0
4th ZPP	5	0
BPM	1	0
BPM	2	107
BPM	3	0
BPM	5	0
SPC	1	0
SPC	2	89
SPC	3	0
SPC	5	0
LIB	1	0
LIB	2	0
LIB	3	0
LIB	5	0
USPS	1	100
USPS	2	51
USPS	3	0
USPS	5	101
Free	1	0
Free	2	0
Free	3	0
Free	5	0
intl	1	57
Intl	2	160

Attachment 1, Response to TW/USPS-T12-18 part d

IOCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code and basic function

Class/ Activity Code	Basic Function	LD48_Adm
Intl	3	0
Intl	5	0
Registry	1	208
Registry	2	306
Registry	3	22
Registry	5	179
Certified	1	469
Certified	2	995
Certified	3	0
Certified	5	51
Insurance	1	62
Insurance	2	0
Insurance	3	0
Insurance	5	0
COD	1	0
COD	2	293
COD	3	0
COD	5	0
Sp Delvry	1	0
Sp Delvry	2	0
Sp Delvry	3	0
Sp Delvry	5	0
Oth SS	1	330
Oth SS	2	1,784
Oth SS	3	0
Oth SS	5	394
5301	1	0
5301	2	0
5301	3	0
5301	5	0
5302	1	0
5302	2	0
5302	3	0
5302	5	0
5303	1	0
5303	2	0
5303	3	0
5303	5	0
5331	1	0
5331	2	0
5331	3	0
5331	5	0
5340	1	0
5340	2	0
5340	3	0
5340	5	0
5341	1	0

Attachment 1, Response to TW/USPS-T12-18 part d

IOCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code and basic function

Class/ Activity Code	Basic Function	LD48_Adm
5341	2	0
5341	3	0
5341	5	0
5345	1	0
5345	2	0
5345	3	0
5345	5	0
5460	1	0
5460	2	0
5480	3	0
5460	5	0
5461	1	0
5461	2	0
5461	3	0
5461	5	0
5610	1	298
5610	2	1,803
5610	3	0
5610	5	53
5620	1	0
5620	2	103
5620	3	0
5620	5	0
5700	1	51
5700	2	48
5700	3	0
5700	5	0
5750	1	1,093
5750	2	2,666
5750	3	82
5750	5	1,017
5020	1	0
5020	2	0
5020	3	0
5020	5	211
5040	1	0
5040	2	0
5040	3	0
5040	5	4,825
5050	1	0
5050	2	0
5050	3	0
5050	5	51
5060	1	0
5060	2	0
5060	3	0
5060	5	0

Attachment 1, Response to TWUSPS-T12-18 part d

IOCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code and basic function

Class/ Activity Code	Basic Funcion	LD48_Adm
5070	1	0
5070	2	0
5070	3	0
5070	5	277
5080	1	0
5080	2	0
5080	3	0
5080	5	340
5090	1	0
5090	2	0
5090	3	0
5090	5	59
5110	1	0
5110	2	0
5110	3	0
5110	5	104
5120	1	0
5120	2	0
5120	3	0
5120	5	358
5130	1	0
5130	2	0
5130	3	0
5130	5	0
5170	1	0
5170	2	0
5170	3	0
5170	5	130
5180	1	0
5180	2	0
5180	3	0
5180	5	0
6000	1	0
6000	2	0
6000	3	0
6000	5	1,302
6010	1	0
6010	2	0
6010	3	0
6010	5	2,378
6020	1	0
6020	2	0
6020	3	0
6020	5	1,044
6030	1	0
6030	2	0
6030	3	0

Attachment 1, Response to TW/USPS-T12-18 part d

IOCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code and basic function

Class/ Activity Code	Basic Function	LD48_Adm
6030	5	1,105
6040	1	0
6040	2	0
6040	3	0
6040	5	602
6045	1	0
6045	2	0
6045	3	0
6045	5	305
6050	1	0
6050	2	0
6050	3	0
6050	5	116
6070	1	0
6070	2	0
6070	3	0
6070	5	571
6073	1	0
6073	2	0
6073	3	0
6073	5	342
6080	1	0
6080	2	0
6080	3	0
6080	5	278
6110	1	0
6110	2	0
6110	3	0
6110	5	50
6120	1	0
6120	2	0
6120	3	0
6120	5	681
6130	1	0
6130	2	0
6130	3	0
6130	5	111
6140	1	0
6140	2	0
6140	3	0
6140	5	0
6170	1	0
6170	2	0
6170	3	0
6170	5	13,931
6180	1	0
6180	2	0

Attachment 1, Response to TW/USPS-T12-18 part d

IOCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code and basic function

Class/ Activity Code	Basic Function	LD48_Adm
6180	3	0
6180	5	78
6200	1	0
6200	2	0
6200	3	0
6200	5	676
6210	1	0
6210	2	244
6210	3	0
6210	5	0
6220	1	68
6220	2	0
6220	3	0
6220	5	132
6230	1	270
6230	2	344
6230	3	0
6230	5	589
6231	1	148
6231	2	181
6231	3	0
6231	5	345
6240	1	80
6240	2	450
6240	3	0
6240	5	262
6270	1	0
6270	2	0
6270	3	0
6270	5	83
6320	1	0
6320	2	0
6320	3	0
6320	5	2,461
6330	1	0
6330	2	162
6330	3	0
6330	5	2,409
6420	1	0
6420	2	150
6420	3	0
6420	5	961
6430	1	0
6430	2	2,725
6430	3	0
6430	5	2,233
6460	1	0

Attachment 1, Response to TW/USPS-T12-18 part d

IOCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code and basic function

Class/ Activity Code	Basic Function	LD48_Adm
6460	2	0
6460	3	0
6460	5	284
6480	1	0
6480	2	0
6480	3	0
6480	5	424
6495	1	0
6495	2	0
6495	3	0
6495	5	329
6500	1	0
6500	2	0
6500	3	0
6500	5	99
6511	1	0
6511	2	0
6511	3	0
6511	5	49
6512	1	0
6512	2	0
6512	3	0
6512	5	0
6514	1	0
6514	2	0
6514	3	0
6514	5	0
6516	1	0
6516	2	0
6516	3	0
6516	5	48
6519	1	0
6519	2	0
6519	3	0
6519	5	399
6521	1	0
6521	2	50
6521	3	0
6521	5	12,538
6522	1	0
6522	2	0
6522	3	0
6522	5	1,405
6523	1	890
6523	2	1,689
6523	3	49
6523	5	822

**DCS tally costs (\$000) assigned to LD48_Adm cost pool, by subclass/activity code
and basic function**

<u>Class/ Activity Code</u>	<u>Basic Function</u>	<u>LD48 Adm</u>
6570	1	178
6570	2	96
6570	3	0
6570	5	992
6580	1	0
6580	2	1,148
6580	3	0
6580	5	534
6610	1	0
6610	2	0
6610	3	0
6610	5	2,081
6620	1	0
6620	2	0
6620	3	0
6620	5	5,782
6630	1	186
6630	2	222
6630	3	0
6630	5	48,830
6640	1	0
6640	2	0
6640	3	0
6640	5	1,449
6650	1	0
6650	2	0
6650	3	0
6650	5	9,920
6660	1	0
6660	2	0
6660	3	0
6660	5	852

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

TW/USPS-T12-19. According to your spreadsheet TW-3e, and Table T12-18 included with TW/USPS-T12-18, the only costs associated with "breaks/personal needs" at BMC's are \$0.101 million in the "BMC Platform" cost group. Yet, according to Table VII.2 in LR-H-146, BMC costs associated with "breaks/personal needs" were \$114.666 million, of which \$74.419 million were volume variable.

- a. Please confirm that the above reflects a correct interpretation of LR-H-146 and of the data given in spreadsheet TW-3e. If not confirmed, please explain.
- b. Please provide a breakdown, by activity code, cost group and basic function, as those codes are used in spreadsheet TW-7, for the BMC costs that according to Table VII.2 in LR-H-146 are volume variable "breaks/personal needs" costs.
- c. Of the \$1,635.727 million mail processing costs and \$2,009.809 million segment 3 costs shown under activity code 6521 ("breaks/personal needs") in the FY96 LIOCATT, what portions were incurred at BMC's?
- d. When an IOCS clerk observes a BMC employee on "breaks/personal needs", will he record the employee as being on "breaks/personal needs?"
- e. Please explain as fully as possible the apparent discrepancy referred to above between Table VII.2 in LR-H-146 and the data in TW-3e.

TW/USPS-T12-19 Response.

- a., e. Please see my responses to MPA/USPS-T12-2 and ADVO/USPS-T12-3, part c. As I indicated in my response to Advo, the distributed costs in Table 6, TW-3e, and TW-7 are not used as inputs to the BY 1996 mail processing costs in Table 5 of my testimony, USPS-T-12. The Table 6 costs were reported because they were used to compute the coefficients of variation and confidence limits reported therein. Several interrogatories have pointed out small errors in the TW-3e and TW-7 data. Revised versions of these spreadsheets have been filed as TW-

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

3er.xls and TW-7r.xls in LR-H-260. Also, LR-H-260 includes spreadsheet TW-19.xls, which is similar in form to TW-7.xls/TW-7r.xls but which involves no cost redistribution of any sort. I believe that TW-19.xls may be more useful for the types of analyses for which you have attempted to use TW-3e and TW-7. A version of Table 6 from USPS-T-12 that is consistent with TW-3er and TW-7r is attached to this response.

- b. The break/personal needs tallies all have activity code 6521 and are therefore initially assigned to the "Z Breaks" pool in program BMC12. Essentially all (99.96%) of BMC break variable costs are associated with the "other" basic function (see the revised spreadsheet TW-7.xls). The remaining are in the "incoming" basic function. The redistribution does not affect the tallies' activity code or basic function, so the variable break costs for each pool in Table VII.2, on page VII-6 of LR-H-146, are all associated with activity code 6521 and (neglecting the 0.04% "incoming") the "other" basic function.
- c. The following table contains the requested data. To be comparable with the figures stated in the question, all are IOCS tally costs in millions of dollars:

Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.

IOCS Tally costs, activity code 6521

Category	BMC costs	All offices costs	% BMC
Mail processing	114.827	1,635.727	7.02%
Total C/S 3	134.684	2,009.829	6.70%

d. Yes.

Table 6: FY 1996 Clerks and Mailhandlers – Mail Processing
Estimated Costs and Associated Confidence Limits By Direct Cost Category (NEW methodology)
REVISED

Direct Cost Category	Est. Cost	Est. Coefficient of Variation	Lower 95% Confidence Limit	Upper 95% Confidence Limit
First Class				
Letters and Parcels	2,463,776	0.54%	2,437,535	2,490,017
Presort Letters and Parcels	538,176	1.54%	521,968	554,384
Postal Cards	1,660	19.70%	1,019	2,301
Private Mailing Cards	78,218	4.10%	71,929	84,507
Presort Cards	23,069	11.72%	17,769	28,369
Priority	161,903	1.85%	156,026	167,781
Express	24,827	4.77%	22,507	27,146
Mailgrams	50	95.20%	-43	144
Second Class				
Within County	7,710	12.93%	5,756	9,664
Outside County - Regular	202,158	1.75%	195,227	209,090
Outside County - Non Profit	36,468	4.30%	33,395	39,541
Outside County - Classroom	2,103	30.13%	861	3,346
Third Class				
Third Single Piece Rate	37,763	5.84%	33,443	42,082
Bulk - Regular Carrier Route	120,210	3.57%	111,806	128,613
Bulk - Regular Other	750,199	1.09%	734,215	766,182
Bulk - Non Profit Carrier Route	12,186	6.86%	10,548	13,824
Bulk - Non Profit Other	181,672	2.37%	173,237	190,108
Fourth Class				
Parcels - Zone Rate	58,414	2.80%	55,207	61,620
Bound Printed Matter	31,996	4.17%	29,379	34,614
Special Rate	32,344	3.74%	29,976	34,713
Library Rate	7,174	8.69%	5,952	8,396
USPS	39,580	7.17%	34,020	45,140
Free for Blind/Handicapped	4,119	11.01%	3,231	5,008
International	88,680	3.96%	81,795	95,565
Registry	21,150	5.16%	19,009	23,290
Certified	13,888	7.60%	11,820	15,957
Insurance	547	37.68%	143	951
COD	1,565	25.49%	783	2,347
Sp Delvry	146	44.37%	19	273
Other Special Services	50,944	5.90%	45,051	56,838
Mixed Mail	2,142,534	0.61%	2,117,082	2,167,987
Other	2,907,299	0.44%	2,882,312	2,932,286
Total	10,042,530			

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

TW/USPS-T12-20

- a. Is it correct to interpret the table on page VII-8 of LR-H-146 as saying that total segment 3 volume variable "breaks/personal needs" costs in Non-MODS facilities were \$248.145 million, of which \$164.152 million were mail processing related? If no, please explain and give the correct figures.
- b. Is it correct to interpret the data in TW-3e as showing only \$36.326 million in activity code 6521 ("breaks/personal needs") in Non-MODS facilities? If no, please explain and provide the correct figure.
- c. Please explain the apparent discrepancy between chapter VII of LR-H-146 and TW-3e regarding "breaks/personal needs" costs in Non-MODS facilities. Please also provide an activity code breakdown, by basic function, of the costs that are indicated as "breaks/personal needs" costs in chapter VII of LR-H-146 but as something else in TW-3e.
- d. Is it correct to interpret the overhead cost data given in chapter VII of LR-H-146 as giving an overall mail processing overhead factor ("breaks/personal needs", clocking in/out and empty equipment costs divided by all other costs) equal to 31.86%? If no, please provide the figure you believe to be correct. Additionally, please explain how the overhead data given in LR-H-146, part VII, are used in this docket.

TW/USPS-T12-20 Response.

- a. Yes.
- b. Yes. However, the \$36.326 figure reflects a redistribution of most of the non-MODS 6521 costs. Please see my response to MPA/USPS-T12-2 for an explanation.
- c. The total Cost Segment 3 costs and the costs from TW-3e would not be comparable because the latter are for mail processing only. Because of the redistribution of costs in TW-3e, the 6521 costs therein cannot be reconciled with page VII-8 of LR-H-146. Please see my response to MPA/USPS-T12-2 for an explanation. The "missing" 6521 costs are

**Response of United States Postal Service Witness Degen
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distributed in proportion to the non-MODS costs by activity code/basic function shown in TW-3e. Please note that the non-MODS activity code 6521 total in spreadsheet TW-19 in LR-H-260, in which no cost redistribution was performed, agree with the \$164.152 million figure for Breaks/Personal Needs in the mail processing line of the table on page VII-8.

- d. Please see my response to OCA/USPS-T12-35 for an explanation of the actual use of program NONMODEL in this docket. Without a specific reference I cannot verify the computations by which you determined the 31.86% "overall mail processing overhead factor." Based on data reported in part VII of LR-H-146, the calculation in the table on the following page results in a factor of 32.31%.

**Response of United States Postal Service Witness Degen
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Development of "overall mail processing overhead factor" from data in LR-H-146, part VII.

total MODS mail processing costs excluding overhead, all pools (LR-H-146 p. VII-5)	5,801,461	total MODS mail processing costs including overhead, all pools (LR-H-146 p. VII-5)	7,824,336
total BMC mail processing costs excluding overhead, all pools (LR-H-146, table VII.1)	273,339	total BMC mail processing costs including overhead, all pools (LR-H-146, table VII.1, total columns e and f)	401,190
total non-MODS mail processing costs excluding overhead (LR-H-146, page VII-8)	1,541,111	total non-MODS mail processing costs including overhead (LR-H-146, page VII-8, numerator of "overhead factor" fraction)	1,851,110
Total mail processing costs excluding overhead	7,615,911	Total mail processing costs including overhead	10,076,636
Overhead factor (costs including overhead / costs excluding overhead)	1.3231		

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

TW/USPS-T12-21. Please refer to Attachment 1 in your response to UPS/USPS-T15-3, in which you show total activity code 6523 (empty equipment) costs equal to \$1,894.604 in million.

- a. Are these costs the volume variable or total 6523 costs?**
- b. Please confirm that in the FY96 LIOCATT output, used in the FY96 CRA report, total code 6523 costs are shown as \$1,071.751 million for mail processing and \$1,136.949 for all of segment 3.**
- c. Please confirm that in TW-3e total volume variable code 6523 costs are shown as \$874.325 million, and that if one divides the code 6523 costs in each cost group with the cost group variability and then adds the results, one gets total code 6523 costs equal to \$1,166.197 million. If you cannot confirm, please explain and give the figures you believe to be correct.**
- d. Are all the \$1,894.804 million code 6523 costs that you gave in the response referred to above empty equipment costs? If no, please explain. If yes, please provide a complete activity code breakdown, by cost group, of these costs.**
- e. Please explain fully the apparent discrepancy between the different estimates of code 6523 costs referred to above.**

TW/USPS-T12-21 Response.

- a. The intended contents of the attachment to USPS-T15-3 were IOCS tally costs (based on the F9250 variable) for activity code 6523, and the table was labeled as such.**
- b. Confirmed, noting that the cost totals reported in the question are IOCS tally costs, not volume variable costs.**
- c. Confirmed. Note, per my response to TW/USPS-T12-18 part b, that the \$1,166.197 million figure does not correspond to the total IOCS tally dollars.**

**Response of United States Postal Service Witness Degen
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- d. No. The attachment to UPS/USPS-15-3 was in error and a corrected version has been filed.**
- e. As mentioned in part d, the response to UPS was in error. There will inevitably be some discrepancy between TW-3e and the LIOCATT mail processing tally costs because the LIOCATT report uses the "old methodology" definition of mail processing rather than the new mail processing cost pools, and because of the tally weighting issues discussed in my response to TW/USPS-T12-18 parts b and c.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner, Inc.**

TW/USPS-T12-22

- a. Please confirm that code 6522 (clocking in/out) costs at BMC's are zero according to the data in spreadsheet TW-3e, but equal to \$10.034 million according to chapter VII of LR-H-146, and explain the difference.
- b. Please confirm that code 6522 (clocking in/out) costs at Non-MODS facilities are \$4.353 million according to the data in spreadsheet TW-3e, but equal to \$24.601 million according to chapter VII of LR-H-146, and explain the difference.
- c. Please confirm that on W/S 3.1.1 in witness Alexandrovich's WP-B \$10.037 [sic] in BMC clocking in/out costs and \$24.598 [sic] in Non-MODS clocking in/out costs are added to the total volume variable mail processing costs indicated in your testimony, giving a total of \$10,077.165 million in volume variable mail processing costs. Please also explain how this is possible, given that you presumably analyzed the whole IOCS data base, including any clocking in/out tallies that might have been recorded in BMC's and Non-MODS facilities.
- d. Are the \$4.353 million in Non-MODS clocking in/out costs shown in TW-3e, which already form part of your estimate of volume variable mail processing costs, distinct and separate from the Non-MODS clocking in/out cost indicted in LR-H-146 and in the Alexandrovich workpapers? Please explain your answer.
- e. Of the \$288.280 million segment 3 clocking in/out costs indicted in the FY96 LIOCATT, what portion represents clocking in/out cost at BMC's?
- f. If the BMC and Non-MODS clocking in/out costs shown in LR-H-146 are in fact part of the total volume variable costs that you show in TW-3e, then please provide a breakdown of these costs by activity code, cost group and basic function, as those codes are used in spreadsheet TW-7.

TW/USPS-T12-22 Response.

- a. Clocking in/out tallies are assigned IOCS operation code '10', so such tallies are classified as administrative in program BMC12, LR-H-146. The clocking in/out amount in Table VII.1 of LR-H-146 is based on a redistribution of 6522 costs from the administrative to the mail processing component which is performed as part of the CRA process.

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This redistribution was not performed for any of the tables in my testimony or interrogatory responses.

- b. The volume-variable clocking in/out costs at page VII-8 of LR-H-146 are part of the non-MODS administrative cost pool. The referenced costs in TW-3e are a byproduct of disaggregating the costs from Table 6 of USPS-T-12 to cost pool for the production of TW-3e, and cannot be compared to page VII-8. Spreadsheet TW-19 in LR-H-260, which applies no cost redistribution, indicates that there are zero 6522 tallies in the non-MODS mail processing pool, consistent with page VII-8, LR-H-146.**
- c. Confirmed. In the old methodology, all activity code 6522 costs—including clocking in/out of mail processing and window service operations—fall under the administrative component based on the IOCS operation code ('10') assigned to 6522 tallies, and must be redistributed to the correct components. The redistribution is carried out in the worksheets which develop the CRA for Cost Segment 3. In the new methodology, clocking in/out of MODS operations is correctly included in the MODS cost pools and associated tally sets, so no redistribution of 6522 costs is needed for the MODS office group. The mail processing cost pools at BMCs and non-MODS are still formed in such a way that a redistribution of 6522 costs is necessary, and a cost redistribution is performed in the CRA worksheets as noted in the question.**

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d. They are distinct and separate, and are part of an analytical exercise separate from the production of the base year CRA.

e. The following table contains the requested data.

IOCS Tally costs, activity code 6521

BMC costs	All offices costs	% BMC
18.626	288.280	6.46%

f. The redistributed activity code 6522 costs for the BMCs and non-MODS offices are not part of the cost pool costs or volume variable costs reported in Table 4 of USPS-T-12, TW-3e.xls, or TW-7.xls.

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TW/USPS-T12-23. Please assume that a clerk or mailhandler, at the time when he is intercepted by an IOCS clerk, is logged into a mail processing operation, as defined in MODS, and that he is not on a break or in the process of logging in or out. Assume also that the IOCS clerk enters all information about this employee correctly in the CODES system.

a. Under the above assumptions, please describe the IOCS activity codes that will result, assuming the employee is engaged in each of the following activities

- 1. moving one or more empty nutting truck(s);**
- 2. standing or walking with nothing in his hands;**
- 3. hanging empty sacks at a pouching rack;**
- 4. placing an empty hamper or other container to be used as a receptacle for mail at an opening unit;**
- 5. placing destination labels at empty hampers, pouches or other receptacles to be used at opening or pouching units;**
- 6. sweeping the floor;**
- 7. disposing of emptied sacks that will be reused;**
- 8. disposing of emptied pallets that will be reused;**
- 9. disposing of trash;**
- 10. moving an opening belt;**
- 11. drinking coffee;**
- 12. looking at a computer monitor;**
- 13. attending a meeting; or**
- 14. watching a football game on TV.**

To the extent that different activity codes might result under the costing methodologies used in FY96 and BY96, please describe these differences. Also, if the activity code may differ depending on what type of operation the employee is at (e.g. at a letter or flat operation), then please state the activity codes that will result at each type of operation.

b. Part II of LR-H-146 describes the steps used under your methodology to distribute IOCS tally costs. Please identify the steps under which the costs corresponding to each of the activities listed in part a above are distributed, and the program(s) used to perform the distribution. Please also state which activities lead to respectively "uncounted/empty single item", "identified container", "unidentified container" and "not handling" costs, as you use those terms.

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TW/USPS-T12-23 Response.

- a. There is no difference in how IOCS activity codes are assigned between FY96 and BY96. The complete activity code assignment logic may be found in the programs in LR-H-21, particularly programs ALB040 and ALB105. Several activities listed above do not directly correspond to CODES IOCS options in questions 18-21 (see LR-H-49, especially chapter 11, and the hardcopy documentation to LR-H-23), in some cases because the activities would be performed by custodial or maintenance workers instead. Even if there are no data quality problems (per the preamble to the question), it is not necessarily clear how a data collector would interpret the available CODES IOCS options to classify certain activities, so the resulting activity code cannot be unambiguously specified. Finally, the activities described in subparts 11 and 14 are unlikely to be observed of an employee not on break or personal needs.**
- 1. Activity code 6523 should be assigned.**
 - 2. An activity code cannot be determined from the information given. CODES IOCS instructions (LR-H-49, p. 66) are to ignore certain incidental activities of the sampled employee in favor of a labor category that fits the operation to which the employee is assigned. Based on the program ALB040 and ALB105 logic, a variety of activity codes could be assigned, including activity codes 5610,**

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5620, 5700, 5750 and various 6XXX codes. For instance, activity code 5610 results if the employee is observed at a letter case, OCR, BCS, LSM, or letter facer/canceler, based on the question 19 response. Activity code 5620 results if the employee is at a flat case, FSM, or flat facer/canceler. Of course, in the new methodology, we have information on the type of operation independently via the MODS and BMC cost pools. See LR-H-21, especially program ALB040, for a comprehensive mapping.

3. If the question 20/21 response indicates that the employee is handling an empty sack, activity code 6523 would be assigned. If not, then assuming the question 18d, part 2 response is 'F' ("Hanging sacks"), the activity code that results is 5750.
4. Activity code 6523 should be assigned. This can happen if the question 20/21 response indicates that the employee is handling an empty hamper or other container, or if the data collector responds to question 18d part 2 with option 'H' ("Obtaining equipment for use in an operation...") without indicating a container handling in questions 20/21.
5. There is no CODES IOCS response corresponding directly to this activity. If the question 20/21 response indicates that the employee is handling an empty item or container, activity code 6523 would be

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- assigned. If the employee is not handling a piece of empty equipment, and assuming the data collector responded with one of the question 18c options, activity code 5750 would be assigned.
6. If a clerk or mailhandler were performing an incidental custodial or maintenance activity (say, for safety purposes) while clocked into a mail processing operation, then the data collector should record the appropriate labor category and not the incidental activity. See my response to subpart 2. Note also that there is no CODES IOCS response that corresponds directly to this activity for clerks and mailhandlers.
 7. See the response to subpart 4.
 8. See the response to subpart 4.
 9. See the response to subpart 6.
 10. See the response to subpart 6.
 11. There is no CODES IOCS response corresponding directly to this activity. If the employee is on an official break, that should be recorded in question 18g, in which case the tally would receive activity code 6521. My understanding is that food and drink are not allowed in work areas, so the scenario you describe should not occur.

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12. As in subparts 2 and 11, "looking at a computer monitor" is a type of incidental activity. If the employee is looking at a monitor which contains a status display for a piece of automated mail sorting equipment, see the response to subpart 2. A number of question 18g options could also fit, which would result in a 6XXX activity code.
13. If the employee is observed at a safety meeting in question 18g (other activities), the activity code is 6430. A "meeting-other" observation in question 18g would be assigned activity code 6630.
14. I am not aware of any work areas that include television sets. There may be televisions in break rooms. Employees should only be in the break room while on official breaks or while passing through for personal needs, in which case the employee would be observed on break/personal needs in question 18g and the tally would receive activity code 6521.
- b. In subparts 1 and 4, the tally would be distributed as an "unidentified container." The LR-H-146 programs are MOD3CONT, BMC3, and NONMOD3 (step 3). In the "handling" scenario under subparts 3, 7 and 8, the tally would be distributed as an "uncounted/empty single item." The LR-H-146 programs are MOD2ITEM, MOD22ITM, BMC12, and NONMOD12 (step 2). Otherwise, the tally would be distributed as "not-

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handling.” The LR-H-146 programs are MOD4DIST, BMC4, and
NONMOD4 (step 4).

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TW/USPS-T12-24. Table TW/USPS-T12-6b in LR-H-219 shows the following costs for item type pc_FLT under the mixed container column: \$27.051 million in MODS offices, \$9.916 million in Non-MODS offices and \$1.227 million at BMC's for a total of \$38.194 million.

- a. Please confirm that these numbers represent the IOCS tally costs assigned to loose flats observed in mixed mail containers handled by clerks or mailhandlers when observed by IOCS clerks. If you do not confirm, please provide the correct definition.**
- b. Please state all assumptions on which your attribution of these costs to individual subclasses is based and indicate why you believe each such assumption is justified.**
- c. Is one of your implicit assumptions that loose flats in mixed mail containers in a given cost pool have the same subclass distribution as that obtained from the direct tallies for flats in the cost pool? Please explain your answer.**
- d. Assuming that X dollars have been computed as the IOCS tally costs associated with loose flats in mixed mail containers in a given cost pool, is your distribution of those costs to mail subclasses at all affected by the type(s) of container(s) that those flats were in? If yes, please explain how.**
- e. Please explain in detail how you construct a distribution key for the costs associated with loose flats in mixed mail containers.**
- f. Please describe the use made in your cost distribution method of the container type information entered by IOCS clerks in response to Question 21C.**

TW/USPS-T12-24 Response.

- a. Not confirmed. The costs are volume-variable costs. That is, volume-variable costs have been distributed to tallies or groups of tallies that would otherwise be redistributed to subclass. The relationship between a tally's F9250 dollar value and the volume-variable cost distributed to the tally is as follows.**

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$$\text{volume - variable costs (tally)} = \left(\frac{\text{F9250 cost (tally)}}{\text{Total tally costs for cost pool}} \right) \times \text{volume - variable costs for cost pool}$$

- b. The assumption is that the subclass distribution of direct tallies handling flat-shape pieces in the same cost pool is an unbiased estimate of the unknown subclass distribution of loose flats in mixed-mail containers. The idea is that if the IOCS sample were hypothetically re-drawn, that some mail that we observe as directs would instead be "observed" as part of mixed-mail (say, because a piece were observed in a container instead of in the hand of an employee sorting it into a case), and vice-versa. The direct mail distributions from the hypothetical two samples should differ only by random sampling error.
- c. No, not exactly. Although the subclass distribution of direct tallies handling flat-shape pieces is, in fact, the distribution applied to the loose flats in mixed-mail containers, the assumption is that the direct distribution is representative of the unknown distribution of the flats in containers.
- d. No.
- e. The technique used to distribute loose flats in mixed-mail containers does not differ from the technique used to distribute loose mail of other shapes or items in mixed-mail containers. Please see USPS-T-12 at 9, the description of program MOD2ITEM in LR-H-146 at II-3 and II-9, the

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source code to program MOD2ITEM in LR-H-146, and my response to MPA/USPS-T12-1.

- f. The distribution of "unidentified" (including empty) containers is carried out by container type, based on identical mail and distributed "identified" mixed-mail containers of the same type. Please see USPS-T-12 at 10, the description of program MOD3CONT in LR-H-146 at II-3 and II-10, the source code to program MOD3CONT in LR-H-146, and my response to MPA/USPS-T12-1.

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TW/USPS-T12-25. Attachment 1 of your answer to TW/USPS-T12-9 shows the following volume variable "unidentified containers" costs: \$313.615 million in MODS offices, \$26.084 million in BMC's and \$59.083 million in Non-MODS offices, for a total of \$398.782 million, of which \$350.189 million are associated with activity code 6523.

- a. Please confirm that all 6523 costs where empty containers were being handled are treated as "unidentified container" costs. If not confirmed, please explain.
- b. Please describe all assumptions on which your distribution of "unidentified container" costs is based and indicate why you believe each such assumption is justified.
- c. Please describe all costs on which you base your distribution of unidentified container costs and explain how that distribution key is constructed.
- d. Attachment 3 of your answer to TW/USPS-T12-9 shows the percentages of "handling item", "handling container" and "not handling" for 6523 costs at each mail processing cost pool. Please confirm that the "handling container" percentages represent all "unidentified container" costs with activity code 6523. If not confirmed, please explain.
- e. Attachment 3 of your answer to TW/USPS-T12-9 does not show any percentages for LD15 (RBCS). Please provide those percentages.
- f. For each cost pool used in your analysis, please provide the "unidentified container" costs distributed to each subclass and special service.
- g. For each cost pool used in your analysis, please provide the "not handling" costs distributed to each subclass and special service.

TW/USPS-T12-25 Response.

- a. Confirmed.
- b. For non-empty "unidentified" containers, the assumption is that the subclass distribution of combined identical mail and "filled" identified mixed-mail containers of the same type and cost pool is the best available estimate of the unknown subclass distribution of the mixed-mail containers. For empty container observations, the subclass distribution

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of combined identical mail and "filled" identified mixed-mail containers of the same type and cost pool is assumed to resemble the subclass distribution of the mail which would fill or had filled the containers.

- c. Please see my response to TW/USPS-T12-24 part f.
- d. Confirmed.
- e. The distribution of LD15 costs in Table 5 of USPS-T-12 is based entirely on direct tallies in MODS operations 971-978. By construction, there are no 6523 tallies in this tally set. Please see the source code to program MOD4DIST at lines 33-35 and 46 (etc.), LR-H-146.
- f. The requested data are included in LR-H-270 as files tw25fmod, tw25fbmc, and tw25fnmd.
- g. The requested data are included in LR-H-270 as files tw25gmod, tw25gbmc, and tw25gnmd.

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TW/USPS-T12-26

- a. Please confirm that, as an average over all cost pools, approximately 33% of all code 6523 (empty equipment) costs are actually "not handling" costs. If not confirmed, please provide the percentage you believe to be correct.
- b. Is it correct to interpret the "not handling" portion of code 6523 costs as meaning that the observed employee was handling neither mail nor empty items not empty containers? If no, please explain.
- c. Please confirm that in the empty equipment cost pool (1EEQMT) 52.17% of the code 6523 (empty equipment) costs are "not handling" costs. Please explain if not confirmed.
- d. Please confirm that of the \$39.21 million volume variable costs in the empty equipment cost pool, only 64.09% are code 6523 costs and that only 47.83% of those costs, or 30.65% of the total pool costs, represent handling of empty items or containers. Please explain if not confirmed.
- e. What is the job description for the empty equipment cost pool?
- f. Why are direct tally costs associated with the empty equipment cost pool?
- g. Please confirm that direct tally costs represent 2.37% of the total empty equipment pool costs. Please also explain how the remaining 97.6% of the costs in that pool are distributed among subclasses and special service categories.

TW/USPS-T12-26 Response.

- a. Confirmed.
- b. Yes. Please note that several question 18 responses can lead to activity code 6523 being assigned to a tally not handling mail. The responses are the empty equipment categories in questions 18b part 2, 18d part 2, and 18g. Please see LR-H-49 at pages 58, 64, and 76, and also the source code to program ALB040, LR-H-21.

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- c. Confirmed. Of course, the "old methodology" made no use of the fact that activity code 6523 represented both handling and not-handling activities.
- d. Confirmed.
- e. The MODS operation code for "empty equipment processing" is 549. Please see Appendix A of LR-H-147 for the related activities.
- f. The presence of direct tallies in the tally set associated with the 1EEQMT cost pool indicates that there were employees who were recorded as clocked into MODS operation 549 who were observed handling mail. In program ALB040, information on handled mail from questions 22 and 23 will be used to assign a direct activity code if possible.
- g. Confirmed that 2.37% of total empty equipment pool costs are distributed to direct mail activity codes (0010-4950). Please see my response to MPA/USPS-T12-1 for a discussion of the mixed-mail and not-handling-mail distribution methods. Note that the not-handling-mail distribution key for 1EEQMT uses the direct and distributed mixed-mail tallies in all MODS 1&2 mail processing cost pools, not just those which incidentally fall in 1EEQMT. Please see LR-H-146 at II-11.

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TW/USPS-T12-27. Please refer to your answer to TW/USPS-T12-16, in which you indicate that stations and branches of MODS offices "do report MODS data through the parent finance number and are considered part of the MODS system for our analysis."

- a. Please refer also to witness Moden's answer to TW/USPS-T4-1e, which might appear to contradict your answer referred to above. Please state whether you agree or disagree with witness Moden's answer. If you agree, then please explain how one is to reconcile his and your answers.**
- b. Please refer to pages 100-102 of LR-H-113, which shows volumes, workhours and productivity rates for various letter and flat sorting operations in MODS offices. Is it correct to conclude from your answer to TW/USPS-T12-16 that these volumes, workhours and productivity rates also include data from stations and branches of MODS offices? If no, please explain.**
- c. Please provide a definition of each of the nine office types listed in your answer to TW/USPS-T12-17c, and a description of the differences between the functions performed by each office type.**
- d. Do IOCS tallies from MODS offices identify the type of MODS office in which the tallies were taken? If yes, please identify the variable used for this purpose and the different types of MODS offices that may be recognized based on tally information. Can one, for example, determine whether a tally was taken at a station/branch, AO, AMF, etc.?**
- e. For each of the MODS cost pools used in your analysis, please provide the portion of volume variable pool costs that were incurred in stations and branches of MODS offices. Please also provide similar information for the AO's that are MODS offices.**
- f. If an AO is a MODS office, are any stations and branches under that AO thereby also included in the MODS data base?**

TW/USPS-T12-27 Response.

- a. The MODS data indicate that a grand total of 24,531,319 workhours were booked in MODS operations associated with LDC 41-44, which are defined in terms of activities performed at stations and branches. My understanding is that these generally are booked under the customer service finance number(s), rather than the processing and distribution**

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finance number, for a MODS "site." Accordingly, if witness Moden's use of "facility" in TW/USPS-T4-1e is interpreted to mean the processing and distribution facility, then the discrepancy is semantic.

- b. In general, the answer depends on which MODS operation numbers are included in a given productivity calculation. It does not appear that any of the MODS operation numbers associated with the LDC 41-44 cost pools appear in the referenced pages of LR-H-113, so those productivities do not incorporate activities at stations and branches.

- c. The office subtypes are defined as follows:

Airport Mail Center/Facility (AMC/AMF)— "A postal facility at an airport that receives, distributes, and dispatches mail transported by air." (See DMM Quick Service Guide 001.)

Associate Office (AO)— "An office located within the boundary of its management sectional center area that usually receives and dispatches all classes of mail from and to the MSC post office." (See LR-H-147, Glossary p. 1.) Please note that the term MSC is obsolete and should be replaced with P&DC/P&DF or SCF to reflect the current organization of the Postal Service.

Customer Service District Office (Dstr Ofc)— The office of the district manager and district support personnel. Note that some mail processing

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and related workhours, mostly in LDC 4X operations, are recorded under these finance numbers.

Processing and Distribution Center/Facility (PDC/PDF)—“A facility that processes and distributes mail for a specific service area.” (See DMM Quick Service Guide 001.) The offices listed in my response to TW/USPS-T12-17c with this classification are generally larger facilities with automated and/or mechanized mail processing equipment.

Sectional Center Facility (SCF)—“A postal facility that serves as the processing and distribution center (P&DC) for post offices in a designated geographic area as defined by the first three digits of the ZIP Codes of those offices. Some SCFs serve more than one 3-digit ZIP Code range.” (See DMM Quick Service Guide 001.) As used in my response to TW/USPS-T12-17c, these are mail processing facilities that serve as SCFs but which are not otherwise classified as P&DCs or P&DFs.

Vehicle Maintenance Facility (VMF)— A postal facility that provides maintenance for Postal Service vehicles.

- d. No. The only offices that can be identified by type directly from IOCS data are the BMCs. For other office types, the relevant information would need to be obtained from another data system and merged with the tally data.

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- e. In the classification employed in my response to TW/USPS-T12-17c, there is no distinction between stations, branches, and AOs. The data for the stations and branches for a given city would generally be recorded under the finance number classified as "AO," though some may be recorded under the customer service district finance number. Attachment 1 to this response provides a breakdown of the MODS mail processing cost pools based on hours reported to the finance numbers classified as (1) "AO", (2) "Dstr Ofc", (3) all other, in TW/USPS-T12-17c. This is provided in electronic format in LR-H-270 as spreadsheet tw27a1.xls.
- f. Yes, to the extent that the stations and branches report their data to MODS under the same finance number.

Attachment 1, Response to TW/USPS-T12-27

Proportions of costs by office category
 MODS mail processing cost pools

Cost Pool	Office category			Total
	AO	Dstr Ofc	Other	
ocr/	0.2%	0.0%	99.8%	100.0%
bcs/	0.6%	0.1%	99.3%	100.0%
ism/	0.3%	0.1%	99.6%	100.0%
fsm/	0.4%	0.1%	99.5%	100.0%
mecparc	0.3%	0.0%	99.7%	100.0%
spbs Oth	0.2%	0.0%	99.8%	100.0%
spbs Prio	4.3%	0.1%	95.6%	100.0%
1SackS_m	0.2%	0.0%	99.8%	100.0%
manl	1.2%	0.2%	98.6%	100.0%
manf	1.1%	0.3%	98.6%	100.0%
manp	1.5%	2.1%	96.4%	100.0%
priority	5.0%	0.0%	95.0%	100.0%
LD15	0.0%	0.0%	100.0%	100.0%
1Platfrm	0.8%	0.2%	99.0%	100.0%
10Ppref	0.8%	0.8%	98.4%	100.0%
10Pbulk	0.5%	0.0%	99.5%	100.0%
1POUCHING	0.4%	0.0%	99.6%	100.0%
1SackS_h	1.6%	0.0%	98.4%	100.0%
1Bulk pr	0.5%	0.0%	99.5%	100.0%
1CancMPP	0.6%	0.0%	99.4%	100.0%
1SCAN	0.7%	0.0%	99.3%	100.0%
express	0.6%	1.0%	98.4%	100.0%
Registry	0.6%	0.1%	99.3%	100.0%
Bus Reply	1.5%	0.0%	98.4%	100.0%
REWRAP	0.3%	0.2%	99.5%	100.0%
MAILGRAM	0.3%	0.0%	99.6%	100.0%
1EEQMT	0.3%	0.0%	99.6%	100.0%
1SUPPORT	2.0%	0.5%	97.5%	100.0%
1MISC	1.4%	0.5%	98.1%	100.0%
INTL	0.1%	0.0%	99.9%	100.0%
LD41	81.9%	13.7%	4.4%	100.0%
LD42	95.5%	0.1%	4.4%	100.0%
LD43	76.7%	21.5%	1.8%	100.0%
LD44	84.2%	11.4%	4.4%	100.0%
LD48 Exp	44.4%	13.2%	42.4%	100.0%
LD48_Adm	70.9%	21.6%	7.5%	100.0%
LD48 Sp Serv	67.6%	27.0%	5.4%	100.0%
LD48 Oth	79.5%	12.8%	7.7%	100.0%
LD49	89.5%	5.2%	5.3%	100.0%
LD79	78.8%	14.2%	7.1%	100.0%

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TW/USPS-T12-28

- a. When an IOCS clerk records an estimate of the portion of a mixed mail container that has bundles, does he also record whether those bundles contained letters, flats or pieces of some other shape? If yes, how is that information used in your cost distribution?
- b. Table TW/USPS-T12-6b in LR-H-219 shows costs equal to \$1.312 million associated with pallets in mixed containers. Please explain what types of containers can contain pallets.
- c. If an IOCS clerk observes a mixed mail pallet containing sacks or trays, should he then record the pallet as an item or as a container? If he records it as an item, how does he describe its contents? Should he, assuming there is time, attempt to count the mail on the pallet? Please explain fully.
- d. For each cost pool used in your analysis, please specify the costs associated with identified mixed mail containers. Please also provide a breakdown of these costs by item type (including loose pieces of different shapes). Additionally, please provide a further breakdown of these costs by container type.
- e. For each cost pool used in your analysis, please specify the cost associated with counted and uncounted mixed mail items of each item type. Additionally, for each type of item that was counted at a given cost pool, please provide the resulting breakdown of counted item costs by subclass and special service category.

TW/USPS-T12-28 Response.

- a. The specified information is not, and has not been, collected in IOCS.
- b. I do not believe it would be possible for containers to hold a loaded pallet. However, most container types could hold one or more empty pallets. I suspect that the observations were almost of empty pallets being transported in rolling stock.
- c. The pallet is considered to be an item. If possible, the data collector should determine whether the pallet contains identical mail and count the

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contents of the pallet if it does not contain identical mail. However, pallets of trayed or sacked non-identical mail can be difficult to count without delaying the mail.

- d. The requested data are included in LR-H-270 as files tw28dmod, tw28dbmc, and tw28dnmd.
- e. The requested data are included in LR-H-270 as files tw28emod, tw28ebmc, and tw28enmd.

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TW/USPS-T12-29. Please refer to your answer to TW/USPS-T12-11. Parts a and b of that interrogatory referred specifically to bundles. Parts e and f referred specifically to letter and flat trays. You appear to be confirming, in part b of your answer, that the "top piece rule" should always be applied in the case of mixed bundles and letter or flat trays. On the other hand, you appear to be trying to explain the presence of "mixed" bundles, letter trays and flat trays in the data base by referring to extreme difficulties in counting some items and the need to not interfere with mail flow and dispatch requirements.

- a. Are you really saying that even identifying the subclass of the top piece in the bundle or tray may either be too difficult or interfere with mail flow or dispatch requirements, and that this may have caused the mixed mail bundle and tray tallies that are not empty tray tallies.**
- b. Please provide the most typical examples of when it is extremely difficult to count an item. If the types of difficulty vary with different item types, please describe the difficulties most typical for each item type.**
- c. Are there any further guidelines for IOCS clerks regarding when to conclude that (1) applying the top piece rule; and (2) counting an item, would unduly interfere with mailflows or dispatch or both? If yes, please describe those guidelines.**
- d. Please confirm that the requirement to not interfere with mail flows and dispatch requirements is more likely to be applied, other factors being equal, in the period shortly before a critical dispatch of the mail being handled. If not confirmed, please explain.**
- e. Please describe each of the item types listed in, for example, TW/USPS-T12-6b. Please include description of the mail classes and shapes most likely to be carried in the given item, conditions under which other classes or shapes may be carried, capacity of each item and areas of application (e.g. used by mailers versus only internal USPS use, use in mail collections, delivery, etc.)**
- f. How many mixed item tallies are there in the FY96 IOCS data base?**
- g. What percentage of the mixed item tallies had to be assigned as such due to incomplete or erroneous data entry? If you cannot give an exact percentage, please provide an estimate. Please do not include tallies that had to be discarded in your calculation.**
- h. How much time does an IOCS clerk typically have to complete a tally starting from when he arrives at the location where the tally is to be taken?**

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TW/USPS-T12-29 Response.

- a. My response to TW/USPS-T12-11 was that there were two possibilities that might lead to a mixed-mail tally in a Top Piece Rule situation, one of which is that the data collector is unable for some reason to obtain a mailpiece. The other possibility is that the mail characteristics data recorded in questions 22 and 23 contains errors or inconsistencies which result in the LR-H-21 programs assigning a mixed-mail activity code to the tally.
- b. The cited examples are locked items and palletized, shrink-wrapped sacks. See LR-H-49 at 91.
- c. I am aware of no further guidelines.
- d. Confirmed.
- e. Please see LR-H-49 at 88 for a list of the items and a clarification of the definition of "bundle." The item names are largely self-explanatory otherwise. Please see my response to UPS/USPS-T15-2 for the associations of items with shapes and/or subclasses of mail. In addition to the associations listed in the response to UPS/USPS-T15-2, it should be noted that Con-Cons are associated with Registered mail. I understand that most item types may be made up by either mailers or the Postal Service. The exceptions are pallets, which I believe are made

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up by mailers except for inter-BMC shipments of NMOs, and Con-Cons, which I believe are used only by the Postal Service.

- f. I counted 7,170 mixed-mail item tallies in the entire FY 1996 tally file (i.e., including non-clerk/mailhandler tallies). This total does not include counted item records, which are treated as direct tallies in the cost distribution methodology described in my testimony. Of the 7170 tallies, 4971 are empty items with activity code 6523.
- g. I estimated the percentage of tallies assigned mixed-mail codes because of incomplete or erroneous data entry by looking at the responses to question 22 (shape) and 23B (mail subclass). If there was an answer to at least one of the two, I considered the response incomplete or erroneous. I counted 115 such tallies, which is 5.2% of the non-empty mixed items.
- h. The data collector has as much time as needed, however, the exigencies of mail processing and dispatch schedules may limit the time in which the data collector has access to the mail.

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TW/USPS-T12-30. In LR-H-219 the distribution key you provided in TW/USPS-T12-6h and the cost distribution in TW/USPS-T12-6j, both include some distribution to activity codes 5301, 5331, 5340, 5341 and 5345. Please explain how you distribute these costs to individual subclasses and indicate the stage in your program where this distribution is done.

TW/USPS-T12-30 Response.

Please see my response to MPA/USPS-T12-1.

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TW/USPS-T12-31. Please refer to Attachments 1 and 2 to your answer to TW/USPS-T12-10. Their titles are, respectively, "FY96 IOCS Tally Dollars (\$000s) by activity code cost pool and basic function - Mixed Items" and "FY96 IOCS Tally Dollars (\$000s) by activity code, cost pool and basic function - Mixed Containers". Each attachment is a six page table.

- a. Please confirm that, apart from their titles, the tables in Attachment 1 and Attachment 2 are identical. If there are any differences between the numbers in the two tables, please point out those differences. If this is due to a mistake, please provide the correct tables.**
- b. Please confirm the following, and explain why if there is any part that you cannot confirm:**
 - (1) according to your spreadsheet TW/USPS-T12-3e, the volume variable costs with activity code 6523 at MODS cost pool 1Platform are \$110.944 million;**
 - (2) according to Attachment 3 of your answer to TW/USPS-T12-9, 10.67% of these costs or \$11.838 million, represent item costs and 49.54%, or \$54.962 million, represent handling container costs;**
 - (3) in both attachments to TW/USPS-T12-10, the sum of the outgoing, incoming, transit and other component of 6523 costs at 1Platform is \$75.556 million;**
 - (4) similar discrepancies exist for all other cost pools;**
 - (5) the grand totals in both attachments add up to more than both the mixed uncounted item and mixed container costs indicated by Table TW/USPS-T12-6b in LR-H-219.**
- c. Please explain these discrepancies and provide corrections, as necessary, to be consistent and responsive to TW/USPS-T12-3, TW/USPS-T12-6, TW/USPS-T12-9 and TW/USPS-T12-10.**
- d. Please explain what the numbers in Attachments 1 and 2 to your answer to TW/USPS-T12-10 really mean.**
- e. After correcting these attachments, please include a breakdown of the grand total for each cost pool and basic function in each attachment by item type. Please also include, in the corrected versions of Attachments 1 and 2, totals, per basic function, over all MODS cost pools, all BMC cost pools and all cost pools.**
- f. Please confirm that Attachment 3 to your answer to TW/USPS-T12-9 and Attachments 1 and 2 to your answer to TW/USPS-T12-10 are spreadsheet generated and provide the spreadsheets in electronic form, after making any necessary corrections.**

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TW/USPS-T12-31 Response.

- a. Confirmed. The same data were mistakenly copied into the Excel worksheets for both attachments. The spreadsheet filed in response to part f of this question contains corrected numbers.
- b. (1.-5.) A discrepancy cannot be concluded from the data presented in the question because volume-variable costs and IOCS tally costs cannot be directly compared with each other. Please see my response to TW/USPS-T12-24 part a.
- c. The apparent discrepancy can be resolved by employing volume-variable costs appropriately. The "discrepancy" in the 1Platform pool empty container costs can be resolved as follows:

(1) Volume-variable 6523 costs (\$000), 1Platform (tw-19.xls, LR-H-260)	110,939
(2) "Handling container" %, 1Platform, Attachment 3, TW/USPS-T12-9 (carried out to additional decimal places)	49.54433%
(3) Implied 6523 handling container costs, 1Platform - (1) x (2)	54,964
(4) 6523 mixed container volume-variable costs, 1Platform, Attachment 1, TW/USPS-T12-9	54,964
(5) Difference (3) - (4)	none

- d. The entries in the tables are the sum of IOCS tally costs (variable F9250) by cost pool, activity code, and basic function for tallies classified as "mixed containers" in programs MOD1DIR, BMC12, and NONMOD12.

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TW/USPS-T12-10 parts b and c requested breakdowns of, respectively, mixed-mail item and mixed-mail container costs "by activity code, cost pool, and basic function." The F9250 IOCS tally costs are basis for the DOLLAR, KEY, KEYTOT, and WGT variables (among others), in programs MOD2ITEM, MOD3CONT, et al., from which the mail processing distribution keys are formed. Please see my response to TW/USPS-T12-24 for the formal relationship between the IOCS costs and "volume-variable costs" as we have used the latter term for various analytical exercises. From the perspective of the new methodology, the calculation performed in response to TW/USPS-T12-10 is effectively meaningless since neither the activity code nor the basic function is used to distribute these tallies.

- e. The requested data have been included in LR-H-270. Spreadsheet tw31e_i.xls contains IOCS costs as in the attachments to TW/USPS-T12-10. Spreadsheet tw31e_v.xls contains this analysis expressed in terms of distributed volume-variable costs.
- f. Attachment 3 to TW/USPS-T12-9 is included in LR-H-270 as tw9a3.xls. The attachments to TW/USPS-T12-10 are included in LR-H-270 as tw10.xls (this spreadsheet contains tabs for both the original and corrected versions of Attachment 1).

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TW/USPS-T12-32. Please clarify your answer to TW/USPS-T12-12. In part a of your answer you state that "the only prerequisite for a mixed item tally is that the employee is observed handling an item." You then go on to indicate that a mixed mail tally could result if the employee is doing flat sortation and is observed holding a quantity of flats in his hand.

- a. Please confirm that the employee handling an item is not the only prerequisite for obtaining a mixed item tally. In particular, please confirm that a mixed mail tally should not result if the employee is handling an item with identical pieces, or if the item is either a bundle, a letter tray or a flat tray, since for each of those items the top piece rule should apply.**
- b. Please confirm that even if an employee is observed handling an item with non-identical pieces which is neither a bundle, a letter tray or flat tray, fractions of direct tallies, rather than a mixed tally, would result unless counting the item would be "extremely difficult".**
- c. Please confirm that when the employee is sorting flats and is holding a quantity of flats in his hand, the quantity of flats should be considered a bundle and the top piece rule should be applied, leading to a direct tally. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs resulting from application of the top piece rule. Please explain if not confirmed. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs corresponding to counted items. Please explain if not confirmed.**
- d. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs resulting from application of the top piece rule. Please explain if not confirmed.**
- e. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs corresponding to counted items. Please explain if not confirmed.**

TW/USPS-T12-32 Response.

- a. Not confirmed. Even though a mixed-mail tally "should not" result from the observation of an item containing identical mail or subject to the Top Piece Rule, it is nonetheless a possible outcome. In my response to TW/USPS-T12-11 part a, I stated, "[i]f the data for questions 22-24 are**

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missing, incomplete, or inconsistent, a mixed-mail activity code may be assigned to the tally." This is possible because the activity code is not assigned by the data collector, but rather by computer programs which process the CODES IOCS data to assign the activity code.

- b. Confirmed that the result would be a series of "divided item" records, each with a "direct" activity code (possibly including 53XX and 54XX codes), provided that the item was actually counted and that the data were successfully processed by program ALB898, LR-H-21.
- c. Confirmed subject to the caveats in my response to part a and to TW/USPS-T12-11.
- d. The direct-mail costs in Table 6 and, further, in TW-19 of LR-H-260 do not contain all volume variable costs associated with Top Piece Rule tallies by construction. If some Top Piece Rule tallies are assigned mixed-mail activity codes (including 53XX-54XX codes), then the associated costs are not included in the direct-mail costs.
- e. Not confirmed. The IOCS records associated with counted item tallies taken after June 30, 1996 are assigned 53XX-54XX activity codes. Such tallies are treated as direct tallies in some stages of the new distribution key methodology, but the associated costs are included in the "mixed" line of Table 6. Please see my response to OCA/USPS-T12-39.

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TW/USPS-T12-33. Please state what type of tally should result in each of the cases described below and explain your answer in each case. Please document your answers by references to the instructions given to IOCS clerks, either in hardcopy form, orally or through the CODES system.

- a. If an employee is observed handling two bundles of First Class flats, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.**
- b. If an employee is observed handling two bundles of Time Magazine, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.**
- c. If an employee is observed handling one bundle of Time Magazine and one bundle of another flat shaped regular rate weekly publication, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.**
- d. When an employee is observed handling two non-identical bundles, will the result be a tally that is treated as a mixed mail container tally in your costing method? If no, please explain.**

TW/USPS-T12-33 Response.

- a. The observation should be of multiple items not in a container (see LR-H-49 at 91). Whether this should result in a "direct" tally or an "identified mixed-mail container" tally depends on whether the two bundles together contain identical mail. If the bundles constitute an identical mail container, the data collector is instructed to select one piece and answer questions 22 and 23 using that piece, from which a direct activity code would be assigned barring data collection problems.**
- b. The situation is similar to that in part a in that the observation is of multiple items not in a container. Assuming the data collector**

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determines that the copies of Time Magazine would constitute identical mail, then a direct tally should result.

- c. In this case, the two bundles do not constitute identical mail, and the result should be an identified mixed mail container tally.
- d. Yes. Since such a tally should be assigned a 56XX-57XX activity code, it would be distributed as mixed-mail in the old costing method as well.

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TW/USPS-T12-34. Please refer to your direct testimony in Docket No. MC95-1(USPS-T-5), Exhibit A ("Carl G. Degen: Resume"), at 2, which lists the following among your "Professional Papers".

"United States Postal Service Measures of Output, Input, and Total Factor Productivity, 1963-1982," February 1984, (with D. C. Christensen, L. R. Christensen, and P. E. Schoech).

"United States Postal Service Measures of Real Output, Input, and Total Factor Productivity, 1963-1984" October 1985, (with D. C. Christensen, L. R. Christensen, and Phil Schoech).

"United States Postal Service econometric Analysis of USPS Structure of Production and Total Factor Productivity, 1963-1983," November 1984, (with D. C. Christensen, L. R. Christensen, and P. E. Schoech).

"United States Postal Service Quarterly Real Output, Input, and Total Factor Productivity, 1982 1st Quarter Through 1986 1st Quarter," February 1986, (with D. C. Christensen, L. R. Christensen, and P. E. Schoech).

"United States Postal Service Productivity Budgeting Model Users Manual," June 1986.

"Total Factor Productivity at the MSC Level: Results for 1985," September 1986, (with D. C. Christensen, L. R. Christensen, and P. E. Schoech).

"TFP Presentation to Budgeting Group", December 3, 1992, (with D. C. Christensen, and P. E. Schoech).

"Performance Analysis of Processing and Distribution Facilities: Sources of TFP Improvement," February 22, 1994, (with D. C. Christensen, K. L. Ehlinger, and P. E. Schoech).

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- a. Please provide copies of the papers listed above in the form of a library reference.
- b. Please list any other papers relating to Postal Service productivity of which you are an author or which were prepared under your supervision, whether prior or subsequent to the filing of your testimony in MC95-1, and please provide copies of these papers in the form of a library reference.

TW/USPS-T12-34. Response.

- a. The requested papers have been filed as LR-H-272. In a couple instances the dates differ slightly from those requested because the report was updated or revised and we did not retain the earlier version in our files.
- b. I was an author or supervised work on the following reports regarding Postal Service productivity. These have also been filed as part of LR-H-272.

"United States Postal Service Capital Stock Estimates, 1962-1982", Revised March 1983, (D.C. Christensen, L.R. Christensen, C.G. Degen, and P.E. Schoech).

"USPS Annual Total Factor Productivity Methodology", January, 1988, (Laurits R. Christensen Associates, Inc.).

"USPS Quarterly Total Factor Productivity Methodology", A Report to Charles Guy, Director, Office of Economics, January, 1988, (Laurits R. Christensen Associates, Inc.).

"United States Postal Service Total Factor Productivity Data Base Feasibility Study", August 16, 1983, (D.C. Christensen, L.R. Christensen, C.G. Degen, and P.E. Schoech).

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TW/USPS-T12-35. Please refer to your response to DMA/USPS-T12-2b, where you state "I believe that the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases."

Please refer also to the Postal Inspection Service final report "National Coordination Audit: Allied Workhours" (December 1996) (Case No. 034-1181680-PA(1)), which reports the results of a national audit of allied workhours in 25 Processing and Distribution Centers (P&DCs) between February and April 1996. (The report is found in LR-H-236). At pages 2 and 18-19 the Inspection Service states:

The lack of supervisory control and review of employee clockings resulted in improperly charged workhours to LDC 17. Our review disclosed Management Operating Data System (MODS) workhours reported for opening unit operations were in error approximately 31 percent of the time. . . .[p.2.]

Of the 2,412 employees checked for clocking accuracy, 744, or 31 percent were clocked into MODS operations other than the ones they were working. The 31 percent error rate had significant impact upon the amount of LDC 17 workhours reported. . . . The inaccuracy of the MODS workhour data for the opening units was caused by supervisors not ensuring that employees were properly clocked in. Employees who were found to be clocked into an incorrect operation were generally unconcerned with the accuracy of their clockings. Some supervisors were surprised to find the large number of employees clocked incorrectly, and admitted they do little if any monitoring of employee clockings. [pp. 18-19.]

- a. Do you accept the finding and conclusions of the Inspection Service with respect to conditions at the time of its audit? If not, please state your reasons and describe all evidence which you believe discredits the Inspection Service's finding and conclusions. Tw/USPS-T12-35**

- b. Is a situation in which 31 percent of employees working in LDC 17 (i.e., allied labor) operations are clocked into an incorrect operation consistent with the view that "the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases"?**

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- c. **Were you aware of the contents of the Inspection Service report at the time of your response to TW/USPS-T12-3? If so, why did you not mention the report in your response? If your answer is that the conditions described by the Inspection Service as of February – April 1996 no longer exist, please indicate the reasons and the evidence that caused you to reach that conclusion.**

TW/USPS-T12-35 Response.

- a. **I agree with Postal management's response to the audit which concurred with the recommendations of the report. I do not agree with the specific results you quote regarding the 31 percent error, for several reasons. The 31 percent error rate is being misconstrued. It applies to opening units only, not all of LDC 17 or all of MODS. The Inspection Service's calculation of the error rate is not an estimate of the misstatement of hours at the operation group (cost pool) level and was never intended to be one. Further, the report results were not designed as a statistical study of misstatement and should not be used as such.**

The Inspection Service report discusses allied labor operations and LDC 17 hours, but the audit was confined to opening units; "Detailed audit attention at the P&DCs focused on analyzing opening unit operations" (page 5 of the report). Opening units are likely to have more misclocking because of the nature of the operation. Opening unit results should not be applied to other operations. The reported 31 percent is the rate of misclocking at the individual operation level. In fact, the Inspection Service indicates that an employee clocked into operation 111 but working in operation 112 generates two errors by their definition. In this example, the audit reported 2 errors, one for operation 111 and one for operation 112, where none exist at the level we use the data because

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- operations 111 and 112 are in the same cost pool (1OpPref). For each operation there are two kinds of errors reported in the audit: 1) an employee clocked into the operation, but working elsewhere; and 2) an employee working in the operation, but clocked elsewhere. The net effect of these two error types represents the net misstatement of hours. However, the audit reports the sum of these two error types which overstates the total net effect on opening unit hours. These error definitions and reporting practices are appropriate for the calculation of the incidence of misclocking as the Inspection Service set out to do, but these are not appropriate for an estimate of the net misstatement of hours. Furthermore, when the errors are defined at the individual operation level, the results cannot be applied to the operation group data used for Base Year 1996 costs. Finally, the audit was not undertaken as a statistically unbiased sample of the misstatement of MODS hours. Several of the audit sites were chosen because actions were being taken to address LDC 17 workhours. The results were not weighted to reflect the underlying mix of sites by size or other relevant criteria. In fact, almost 30 percent of the total number of errors are from one of the twenty-five sites. The audit was not intended to measure the overall misstatement of hours, even for opening unit operations.
- b. As I stated in part a., the 31 percent error rate is being misconstrued and does not apply to the MODS data as used in BY 1996 costs. I continue to believe that "the MODS activity and the employees activity are consistent in the majority of cases" (DMA/USPS-T12-3b).
- c. Yes. I do not see the relevance of the report to my response to TW/USPS-T12-3. However, since my first reading of the report I have held the opinion that it is not relevant to our use of MODS data for Base Year 1996.

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TW/USPS-T12-36. Please refer to your answer to TW/USPS-T12-24a, in which you give the relationship between tally costs and volume variable costs in a cost pool.

- a. Please provide the sum of the tally costs in each cost pool.**
- b. Please provide, for each cost pool, the sum of tally costs in each of the data sets ADW.MODS, WORK.SSVCNU, WORK.DIRECT, WORK.MIXED and OUT1.NOTHAND, created in MOD1DIR for MODS facilities, and the corresponding data sets created for BMC's and Non-MODS facilities.**
- c. Do all tally costs for CAG A-J clerks and mailhandlers add up to the accrued costs for Segment 3? If no, why not?**
- d. Do all BMC tally costs for clerks and mailhandlers add up to the accrued clerk and mailhandler wage costs at BMC's? If no, why not?**

TW/USPS-T12-36 Response.

- a. Please see LR-H-146, pages VI-5 to VI-7, column "WGT," for IOCS tally costs for each mail processing cost pool.**
- b. Please see Attachment 1 to this response for the requested data.**
- c. No. Please note that the total tally costs are not designed to add up to the accrued cost for Segment 3. Lump sum costs and uniform allowance costs are added to the compensation total distributed to the tallies (in the FY 1996 methodology) or the compensation total divided into cost pools (in the BY 1996 methodology) to obtain total Segment 3 costs.**
- d. Since the BMCs are assigned their own CAG for the purposes of tally cost weighting, the BY 1996 clerk and mailhandler compensation at BMCs should be approximately equal to the sum of BMC tally costs. They are not exactly equal because the BY 1996 BMC cost pools were not determined using program ALB095, LR-H-21, which computes the**

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tally dollar weights. The BMC tally costs are 100.14% of the BMC cost pool costs. I believe the discrepancy is due to rounding differences between program ALB095 and the procedure in LR-H-146, part I.

FY96 IOCS Tally Costs (\$000s)

LDC	Cost Pool	SSVCNU	Direct	Mixed	Not Handling	Window	Admin	Total
11	bcs	0	383,193	72,825	248,067	0	0	704,084
11	ocr	0	133,901	22,511	82,302	0	0	238,713
12	fsm	0	398,608	53,488	216,459	0	0	668,555
12	lsm	0	440,595	26,332	165,721	0	0	632,647
13	1SackS_m	0	8,045	11,144	30,027	0	0	49,216
13	mecparc	0	4,498	2,118	4,846	0	0	11,462
13	spbs Oth	0	73,469	29,781	83,868	0	0	187,119
13	spbsPrio	72	20,261	8,342	26,389	0	0	55,064
14	manf	0	307,134	40,371	179,480	0	0	526,985
14	mani	264	881,180	56,405	426,102	0	0	1,363,951
14	manp	0	26,376	10,828	29,584	0	0	66,788
14	Priority	0	73,195	26,733	80,708	0	0	180,636
15	LD15 (MOD1POOL)	0	6,744	1,388	4,818	0	0	12,949
15	LD15 (BCS/OSS Key)	0	36,778	0	0	0	0	36,778
17	1bulk pr	0	4,569	3,054	8,721	0	0	16,345
17	1cancMPP	63	149,500	40,021	126,646	0	0	316,230
17	1OpBulk	126	87,415	52,858	132,519	0	0	272,917
17	1OpPref	588	220,497	142,162	342,981	0	0	706,228
17	1Platform	603	83,089	244,866	561,192	0	0	889,750
17	1Pouching	207	119,087	97,843	210,272	0	0	427,410
17	1SackS_h	121	27,901	36,728	87,702	0	0	152,452
17	1scan	166	11,477	14,733	35,468	0	0	61,843
18	1EEqmt	0	991	14,585	26,203	0	0	41,780
18	1Misc	119	12,381	9,013	91,895	0	0	113,407
18	1Sup Oth	0	424	0	203	0	0	627
18	1Support	921	8,167	3,028	171,495	0	0	183,611
18	BusReply	1,171	15,660	1,657	13,980	0	0	32,469
18	Express	0	26,407	6,353	55,888	0	0	88,648
18	Mailgram	68	72	0	379	0	0	519
18	Registry	17,967	31,447	13,602	80,785	0	0	143,801
18	Rewrap	0	3,869	1,129	9,166	0	0	14,164
-	Intl	3,058	57,589	16,017	56,899	0	0	133,563
41	LD41	0	10,030	1,521	13,396	0	0	24,947
42	LD42	0	4,853	575	4,544	0	0	9,972
43	LD43	5,432	253,902	56,943	269,073	0	0	585,351
44	LD44	229	77,317	3,883	51,321	0	0	132,750
48	LD48_Adm	698	19,533	2,952	139,438	0	0	162,622
48	LD48_Exp	0	874	184	3,513	0	0	4,571
48	LD48_Oth	1,151	30,971	8,514	84,609	0	0	125,245
48	LD48_SpS	4,186	27,873	2,370	65,074	0	0	99,502
49	LD49	0	142,772	9,123	116,318	0	0	268,214
79	LD79	0	19,766	4,994	116,641	0	0	141,401
MODS	Window	0	0	0	0	721,751	0	721,751
MODS	Admin (incl 2ADM_Out)	0	0	0	0	0	829,265	829,265
BMC	SSM	0	12,874	3,411	7,031	0	0	23,316
BMC	Allied Ot	0	67,890	57,649	62,566	0	0	188,105
BMC	PSM	0	52,095	1,801	12,515	0	0	66,411
BMC	SPB	0	26,287	12,123	13,242	0	0	51,652
BMC	NMO	0	11,059	5,389	7,765	0	0	24,213
BMC	Platform	0	30,743	41,210	76,772	0	0	148,725
BMC	Z Breaks	0	0	0	114,827	0	0	114,827
BMC	Window	0	0	0	0	960	0	960
BMC	Admin	0	0	0	0	0	126,299	126,299
Non-MOD	Mail Proc	0	1,375,539	186,306	652,187	0	0	2,214,032
Non-MOD	Window	0	0	0	0	1,136,083	0	1,136,083
Non-MOD	Admin	0	0	0	0	0	516,705	516,705

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner Inc.**

TW/USPS-T12-37. Please refer to your answer to TW/USPS-T12-26b, in which you indicate three types of question 18 responses that may lead to activity code 6523 being assigned to a not handling tally.

- a. Besides the three types of question 18 responses that you have mentioned, are there any other ways in which activity code 6523 may be assigned to a not handling tally? If yes, please describe each such scenario.**
- b. Please provide, for each cost pool, the volume variable 6523 not handling costs that resulted from IOCS clerks selecting the empty equipment categories in, respectively, question 18b part 2, question 18d part 2 and 18g. Additionally, please provide the 6523 not handling costs that resulted from any other combination of responses by IOCS clerks that you may have identified in response to part a above.**
- c. Please confirm that the responses to question 18b part 2 to which you refer apply only in the case of an Expediter or a Dock/Ramp/Transfer Clerk working on a platform and doing something related to empty equipment without actually handling it. If not confirmed, please explain.**
- d. What kinds of not handling activities associated with empty equipment would (1) Expeditors; and (2) Dock/Ramp/Transfer Clerks normally engage in?**
- e. Please confirm that the responses to question 18d part 2 to which you refer apply only in the case of an employee at a distribution or related operation that is not handling empty equipment but is on his way to, or on his way back from, obtaining equipment for use in the operation or disposing of excess equipment used in the operation. If not confirmed, please explain.**
- f. Please confirm that question 18g titled "administrative and other activities", applies only to employees whose activity cannot be associated with any of the mail processing functions described in questions 18b through 18f, and that the selection of "handling empty equipment" is indicated if "the selected employee is handling or moving empty equipment but is not performing a platform or distribution and related mail processing activity." Please also explain how the description "handling empty equipment" can be interpreted to include "not handling" empty equipment.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner Inc.**

TW/USPS-T12-37 Response.

- a. I reviewed program ALB040, LR-H-21, and was unable to find any other IOCS responses that would lead to the automatic assignment of activity code 6523 to a clerk or mailhandler tally. Option 'E' of question 16F could lead to the assignment of activity code 6523 to a city carrier tally if the carrier was not recorded as actually handling a piece of empty equipment. Examining the IOCS tally data (LR-H-23), I observed that some not-handling tallies which were classified as "other" work in questions 18b part 2, 18d part 2, 18e, and 18g also received activity code 6523. I am informed that in these cases, percentages of the tallies are assigned to various activity codes based on the distribution of manually assigned activity codes in 1991 (the most recent year in which the comments fields recorded in CODES were inspected for this purpose). Each "other" category in the question 18 subparts has its own distribution. This procedure has been in place since 1992. Please see LR-H-14 for further details.**
- b. Please see Attachment 1 to this response for the requested data.**
- c. Not confirmed. According to LR-H-49, page 58, CODES branches to question 18b, part 2, if the question 18b, part 1, response is 'G' (Expediter of Dock/Ramp/Transfer Clerk) or 'H' ("Other Platform Work).**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner Inc.**

In Attachment 1, I further separated the empty equipment observations from question 18b, part 2, by the response to question 18b, part 1.

- d. Some inbound or outbound trucks contain exclusively empty equipment. Activities related to these trucks may cause expeditors or dock/ramp/transfer clerks to be recorded as working with but not handling empty equipment. For instance, these workers could be inventorying the loads of empty equipment. There may be other examples of which I am not aware.
- e. Confirmed, noting that "at a distribution or related operation" in this context refers to the sampled activity in IOCS.
- f. Confirmed that the data collector will reach question 18g only if the sampled employee's activity cannot be classified in an earlier part of the question. Clearly, it is an oxymoron for an employee "not-handling-mail (or empty equipment)" to be "handling empty equipment." However, the apparent contradiction merely reflects the fact that "handling empty equipment" is shorthand for "handling empty equipment and related work." See the description of MODS operation number 549 in LR-H-147, Appendix A, for a description of empty equipment-related work activities.

Breakdown of volume variable costs (\$000) distributed to activity code 6523 tallies

LDC/Group	Cost Pool	Handling	Not Handling								Total
			DK/Rmp/Trans Clk		Oth Platform		Allied Lab	Adm/Other		Misc	
			18b pt 2 = 'D'	18b pt 2 = 'E'	18b pt 2 = 'D'	18b pt 2 = 'E'	18d pt 2 = 'H'	18g = 'T'	18g = 'Y' & 18g pt 2 = 'Z'	18e = 'I' or 'J'	
11	bcs	43,464	0	0	184	0	14,088	642	66	0	58,445
11	ocr	10,716	0	0	49	0	4,713	0	0	0	15,478
12	fsm	36,837	0	0	67	0	17,167	351	0	60	54,481
12	lsm	18,942	0	0	0	0	6,219	133	0	0	25,294
13	1SackS_m	4,312	66	462	828	172	623	641	86	0	7,189
13	mecparc	1,064	0	0	55	0	209	0	0	0	1,327
13	spbs Oth	7,525	0	32	54	26	2,706	134	0	0	10,476
13	spbsPrio	3,307	0	0	0	0	1,539	53	0	0	4,900
14	manf	18,950	0	0	35	0	9,262	294	0	0	28,542
14	manl	27,062	0	0	513	0	12,978	303	57	0	40,912
14	manp	2,204	0	0	131	18	778	1	0	0	3,132
14	Priority	7,891	41	92	203	0	2,800	84	27	0	11,139
17	1bulk pr	814	0	0	0	0	144	35	0	0	993
17	1cancMPP	10,742	98	0	953	101	2,594	358	0	31	14,873
17	1OpBulk	25,289	67	0	814	0	9,277	1,043	62	0	36,552
17	1OpPref	57,654	354	120	1,655	92	19,924	1,242	52	53	81,147
17	1Platform	66,802	4,337	6,380	21,344	2,781	7,283	1,890	121	0	110,939
17	1Pouching	36,499	149	375	1,189	482	11,113	654	0	59	50,520
17	1SackS_h	7,737	340	171	1,995	630	2,108	102	0	0	13,082
17	1scan	2,732	40	62	379	149	641	164	0	0	4,168
18	1EEqmt	12,019	241	0	5,366	329	2,450	4,668	58	0	25,128
18	1Misc	3,243	125	306	467	20	1,725	336	62	232	6,516
18	1Support	713	0	121	33	78	119	54	50	82	1,250
18	BusReply	606	0	0	0	0	56	0	0	0	662
18	Express	1,105	120	0	38	0	145	9	0	0	1,416
18	Mailgram	0	0	0	0	0	41	0	0	0	41
18	Registry	694	1	15	0	1	29	0	0	0	739
18	Rewrap	462	0	0	46	0	73	53	0	0	634
-	Intl	3,293	116	385	89	137	761	87	0	0	4,867
41	LD41	550	0	0	0	0	408	0	0	0	958
42	LD42	0	0	0	0	0	133	0	0	0	133
43	LD43	20,808	0	64	2,803	137	15,781	940	84	0	40,817
44	LD44	2,068	0	0	0	0	2,033	100	36	101	4,338
48	LD48_Adm	0	0	0	0	0	0	0	0	0	0
48	LD48_Exp	14	0	0	0	0	0	0	0	0	14
48	LD48_Oth	641	17	13	90	19	464	103	8	16	1,371
48	LD48_SpS	225	0	0	8	19	133	0	0	9	395
49	LD49	5,470	0	0	0	0	146	0	0	0	5,616

LDC/Group	Cost Pool	Handling	DK/Rmp/Trans Clk		Oth Platform		Allied Lab	Adm/Other		Misc	Total
			18b pt 2 = 'D'	18b pt 2 = 'E'	18b pt 2 = 'D'	18b pt 2 = 'E'	18d pt 2 = 'H'	18g = 'T'	18g = 'Y' & 18g pt 2 = 'Z'	18e = 'I' or 'J'	
79	LD79	1,956	0	0	164	203	127	33	36	91	2,610
MODS Mail Proc		444,408	6,111	8,598	39,551	5,393	150,787	14,506	802	735	670,891
BMC	SSM	813	0	0	0	0	0	0	0	0	813
BMC	Allied Ot	15,974	0	0	0	0	3,035	0	0	14	19,023
BMC	PSM	724	0	0	0	0	0	0	0	0	724
BMC	SPB	5,745	0	0	0	0	1,032	0	0	0	6,778
BMC	NMO	2,063	0	0	0	0	671	0	0	0	2,735
BMC	Platform	8,822	106	473	3,594	331	0	0	0	0	13,326
BMC Mail Proc		34,143	106	473	3,594	331	4,738	0	0	14	43,399
Non-MODS Mail Proc		83,586	1,375	153	9,043	396	26,981	0	0	251	121,788
Total Mail Proc		562,137	7,592	9,225	52,187	6,121	182,506	14,506	802	1,000	836,076

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner Inc.**

TW/USPS-T12-38. Please refer to your answer to TW/USPS-T12-27b. Which 3-digit MODS numbers are used, in AO's stations and branches included in the MODS data base, to describe:

- a. manual distribution of letters from 5-digit to carrier route;**
- b. manual distribution of flats from 5-digit to carrier route;**
- c. distribution of carrier route presorted bundles to the respective carriers;**
- d. distribution of small parcels and rolls to carriers;**
- e. loading and unloading mail at the platform;**
- f. culling and other preparation of collection mail before it is sent to the main processing facility?**

TW/USPS-T12-38 Response.

- a.-d. These activities are described by MODS operation 240C ("Distribution at Stations and Branches—Composite"), which is associated with the "LD43" cost pool.**
- e.-f. My understanding is that allied labor activities such as these performed at stations and branches are generally recorded under LDC 48 operation numbers, along with other Function 4 support and miscellaneous work. See LR-H-146, page I-25, for the relevant MODS operation numbers.**

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner Inc.**

TW/USPS-T12-39. Please refer to your answer to TW/USPS-T12-28b, in which you speculate that observations of pallets inside containers may refer to empty pallets being transported in rolling stock. Please assume that an IOCS clerk observes an employee handling an all purpose container (APC) with some empty sacks and nothing else inside.

- a. Would this give rise to a 6523 (empty equipment) tally, or a tally showing a container with sacks in it?**
- b. If a tally shows a container with items in it being handled, is there any way of knowing from the data base whether those items contained mail or not? If yes, how?**
- c. Is it generally true that an observation of a container with one or more empty items and nothing else inside gives rise to a mixed mail container tally, rather than a "handling empty equipment" tally? If no, please explain.**

TW/USPS-T12-39 Response.

- a. The answer depends on how the data collector responded to question 21. If the response indicated that the APC was empty, then activity code 6523 would be assigned. Otherwise, my understanding is that a 56XX-57XX mixed-mail activity code would be assigned. The new cost distribution methodology would treat this observation as an identified container if the data collector recorded the percentage of the APC volume occupied by the sacks.**
- b. No. Such data are not collected in IOCS.**
- c. As indicated in my response to part a, activity code 6523 is assigned to a handling-container tally if the container is recorded as empty in question 21. If the data collector recorded percentage(s) of container volume occupied by the item(s), the new cost distribution methodology**

**Response of United States Postal Service Witness Degen
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would treat the tally as an identified mixed-mail container, otherwise it
would treat the tally as an unidentified mixed-mail container.

**Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner Inc.**

TW/USPS-T12-40. Please refer to your answer to TW/USPS-T12-28c, in which you comment that it may be difficult to count a pallet with trayed or sacked non-identical mail without delaying the mail.

- a. Please confirm that whether the IOCS clerk does or does not count such a pallet, he has no way of indicating that the pallet contained trays or sacks, rather than loose bundles or pieces. If not confirmed, please explain how he would so indicate and how that information can be retrieved from the IOCS data base.**
- b. Please confirm that when an IOCS clerk observes a pallet containing trays or sacks with identical mail, giving rise to a direct tally, he has no way of indicating that the pallet contained sacks or trays, rather than loose bundles or pieces. If not confirmed, please explain how he would so indicate and how that information can be retrieved from the IOCS data base.**
- c. When an IOCS clerk observes a pallet containing sleeved trays or sacks, how does he determine whether it contains identical mail?**

TW/USPS-T12-40.

- a. Confirmed.**
- b. Confirmed.**
- c. If there is information (from sack or tray labels, etc.) that would lead the data collector to believe that the pallet could contain identical mail, then presumably the data collector could make the determination after inspecting (if possible) pieces from some of the sacks or trays. Strictly speaking, this would not be a positive determination that the pallet contained identical mail. However, I do not believe it would make sense to break down pallets solely for this purpose. Please note that there is also a "cannot determine" option for the identical mail part of question 21. See the description of variable F9216, LR-H-23.**

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service**

UPS/USPS-T12-1. Please refer to Table 4 on page 15 of your direct testimony and provide the exact source in USPS-T-14, Table 1, or derivation from sources in USPS-T-14, Table 1, or any other source(s) if necessary, for each of the variabilities in Table 4.

UPS/USPS-T12-1 Response.

Attachment 1 to this response provides the requested information.

MODS 1 & 2		FUNCTION 1		Short Name	Variability	Source	Notes
1	Automated Equipment	BCS, BCS on OCR	DCS	94.5%	USPS-T-14, Table 7		
2	Mechanized, Letters & Flats	OCR	ocr	78.6%	USPS-T-14, Table 7		
3	SPFSM, FSM & FSM/BCR	SPFSM, FSM & FSM/BCR	fsm	91.8%	USPS-T-14, Table 7		
4	LSM, MPLSM & SPLSM W/BCR	LSM, MPLSM & SPLSM W/BCR	lsm	90.5%	USPS-T-14, Table 7		
5	Mechanized Sort - Sack Outside	Mechanized, Other	1sacks_m	99.1%	USPS-T-14, Table 19		
6	Mechanized Parcels	Mechanized Parcels	mecparc	80.2%	USPS-T-14, Table 19		
7	SPBS - Non Priority	SPBS Oth	SPBS Oth	46.9%	USPS-T-14, Table 7		
8	SPBS - Priority	SPBS Pro	SPBS Pro	80.0%	USPS-T-14, Table 7		
9	Manual Flats	Manual Operations	mant	88.6%	USPS-T-14, Table 7		
10	Manual Letters	Manual Letters	mant	79.7%	USPS-T-14, Table 7		
11	Manual Parcels	Manual Parcels	manp	39.5%	USPS-T-14, Table 7		
12	Manual Priority	Manual Priority	Priority	44.8%	USPS-T-14, Table 7		
13	LDC 15 - RBCS	LDC 15 - RBCS	LD15	100.3%	USPS-T-14, Table 11		
14	Air Contact DCS and Incoming	Air Contact DCS and Incoming	1Scan	82.9%	USPS-T-14, Table 19		
15	Bulk Presort	Bulk Presort	1Bulk pr	72.6%	USPS-T-14, Table 19		
16	Cancelation & Mail Preparation - metered	Cancelation & Mail Preparation - metered	1CanMP	65.4%	USPS-T-14, Table 7		
17	Manual Sort - Sack Outside	Manual Sort - Sack Outside	1sacks_h	52.6%	USPS-T-14, Table 19		
18	Opening Unit - Preferred Mail	Opening Unit - Preferred Mail	1OPref	72.0%	USPS-T-14, Table 8		
19	Opening Unit - BBM	Opening Unit - BBM	1OPBuk	74.1%	USPS-T-14, Table 8		
20	Platform	Platform	1Platform	72.6%	USPS-T-14, Table 8		
21	Pouching Operations	Pouching Operations	1Pouching	82.9%	USPS-T-14, Table 8		
22	Business Reply / Postage Due	Business Reply / Postage Due	BusReply	79.7%	USPS-T-14, Table 19		
23	Damaged Parcel Rewrap	Damaged Parcel Rewrap	Rewrap	78.6%	USPS-T-14, p. 87; Exhibit 14B		
24	Empty Equipment	Empty Equipment	1EEqmt	78.6%	USPS-T-14, p. 87; Exhibit 14B		
25	Express Mail	Express Mail	Express	44.8%	USPS-T-14, Table 19		
26	Mailgram	Mailgram	Mailgram	79.7%	USPS-T-14, Table 19		
27	Mail Processing Support	Mail Processing Support	1Support	78.6%	USPS-T-14, p. 87; Exhibit 14B		
28	Miscellaneous Activity	Misc	1Misc	78.6%	USPS-T-14, p. 87; Exhibit 14B		
29	Registry	Registry	Registry	15.3%	USPS-T-14, Table 12		
30	International	International	Int	78.6%	USPS-T-14, Exhibit 14B		
Par							
Receives system variability							
Main variability							
Priority variability							
Main variability							
BMC Platform variability							
cost pool costs							
Average of 1OPref and 1OPBuk variables, weighted by							
1Pouching variability							

FUNCTION 4					
31	LDC 41 - Unit Distribution - Automated	LD41	91.0%	USPS-T-14, Table 20	Average of OCR and BCS variables, weighted by cost pool costs
32	LDC 42 - Unit Distribution - Mechanized	LD42	91.0%	USPS-T-14, Table 20	Average of LSM and FSM variables, weighted by cost pool costs
33	LDC 43 - Unit Distribution - Manual	LD43	82.0%	USPS-T-14, Table 20	Average of mail and man variables, weighted by cost pool costs
34	LDC 44 - Post-Office Box Distribution	LD44	82.0%	USPS-T-14, Table 20	Average of mail and man variables, weighted by cost pool costs
35	LDC 48 - Customer Service / Express	LD48 Exp	45.0%	USPS-T-14, Table 20	Priority variability (rounded) pool costs
36	LDC 48 - Customer Service / Admin	LD48 Adm	0.0%		Assumed to have 0% volume variability
37	LDC 48 - Customer Service / Spec. Servc.	LD48 SPS	15.3%	USPS-T-14, Table 20	Registry variability
37a	LDC 48 - Customer Service / Other	LD48 Oh	15.3%	USPS-T-14, Table 20	Registry variability
38	LDC 49 - Computerized Forwarding Syst	LD49	91.0%	USPS-T-14, Table 20	Average of LSM and FSM variables, weighted by cost pool costs
39	LDC 79 - Making Req & Bus. Mail Entry	LD79	73.0%	USPS-T-14, Table 20	MODS Platform variability (rounded) pool costs
BMCs					
40	Platform	Platform	53.0%	USPS-T-14, Table 10	
41	Allied Labor & all other Mail Processing	Allied	54.0%	USPS-T-14, p. 68	
42	Parcel Sorting Machine	PSM	90.0%	USPS-T-14, Table 8	Average of primary and secondary PSM variables
43	Sack Sorting Machine	SSM	99.0%	USPS-T-14, Table 8	
44	SPB & Irregular Parcels (IPP & 115)	SPB	73.0%	USPS-T-14, Table 9	Average of IPP and Sack Opening (115) variables
45	Non-Machinable Outside (NMO)	NMO	67.0%	USPS-T-14, Table 8	
OTHER					
46	All Other Operations (i.e., non-MODS)	Non-MODS	78.6%	USPS-T-14, p. 90	

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service**

UPS/USPS-T12-2. Please confirm that changing the variable "VARB" in the SAS program MOD4DIST.SAS in LR-H-218 to equal 1.00 for each of the values of the variable "POOL" will result in 100 percent volume variable costs for MODS cost pools. If not confirmed, please explain.

UPS/USPS-T12-2 Response.

Confirmed.

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service**

UPS/USPS-T12-3. Please confirm that changing the variable "VARB" in the SAS program MOD4DIST.SAS in LR-H-218 to equal X.XX for each of the values of the variable "POOL" will result in X.XX percent volume variable costs for MODS cost pools. If not confirmed, please explain.

UPS/USPS-T12-3 Response.

Not confirmed. If the VARB variable is set to X.XX, the variability factor is 100X.XX percent.

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service**

UPS/USPS-T12-4. Please confirm that changing the variable "VARB" in the SAS program BMC4.SAS in LR-H-218 to equal 1.00 for each of the values of the variable "POOL" will result in 100 percent volume variable costs for BMC cost pools. If not confirmed, please explain.

UPS/USPS-T12-4 Response.

Confirmed.

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service**

UPS/USPS-T12-5. Please confirm that changing the variable "VARB" in the SAS program BMC4.SAS in LR-H-218 to equal X.XX for each of the values of the variable "POOL" will result in X.XX percent volume variable costs for BMC cost pools. If not confirmed, please explain.

UPS/USPS-T12-5 Response.

Not confirmed. Please see my response to UPS/USPS-T12-3 for an explanation.

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service**

UPS/USPS-T12-6. Please confirm that changing the line "VCOST = DOLLAR*GFY*.786" to "VCOSTS = DOLLAR*GFY" in the SAS program NONMOD4.SAS in LR-H-218 will result in 100 percent volume variable costs for non-MODS cost pools. If not confirmed, please explain.

UPS/USPS-T12-6 Response.

Confirmed.

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service**

UPS/USPS-T12-7. Please confirm that changing the line "VCOSTS = DOLLAR*GFY*.786" to 'VCOSTS = DOLLAR*GFY*X.XX" in the SAS program NONMOD4.SAS in LR-H-218 will result in X.XX percent volume variable costs for non-MODS cost pools. If not confirmed, please explain.

UPS/USPS-T12-7 Response.

Not confirmed. Please see my response to UPS/USPS-T12-3 for an explanation.

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service**

UPS/USPS-T12-8. Are there BMCs that operate using MODS operation codes rather than PIRS operation codes? If your answer is other than an unqualified no, please indicate how these facilities are handled in LR-H-146/LR-H-218.

UPS/USPS-T12-8 Response.

It is my understanding that some BMCs "borrow" MODS operation numbers to classify certain activities in PIRS. Please note that the BMC cost pool amounts and associated tally sets are based on the sampled activities recorded in IOCS questions 18 and 19 (but not question 18a), which are designed to correspond to the BMC operation groups defined for witness Bradley's variability analysis. As a result, the situation stated in the question would not affect the programs in LR-H-146/LR-H-218.

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service
(Redirected from Witness Patelunas)**

UPS/USPS-T15-1.

Please refer to your response to DMA/USPS-T7-19 (redirected from witness Crum) in Docket No. MC97-2. Please confirm that costs for moving empty equipment are distributed to classes and subclasses of mail in essentially the same proportion as the IOCS observations for postal employees handling mail, without regard to the type of equipment being moved. If not confirmed, please explain in full.

UPS/USPS-T15-1 Response.

Not confirmed. I assume "costs for moving empty equipment" refers to costs associated with IOCS activity code 6523.

The "equipment" being moved can be items or containers. Under the new distribution key methodology, the distribution of these costs will take into account the type of equipment if the employee was observed handling an item or a container, as indicated by the response to IOCS Question 21. If the employee was not observed handling an item or a container, the distribution will take into account the cost pool but cannot take into account the equipment type for lack of information. Also please see USPS-T-12 at 10-11, and LR-H-146 at II-8 to II-10.

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service
(Redirected from Witness Patelunas)**

UPS/USPS-T15-2.

Are certain types of equipment (the moving of which is captured in "moving empty equipment") used uniquely or significantly for unique classes, shapes, or other types of mail? If so, specify what types of equipment are used for what classes, shapes, or other types of mail.

UPS/USPS-T15-2 Response.

Yes. Most of the "items" have a significant association with shapes or classes of mail. This is why the distribution key methodology described in my testimony, USPS-T-12, makes use of the item type in mixed-mail distributions. The following table describes the significant associations.

Table of Item Type and Associated Shape or Class of Mail.

Item Type	Shape/Class Association
Letter tray	Letter shape
Flat Tray	Flat shape
Small Parcel Tray	IPP/Parcel shape
Pallet	Second-Class regular rate, Third-Class bulk regular rate
Blue & Orange Sack	Express Mail
Green Sack	First-Class Mail
Orange or Yellow Sack	Priority Mail
Brown Sack	Second-Class Mail
White Sack	Third-Class Mail
International Sack or Pouch	International Mail

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service
(Redirected from Witness Patelunas)**

UPS/USPS-T15-3.

Please provide a breakdown of moving empty equipment costs by type of empty equipment being moved.

UPS/USPS-T15-3 Response.

Please see Attachment 1 to this response for a breakdown of IOCS tally dollars in activity code 6523 by equipment type. Since the new distribution key methodology does not include a distribution procedure specifically for moving empty equipment costs—see the response to UPS/USPS-T15-1—this table is only meant to indicate that empty equipment costs are present to some degree for all of the equipment types included in IOCS.

Attachment 1, Response to UPS/USPS-T15-3 (Revised)

FY 1996 IOCS dollars, Activity Code 6523, by equipment type
Clerks and Mailhandlers, Mail Processing Cost Pools

Equipment type	IOCS dollars (\$000), Activity Code 6523	% of Activity Code 6523
Bundle	0	0.0%
Con-Con	6,702	0.6%
Flat Tray	59,410	5.4%
Letter Tray	105,777	9.6%
Small Parcel Tray	4,202	0.4%
Pallet	12,121	1.1%
Other Item	10,740	1.0%
Blue & Orange Sack	3,623	0.3%
Green Sack	7,692	0.7%
Orange or Yellow Sack	11,411	1.0%
Brown Sack	9,654	0.9%
White #1 Sack	18,028	1.6%
White #2 Sack	19,262	1.8%
White #3 Sack	10,996	1.0%
Other Color Sack (Domestic)	4,531	0.4%
International Sack or Pouch	1,402	0.1%
BMC-OTR	55,677	5.1%
ERMC	13,244	1.2%
GPC/APC/GRNC	145,805	13.3%
Hamper	90,487	8.2%
Nutting Truck or Dolly	41,230	3.8%
Postal Pak	8,864	0.8%
Utility Cart	48,295	4.4%
Wiretainer	18,832	1.7%
Multiple Items Not in Container	0	0.0%
Other Container	30,600	2.8%
Other Activity Code 6523	360,580	32.8%
Total Activity Code 6523	1,099,164	100.0%

**Response of United States Postal Service Witness Degen
to Interrogatories of United Parcel Service
(Redirected from Witness Patelunas)**

UPS/USPS-T15-4.

Has any analysis or other study, investigation, or inquiry been performed to determine if the costs associated with moving empty equipment could be distributed to specific classes or shapes of mail which give rise to those costs? If yes, please provide these studies and explain.

UPS/USPS-T15-4 Response

Yes. The mail processing cost distribution methodology described in my testimony, USPS-T-12, and in LR-H-146, is the result of such a study.

T12

Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request No. 2

Question 1. Before filing the Docket No. R97-1 Request with the Commission, did the Postal Service attempt to analyze the reasons why the attributable costs for library rate mail have risen so much faster than the costs for special rate mail? If so, please provide that analysis. If not, please analyze that question now, and provide the results of that analysis.

Question 1 Response:

It is my understanding that the Postal Service has monitored the unit costs of Library rate mail since R94-1, but since the BY 1996 costs have only recently been released, the Postal Service has not conducted any analysis of the increase in Library rate costs in preparation for R97-1. In response to this request we have examined the costs for Library rate over the period 1990-1996. We observe that Library rate unit costs rose from \$1.24 per piece in 1990 to \$1.89 in 1995, however, the unit cost declines to \$1.73 in 1996, which is the same as the 1993 value. Over the 1990-1996 period Special rate unit costs declined from \$1.53 to \$1.31. Attachment 1 shows volume statistics and total unit costs for Library and Special rate by year along with the cost segment detail. Library rate mail processing costs (Segment 3) are nearly half of the total each year. These costs rise sharply in 1995 but return to the 1993 level by 1996. Transportation is (Segment 14) the next largest segment of Library rate costs. Transportation costs decline in 1996 to the level they had been in 1990. The consistency of nominal transportation costs in 1990 and 1996 implies a decline in real transportation costs

Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request No. 2

which is consistent with the observed decline in weight and cube, but costs do not decline in proportion to weight and cube. For Special rate nearly half the decline in total costs per piece (-.22) is caused by a decline in mail processing cost (-.09). Most of the remainder of the decline is due to transportation (-.08). Again, the decline is consistent with the declines in weight and cube, but not in the same proportion.

We have looked at the tallies underlying Library rate. In 1995 there are 152 tallies for Library rate. This may seem like a lot relative to other small categories like Classroom, which had 31, however, tallies should occur in proportion to volume and unit cost since tallies correspond to units in time and higher cost categories embody more time per piece. If we look at tallies per dollar of unit cost, Library has 80.4 and Classroom has 163.2. These tallies per dollar of unit cost are proportional to the relative volumes in these two classes. 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 procedure.

Revised
9/19/97

Revised
Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request No. 2

Attachment 1

Standard (B) Library Rate Units Costs 1990-1996 (nominal dollars)

Cost Segment	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Seg. 1	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Seg. 2	0.05	0.05	0.07	0.07	0.07	0.08	0.08
Seg. 3	0.42	0.41	0.54	0.69	0.63	0.77	0.69
Seg. 4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seg. 6&7	0.05	0.07	0.06	0.08	0.09	0.09	0.09
Seg. 8	0.03	0.03	0.02	0.02	0.03	0.02	0.02
Seg. 10	0.03	0.03	0.03	0.03	0.03	0.04	0.04
Seg. 11	0.06	0.06	0.07	0.09	0.08	0.09	0.10
Seg. 12	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Seg. 13	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seg. 14	0.38	0.48	0.39	0.44	0.41	0.45	0.39
Seg. 15	0.05	0.05	0.05	0.07	0.05	0.06	0.05
Seg. 16	0.02	0.02	0.03	0.04	0.04	0.06	0.07
Seg. 18	0.08	0.09	0.11	0.14	0.13	0.08	0.08
Seg. 20	0.04	0.04	0.04	0.05	0.05	0.13	0.11
Total Unit Cost	1.24	1.33	1.42	1.73	1.62	1.89	1.73

Standard (B) Library Rate CRA Volume Statistics 1990-1996

Cost Segment	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Pieces (thousands)	40,567	40,228	42,100	38,680	35,776	29,500	30,133
Weight per piece (ounces)	56.1	46.8	41.3	43.8	45.4	38.9	27.1
Weight per cubic foot (pounds)	14.5	13.4	13.5	13.5	13.5	13.5	13.5
Weight in pounds (thousands)	142,182	117,641	108,583	105,892	101,478	71,633	50,971
Cubic feet (thousands)	9,773	8,771	8,065	7,857	7,530	5,315	3,782

Revised
Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request No. 2

Attachment 1(Continued)

Standard (B) Special Rate Unit Costs 1990-1996 (nominal dollars)

Cost Segment	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Seg. 1	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Seg. 2	0.07	0.06	0.07	0.08	0.06	0.06	0.06
Seg. 3	0.56	0.56	0.57	0.73	0.53	0.50	0.50
Seg. 4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seg. 6&7	0.09	0.09	0.08	0.11	0.11	0.08	0.10
Seg. 8	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Seg. 10	0.03	0.03	0.03	0.02	0.02	0.02	0.02
Seg. 11	0.07	0.07	0.07	0.08	0.07	0.06	0.07
Seg. 12	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Seg. 13	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seg. 14	0.34	0.29	0.28	0.28	0.27	0.23	0.27
Seg. 15	0.06	0.06	0.06	0.06	0.04	0.04	0.04
Seg. 16	0.03	0.03	0.03	0.04	0.03	0.05	0.05
Seg. 18	0.11	0.11	0.12	0.14	0.11	0.05	0.06
Seg. 20	0.05	0.05	0.04	0.05	0.04	0.09	0.08
Total Unit Cost	1.45	1.40	1.39	1.63	1.32	1.21	1.31

Standard (B) Special Rate CRA Volume Statistics 1990-1996

Cost Segment	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Pieces (thousands)	149,433	153,138	165,152	164,763	190,867	217,761	189,793
Weight per piece (ounces)	36.4	32.2	32.7	29.5	28.2	25.4	26.9
Weight per cubic foot (pounds)	10.6	10.3	10.7	10.6	10.6	10.6	10.6
Weight in pounds (thousands)	340,249	308,611	337,175	304,288	335,902	346,257	319,402
Cubic feet (thousands)	32,205	30,064	31,538	28,742	31,728	32,706	30,169

Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request No. 2

Question 2. In Docket R94-1, the Commission concluded that as the processing of library rate and special rate pieces should be similar, data showing that the attributable costs for these two subclasses were similar was not surprising. Describe significant differences in the processing of these two subclasses and relate those differences to the variations in reported costs.

Question 2 Response:

It is my understanding that the operating plan does not segregate Library rate mail from Special rate mail, however, to the extent that Special is bulk-entered and containerized by presort level, we would expect Special rate mail to exhibit lower unit costs. Special rate mail may also enjoy higher productivities in sortation operations because the identical or very similar pieces allow keyers to more easily orient the pieces to read the address or barcode. No studies have been undertaken to quantify the expected difference in unit costs, but the average observed difference is not unreasonable.

**Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request No. 2**

Question 3. Discuss the extent to which the relatively small volume of library rate mail may reduce the reliability of the unit cost information developed from Postal Service data collection systems.

Response to Question 3:

Please see my response to question 1 and my testimony in MC96-2 (USPS-CT-2).

**Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request #3**

28. In most cases, IOCS data were used to separate accrued Clerks and Mailhandler costs (Segment 3) into mail processing, window service and administrative cost components. In R97-1, the service uses MODS data to separate the accrued Segment 3 costs into these three cost components for MODS 1 and 2 offices. The following table shows the results from using the two different systems to separate the costs and shows that approximately \$792 million of window service and administrative costs migrate to the mail processing category as a result of using MODS.

Accrued Costs (Millions)

	Mail Processing	Window Service	Administrative	Total
Using MODS ¹	13,247	1,907	1,302	16,456
Using IOCS ²	12,455	2,013	1,987	16,456
Difference	792	(107)	(685)	0

Please elaborate on the discussion in USPS-T-12, page 6 and 7, regarding the reasons for the migration. In particular, please identify the approximate percentage of the cost changes due to: (1) an IOCS data collector observing an employee working at a different task from the MODS activity code the employee is clocked into at the time of the observation; (2) window service and administrative activities being redefined as mail processing, or vice-a-versa, as indicated in the USPS response to interrogatory OCA/USPS-T12-27, lines 3-5; or (3) any other reason. Please provide a listing of the IOCS activity codes being redefined due to the second case and show the amount of costs moving due to changes in definitions.

28. Response.

I believe the majority of the difference between the two methods to be caused by the methodological change that partitions costs at MODS offices into the components based on workhours recorded in the MOD system by

¹ USPS T-5 Exhibit 5C page 9.

² LR-H-1 page 3-2.

**Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request #3**

MODS operation number and LDC, rather than on IOCS tally costs grouped by "functional component." In the BY 1996 methodology, mail processing includes all costs associated with workhours in LDCs 11-18, 41-44, 48-49 and 79, regardless of the workers' activities. The definitions of LDCs 18, 48 and 79 (see LR-H-146 at I-33, I-35 and I-37), in particular, include work activities which would be assigned administrative uniform operation codes in IOCS, but which in MODS constitute administration of mail processing.

When sampled, these work activities will cause tally "migration" because of the classification difference between the recorded MODS number and the IOCS uniform operation code. Please note that the FY 1996 CRA methodology does not separately identify these costs, but recognizes that certain costs in the administrative component are volume-variable to the same extent as and should be distributed in proportion to mail processing costs. See sections 3.3.3 and 3.3.4 of LR-H-1. The BY 1996 methodology separately identifies administration of mail processing and classifies it as part of the mail processing component. I believe this is what you mean to characterize as your reason (2).

It is possible that an employee is inappropriately clocked into a mail processing MODS operation when working a window service or general administrative activity which has its own MODS operation number.

**Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request #3**

Clocking errors of this type could also cause some shift of costs between the Cost Segment 3 components. I believe this is similar to what you would characterize as reason (1), however, note that the clocking error that causes the cost shift is in the MODS data, not the IOCS data. (Recall that in BY 1996, IOCS data play no role in the formulation of MODS cost pools.) Such clocking errors may be a cause of IOCS tallies "migrating" between cost components. Since the sampled IOCS activity does not distinguish between administration of mail processing and general administrative work, I cannot determine whether a given migrated tally is due to reason (2) or reason (1). I suspect, however, that very little of the observed shift is due to reason (1).

Clocking in or out (IOCS activity code 6522) is assigned an administrative IOCS uniform operation code regardless of the operation the employee was or would be working, which has previously required that these costs be redistributed among the Segment 3 cost components. In the BY 1996 methodology, 6522 costs at MODS offices are correctly classified according to the MODS operation the employee is clocking into or out of. The clocking in/out tallies will migrate, though any net shift in costs is due to the refinement of the clocking in/out cost allocation from the FY 1996 methodology. Finally, some cost migration may result from the implicit reweighting of the IOCS tally costs for tallies taken at BMCs and non-MODS

**Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request #3**

offices to the office group costs computed in program MODSPOOL, LR-H-146. I believe these fall under reason (3).

In the attachment to this response, I provide an estimate of the costs shifting among components by MODS cost pool. Proportions of IOCS tally costs associated with each cost pool by the FY 1996 cost component definitions are used to create this breakdown. The migration of costs from the administrative component to mail processing and window service is adjusted to reflect the fact that clocking in/out costs at MODS offices no longer need to be redistributed among cost components. I observe that a majority of the costs migrating from administrative to mail processing (53.2%) are in cost pools related to LDCs 18, 48, and 79. As stated above, I believe the classification difference for these costs is overwhelmingly due to reason (2). Since the proportion of migrated costs in other cost pools is small, I expect that these reflect incidental administrative or miscellaneous work performed by employees in mail processing operations which is now assigned to cost component on the basis of the clocked-in MODS operation, which I also interpret as primarily due to reason (2). Migrated costs not accounted for by the attachment are due to reason (3).

Attachment responsive to Presiding Officer's Information Request #3, Question 28

IOCS Tally Costs by IOCS Operation Code Group												
(1)	(2)	(3)	(4)	(5)	(6)	(1)x(6)	(2)x(6)	((3)+(4))x(6)	(4)x(6)	(3)x(6)		
LDC	Pool	Mail Proc	Window	Non-6522 Admin	Admin - 6522	Total	Pool Costs	Migration from Mail Processing	Migration from Window	Migration from Admin	6522 Adjustment	Adjusted Migration From Admin
11	bcs/	95.81%	0.03%	2.50%	1.66%	100.00%	681,360		211	28,339	11,310	17,029
11	ocr/	95.08%	0.11%	2.96%	1.85%	100.00%	224,198		248	10,788	4,158	6,630
12	fsm/	95.44%	0.26%	2.55%	1.75%	100.00%	736,969		1,916	31,668	12,932	18,757
12	lsm/	96.26%	0.05%	1.97%	1.72%	100.00%	731,680		346	26,983	12,552	14,431
13	1SackS_m	91.58%	0.36%	5.93%	2.13%	100.00%	47,771		171	3,852	1,019	2,832
13	mccparc	94.17%	1.10%	3.02%	1.71%	100.00%	9,607		105	455	164	290
13	spbe Oth	93.37%	0.03%	4.00%	2.61%	100.00%	174,127		45	11,505	4,542	6,963
13	spbe Prio	91.93%	0.01%	6.02%	2.04%	100.00%	57,966		4	4,672	1,183	3,488
14	manf	95.10%	0.20%	2.43%	2.26%	100.00%	514,848		1,050	24,176	11,649	12,528
14	manf	94.29%	0.40%	2.85%	2.45%	100.00%	1,342,326		5,425	71,205	32,896	38,309
14	manp	93.43%	0.21%	4.34%	2.02%	100.00%	60,049		126	3,820	1,214	2,606
14	priority	93.50%	0.46%	3.87%	2.17%	100.00%	222,512		1,022	13,437	4,832	8,604
15	LD15	100.00%	0.00%	0.00%	0.00%	100.00%	382,392		0	0	0	0
17	1Bulk pr	82.58%	7.36%	8.27%	1.79%	100.00%	11,667		858	1,174	209	965
17	1CancMPP	94.00%	0.34%	3.98%	1.68%	100.00%	287,698		967	16,282	4,839	11,442
17	1OPbulk	92.29%	0.18%	4.30%	3.24%	100.00%	315,068		554	23,748	10,214	13,534
17	1OPref	92.13%	0.07%	5.01%	2.80%	100.00%	745,408		497	58,191	20,860	37,331
17	1Platform	92.74%	0.12%	4.94%	2.20%	100.00%	891,539		1,095	63,671	19,634	44,036
17	1POUCHING	93.40%	0.07%	4.16%	2.37%	100.00%	437,919		319	28,592	10,387	18,205
17	1SackS_h	93.93%	0.15%	3.55%	2.37%	100.00%	169,234		261	10,006	4,007	5,999
17	1SCAN	91.08%	0.09%	7.18%	1.64%	100.00%	58,033		53	5,122	953	4,169
18	1EEQMT	70.26%	0.00%	28.34%	1.40%	100.00%	49,885		0	14,836	700	14,136
18	1MISC	52.96%	1.07%	44.56%	1.42%	100.00%	130,709		1,397	60,094	1,852	58,242
18	1SUPPORT	16.11%	1.60%	81.13%	1.15%	100.00%	137,232		2,199	112,922	1,581	111,340
18	Bus Reply	93.28%	0.66%	4.57%	1.49%	100.00%	31,344		207	1,900	467	1,434
18	express	92.41%	1.27%	4.53%	1.80%	100.00%	79,142		1,004	5,005	1,421	3,583
18	MAILGRAM	80.87%	9.25%	9.88%	0.00%	100.00%	368		34	36	0	36
18	Registry	92.11%	1.51%	5.18%	1.20%	100.00%	126,948		1,912	8,099	1,529	6,570
18	REWRAP	85.67%	0.00%	12.42%	1.91%	100.00%	15,579		0	2,232	297	1,935
19	INTL	91.30%	2.33%	5.23%	1.14%	100.00%	110,273		2,572	7,025	1,257	5,768
41	LD41	93.37%	0.00%	4.78%	1.84%	100.00%	18,542		0	1,229	342	887
42	LD42	89.24%	4.13%	5.83%	0.80%	100.00%	2,139		88	142	17	125
43	LD43	87.74%	4.93%	5.50%	1.83%	100.00%	521,570		25,720	38,227	9,563	28,663
44	LD44	84.16%	9.41%	4.94%	1.48%	100.00%	126,758		11,934	8,142	1,875	6,267
48	LD48 Exp	69.27%	2.30%	26.44%	1.99%	100.00%	3,203		74	911	64	847
48	LD48 Oth	57.85%	15.70%	24.62%	1.84%	100.00%	127,532		20,017	33,741	2,341	31,399
48	LD48 Sp Serv	77.88%	9.11%	11.91%	1.10%	100.00%	106,486		9,705	13,850	1,169	12,681
48	LD48_Adm	27.61%	21.95%	49.57%	0.86%	100.00%	148,358		32,569	74,824	1,281	73,543

Attachment responsive to Presiding Officer's Information Request #3, Question 28

(1) (2) (3) (4) (5) (6) (1)x(6) (2)x(6) ((3)+(4))x(6) (4)x(6) (3)x(6)
 IOCS Tally Costs by IOCS Operation Code Group

LDC	Pool	Mail Proc	Window	Non-6522 Admin	Admin - 6522	Total	Pool Costs	Migration from Mail Processing	Migration from Window	Migration from Admin	6522 Adjustment	Adjusted Migration From Admin
49	LD49	95.04%	0.06%	3.11%	1.77%	100.00%	252,327		205	12,323	4,471	7,852
79	LD79	62.84%	1.68%	33.94%	1.54%	100.00%	134,835		2,270	47,838	2,076	45,762
	Admin	17.41%	4.31%	77.11%	1.17%	100.00%	693,328	120,737	29,861			0
45	2Window	5.48%	90.09%	3.40%	1.04%	100.00%	684,143	37,488		30,338	7,091	23,248
	Total	80.55%	6.56%	10.96%	1.93%	100.00%	11,603,072	158,225	157,042	911,417	208,948	702,469

Column source:
 (1)-(4) Analysis of IOCS tally file
 (6) USPS-T-14, Table 4 and LR-H-146, p. 1-28

**Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request #3**

29. Please discuss the instances in which local facility managers can customize the MODS codes to their own management needs and the distortion that this has on the aggregation of data for national purposes. In particular, what is the extent of the customization, does the customization isolate hours and pieces handled data into pools that are not captured in the 46 cost pools created by witness Degen, and how is this effect accounted for by witnesses Degen and Bradley in their analyses?

29. Response.

The customization options that local facility managers have is limited.

Managers can assign greater detail only for certain sets of three-digit MODS operation codes. For example, MODS codes 110-114 are all for "Opening Unit Outgoing - Pref." A manager could use these codes to record separately workhours for specific opening unit activities. For a listing of mail processing operations that have multiple MODS codes, please see the listing of operation numbers presented in Exhibit-14A, USPS-T-14.

I account for the customization of certain MODS codes by grouping ranges of MODS codes in the course of defining the MODS cost pools. The 10PPref cost pool thus is based on workhours recorded in MODS operations 110-114 and 180-184. Thus, the total "Opening Unit - Pref" workhours I obtain are unaffected by any local variation in use of the individual three digit MODS codes.

**Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request #3**

31. Please confirm that some processing facilities locate portions of their automation work, in particular Delivery Point Sorting on Bar Code Sorting machines, in delivery units; and that the manhours and prices processed there are not captured by the MODS system. If confirmed, how do witnesses Degen and Bradley account for this in their analysis?

31. Response.

Confirmed that some automated Delivery Point Sorting (DPS) work is performed in delivery units. This work corresponds to the LD41 cost pool for the MODS office group. The LD41 cost pool amount is determined directly from Pay Data System compensation amounts booked under LDC 41 for offices in Reporting Office Groups 1 and 2, so I capture these costs regardless of whether the corresponding workhours are actually recorded in MODS. However, I understand that MODS captures the vast majority of the workhours associated with the LD41 cost pool. Witness Bradley does not estimate a variability for LD41, but rather applies the a proxy variability based on the estimated variabilities for the LDC 11 OCR and BCS pools.

**Response of United States Postal Service Witness Degen
to Presiding Officer's Information Request #4**

5. Does witness Bradley's selection of TPH as the cost driver for mail processing labor costs assume that the TPH for each cost pool activity in each facility is proportional to the volume of mail processed by the activity? If so, how important is the assumption of proportionality? Please discuss whether the ratio of TPH to volume for the cost pools has changed over the nine-year period examined by witness Bradley (due to changes in such things as mail mix and processing technology), whether the ratio varies significantly across facilities for the cost pools, or whether it varies significantly for a cost pool within a facility. To what degree do such variations conflict with the assumption of proportionality, and what are the implications for witness Bradley's analysis? Does witness Bradley's selection of TPH as the cost driver for mail processing labor costs assume that system TPH is proportional to system volume?

5. Response.

To provide a full answer to the question, it is necessary to distinguish between volume variable costs at the cost component or element level (to simplify terminology, I will use the term "component" to mean either a CRA cost component or a subpart thereof, such as a mail processing cost pool), and volume variable costs distributed to subclass. At a general level, the volume variable cost of a component is defined as:

$$V_i = G_i \epsilon_i = G_i \left(\frac{D_i}{G_i} \cdot \frac{dG_i}{dD_i} \right), \quad (1)$$

where i indicates component, V volume variable cost, G total ("accrued") cost, ϵ elasticity of cost with respect to the cost driver, and D the cost driver (see USPS-T-11 at 21; LR-H-1 at vi and H-5 to H-7). Please note that the above formula is in no way new to the BY 1996 costing methodology; it serves as the basis for volume variable costs by component in the

:

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methodology used in FY 1996 and previously by the Postal Service and the Commission. Witness Bradley's analysis does not alter the conceptual basis for volume variable costs relative to the FY 1996 analysis, rather, he provides alternate estimates of the mail processing variability factors ϵ . Given the selection of TPH as the cost driver, witness Bradley's econometrically estimated variabilities are, by construction, estimates of ϵ for the relevant cost pools. It follows that Table 4 in my testimony, USPS-T-12, notwithstanding the new partition of Segment 3 costs and the implementation of witness Bradley's estimated variabilities, performs the "attribution step" exactly as defined in LR-H-1 at H-5.

The role of an assumption of proportionality between the cost driver and mail volume depends on the method by which the distributed volume variable costs are computed. Consider witness Panzar's general definition of the volume variable cost distributed to subclass j:

$$V_j = G_i \epsilon_i \sigma_j, \quad (2)$$

where σ represents the elasticity of the component i cost driver with respect to the volume of subclass j:

$$\sigma_j = \frac{M_j}{D_i} \cdot \frac{\partial D_i}{\partial M_j} \text{ (see USPS-T-11 at 23).} \quad (3)$$

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Witness Panzar's formula corresponds to the "constructed marginal cost method" described in LR-H-1 at H-7. Please observe that M is system volume. The "volume" in activity I is the cost driver D. In contrast, mail processing costs have traditionally used, and in the BY 1996 methodology continue to use, the "volume variability/distribution key" method. In the distribution key method, volume variable mail processing costs by subclass are of the form:

$$V_{\theta} = G_i \varepsilon_i \delta_{\theta}, \quad (4)$$

where δ represents distribution key elements. The distribution key elements are derived from IOCS data in the case of mail processing cost pools. The distribution key method is indicated when it is impossible to estimate σ directly. For instance, mail processing data sources do not report volumes by subclass that would be needed to estimate σ . Please note that the FY 1996 distributed mail processing direct labor costs are also of this form. The distribution key method has the intuitively appealing property that $\sum_j V_{\theta} = V_i$ —i.e., for each component, the volume variable cost by subclass sum to the component's total variable cost as defined in equation (1), above—but requires a version of what the question terms the "assumption of proportionality" to equate unit volume variable cost with marginal cost. Conversely, the constructed marginal cost method, as its name suggests, requires no additional assumptions to equate unit volume variable cost with

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marginal cost, but requires an assumption of proportionality to satisfy

$\sum_i V_i = G, \varepsilon_i = V_i$.¹ Thus, the proportionality assumption equates unit volume

variable and marginal cost in the distribution key method, and ensures that

volume variable costs by subclass add up to the component total in the

constructed marginal cost method (see USPS-T-11 at 23, and footnote 12).

Consequently, the proportionality assumption is important for the

interpretation of unit volume variable cost, particularly, for unit volume

variable cost generated by the distribution key method to be equated with

economic marginal cost. Since this is generically true for all volume variable

costs generated by the distribution key method, the following discussion

applies to both the FY 1996 and BY 1996 mail processing cost

methodologies, noting that in the FY 1996 methodology, the mail

processing cost drivers are not explicitly defined.

¹ There is no economic reason to impose this restriction in general, but the issue of whether or not it holds may affect the interpretation of volume variable cost at the component level.

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More formally, the proportionality assumption equates the distribution key elements δ_v with the elasticities σ_v . The distribution key elements are defined as:

$$\delta_v = \frac{D_v}{D_i} \cdot \sigma_v^2$$

so using the definition of σ_v , it must be the case that:

$$D_v = M_j \cdot \frac{\partial D_i}{\partial M_j}$$

This assumption holds when $\partial D_i / \partial M_j$ is constant, or in witness Panzar's terminology, when $D_i(M)$ is linearly homogeneous. For mail processing cost pools with TPH, the term $\partial D_i / \partial M_j$ is interpreted as the marginal increase in cost pool i's TPH resulting from a small increase in subclass j's (RPW) volume, holding non-volume factors constant. The proportionality assumption, then, is:

$$D_v = a_v M_j,$$

where a_v represents (constant) TPH in cost pool i per (RPW) piece of subclass j. The proportionality assumption is that the number of TPH a typical piece of subclass j receives in cost pool i does not vary with the volume of subclass j, holding factors such as mail preparation and operation

² Please note that these cost driver proportions are estimated using proportions of IOCS tally costs for mail processing cost pools, since mail processing cost drivers are not observed by subclass. This is true of both the FY 1996 and BY 1996 methodology.

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mix constant. Please note that the parameters a_{ij} will not, in general, be equal for different cost pools, or for different subclasses within a cost pool.

Since there have been significant changes in mail mix and mail processing operation mix over the period examined by witness Bradley, it is presumably the case that the parameters a_{ij} have also changed. For instance, certain a_{ij} parameters could decrease if subclass j becomes more highly presorted over time. Or, if automation equipment is improved such that more mail is automation compatible, then the a_{ij} parameters could increase for certain cost pools, indicated by i . However, since the mail processing distribution keys are updated every year (and, indeed, based entirely on PFY 1996 IOCS data), such long-run changes do not need to be accounted for in the distribution analysis. There is an implicit assumption that intra-year changes in mail mix and operations mix are small. Operation mix differences can cause differences in the a_{ij} parameters across facilities. This does not conflict with the assumption of proportionality per se, but rather indicates that the aggregate a_{ij} is an average of facility-specific a_{ij} 's. For a cost pool within a facility, variations in a_{ij} may be due to differences in mail preparation between or within subclasses of mail. The a_{ij} 's are defined to account for between-subclass variation. The analysis does not account for

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within-subclass variation, so a_j 's are determined for a "representative piece" of subclass j. If additional subclasses or rate elements were defined, the cost distribution methodology described in my testimony, USPS-T-12, could be straightforwardly extended to accommodate them. The formulation of TPH per piece (a_j) above is the only relationship that is posited for a "system TPH" (i.e., total TPH by cost pool for all facilities) and "system volume" (RPW volume of subclass j). No assumptions at all are made regarding broader aggregates of TPH or volume.

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Response of United States Postal Service Witness Degen
to Interrogatories of Time Warner Inc.

6607

TW/USPS-T12-42. Please refer to your response to OCA/USPS-T12-60(a) (filed September 25, 1997), where you state: "Assuming that the MODS operation group productivities do not vary much by subclass, then the distribution keys' proportions of cost can be interpreted as proportions of handlings."

- a. Please describe the arguments and/or evidence that justified an assumption that the MODS operation group productivities do not vary much by subclass.
- b. Please describe the arguments and/or evidence that you considered, in the process of deciding that this assumption is justified, that weighted against making it.

TW/USPS-T12-42 Response.

OCA/USPS-T12-60 asks how volume estimates by subclass might be derived from IOCS data. As I state in my testimony, IOCS is "used to estimate costs for time spent by various types of employees performing different functions" (USPS-T-12 at 1). As such, IOCS does not produce volume estimates of any sort. In my response to OCA, I simply stated the type of assumption that would be needed to apply proportions of cost for a given function from IOCS to a corresponding volume measures generated in another data system (i.e., MODS TPH) to obtain an estimate of volume by subclass. Note that I did not specifically justify the assumption in my response to OCA, but I believe the assumption is justifiable.

- a. The main argument in favor of the assumption that MODS operation group productivities do not vary much by subclass is that the MODS operation groups for which TPH is available are defined along shape and

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to Interrogatories of Time Warner Inc.**

technology dimensions. Preserving a "meaningful homogeneity of the operations" (USPS-T-12 at 6; see also USPS-T-14 at 27) was a key factor in determining the MODS operation groups. Factors such as weight, thickness, packaging, and address readability may affect whether certain subclasses are worked in mechanized or automated operations. However, for the mail actually worked on a given type of machine, I am not aware of any reason why the machine pace should vary by subclass. For manual operations, letter, flat, and parcel sortation fall into separate operation groups. Thus, differences in the shape distribution of mail subclasses alone will not cause large productivity differences by subclass. For there to be relevant productivity differences by subclass, there would have to be significant differences in the time it takes to manually sort letter (or flat, or parcel) shaped pieces of various subclasses. I am not aware of any studies that have identified systematic variations across subclasses in characteristics that might affect manual productivities by shape.

- b. If there are systematic variations in subclass characteristics that affect manual productivities by shape, that would weigh against the assumption of equal productivities by subclass in an operation group. As indicated in my response to part a, I am aware of no studies of this issue.

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TW/USPS-T12-43. Please refer to DMA/USPS-T12-10(a) (response filed September 30, 1997), which quoted you as stating, "I believe that the MODS activity at the operation group level and the employee's activity are consistent in the vast majority of cases" (response to DMA/USPS-T12-3(b)), and which then asked you to "confirm that you have performed no quantitative analyses to support" that belief.

Your answer states in part that you "have not personally performed any quantitative analysis of the consistency between MODS activity and employee activity." Please provide citations and copies of, or if that is impossible describe the substance of, any analyses, quantitative or otherwise, of the consistency between MODS activity and employee activity in any of the following categories: (i) whose preparation was associated with in any capacity; (ii) whose preparation was associated with the process of developing your new methodology for distributing mail processing costs; (iii) whose preparation Christensen Associates was associated with in any capacity; (iv) that you were aware of at the time you prepared your testimony; or (v) that you are now aware of.

TW/USPS-T12-43 Response.

i.-v. I have not performed any quantitative analysis of the consistency between employee's clocked-in MODS operation and actual activity, nor am I aware of such analyses performed by anyone else. The Inspection Service audit of allied workhours (LR-H-236) would, on its face, appear to address this issue, but for reasons specified in my response to TW/USPS-T12-35, it does not allow analysis of misclocking at the operation group level. As for other-than-quantitative analysis, I cannot point to specific research.

However, as stated in my response to DMA/USPS-T12-10 part a, I interpret the strength of the relationship between MODS hours and TPH in witness

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**Bradley's model as evidence that there is not a great deal of "noise" in
MODS workhours.**

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32. In LR-H-146, the reference for the Administrative costs of \$683,327 (sic) million in Table I-1, Part 1 of 2, page I-4, is the report "Administrative and Window Service Cost Pool Dollars - FY96 MODS 1&2." The referenced report is given on page 28 and is generated by the SAS code for MODSPOOL at pages 6 and 7. In the report and in the SAS code, the LDC entry is blank. Please identify the types of activities included in the administrative pool by providing the LDC, MODS codes, IOCS codes or a description of the activities in the pool.

32. Response.

Please note that MODS administrative costs total \$693,327 million according to page I-4 of LR-H-146. The LDC code for the MODS administrative cost pool is blank because it incorporates costs from several LDCs. The administrative cost pool at MODS offices is defined as clerk and mailhandler costs from the Pay Data System for LDCs not associated with mail processing (LDCs 11-18, 41-44, 48-49 and 79) or window service (LDC 45). Program MODSPOOL does not identify administrative MODS code and LDC combinations because it does not use MODS data to split the administrative LDCs to cost pools, as is done for several mail processing LDCs. For cost distribution purposes, it is necessary to associate IOCS tallies with the administrative cost pool. This is done on the basis of MODS operation numbers listed in program MOD1POOL, LR-H-146, at pages 6-7 (lines 212-285). Attachment 1 to this response identifies the administrative MODS numbers, with brief descriptions, by LDC. See also Exhibit 14A, USPS-T-14; Appendix A, LR-H-147; pages I-32 to I-38, LR-H-146.

MODS Operations Assigned to Administrative Cost Pools

MODS Oper	Description	Cost Pool	LDC
582	QUALITY CONTROL	2ADM	2
581	INDUSTRIAL ENGINEER	2ADM	3
594	ZIP+4 ADDRESS INFO SYS	2ADM	4
595	CRIS ADDRESS INFO SYS	2ADM	4
596	5 DIGIT ZIP INFO SYSTEM	2ADM	4
674	ADMIN & CLER AIS	2ADM	4
645	LOGISTICS & TRANSPORT	2ADM	5
672	ADMIN & CLER LOG & TRANS	2ADM	5
668	ADMIN & CLER OPER SUPPT	2ADM	8
900	TRAVEL WITHIN HRS-OS	2ADM	8
646	DELIVERY SERVICES ANLYST	2ADM	9
675	ADMIN & CLER DELV/RETAIL	2ADM	9
615	STEWARDS - VMF	2ADM	31
617	STEWARDS - MVS	2ADM	31
679	ADMIN & CLER FLEET OPERS	2ADM	31
763	CLERK-VEHICLE MAINT FAC	2ADM	31
764	CLERK-MOTOR VEHICLE SERV	2ADM	31
901	TRAVEL WITHIN HOURS VS	2ADM	31
761	REPAIR-GEN MAINTENANCE	2ADM	32
762	SERVICING-GEN MAINTENANC	2ADM	32
647	VPO SUPPORT	2ADM	33
765	MOTOR VEHICLE OPERATORS	2ADM	34
766	TRACTOR TRAILER OPERATOR	2ADM	34
772	MOTOR VHCLE OPR COLLECT	2ADM	34
773	TRACTOR TRAILER OP COLL	2ADM	34
750	POSTAL OPERATING EQUIP	2ADM	36
751	POSTAL OPERATING EQUIP	2ADM	36
752	POSTAL OPERATING EQUIP	2ADM	36
753	BUILDING & PLANT EQUIP	2ADM	37
754	BUILDING & PLANT EQUIP	2ADM	37
747	BUILDING SERVICES	2ADM	38
748	BUILDING SERVICES	2ADM	38
749	BUILDING SERVICES	2ADM	38
616	STEWARDS - MTE	2ADM	39
624	TRAVEL WITHIN HOURS-P&E	2ADM	39
634	MEETING TIME PLANT/EQUIP	2ADM	39
680	ADMIN & CLER PLANT/EQUIP	2ADM	39
745	MAINTENANCE ADMINISTRATN	2ADM	39
746	TELEPHONE SWITCHBOARD	2ADM	39
980	SSPC TECH STA/BR - MTE	2ADM	46
981	SSPC TECH STA/BR - MTETR	2ADM	46
982	SSPC TECH STA/BR - SVC	2ADM	46
983	SSPC TECH STA/BR - SVCTR	2ADM	46
984	SSPC TECH MAIN OFC-MTE	2ADM	46
985	SSPC TECH MAIN OFC-MTETR	2ADM	46
986	SSPC TECH MAIN OFC-SVC	2ADM	46
987	SSPC TECH MAIN OFC-SVCTR	2ADM	46

MODS Operations Assigned to Administrative Cost Pools

MODS Oper	Description	Cost Pool	LDC
683	ADMIN & CLER - ACCT SERV	2ADM	52
968	EXCHANGE OFC RECORD UNIT	2ADM	52
649	PSDS OPERATIONS	2ADM	53
999	INVALID OPERATIONS	2ADM	53
650	BUDGET & FIN ANALYSIS	2ADM	54
684	ADMIN & CLER - BUD & FIN	2ADM	54
685	ADMIN & CLER - SYS COMPL	2ADM	55
540	MISC ACTIVITIES - CN	2ADM	56
556	OFFICE WORK & RECORDS-CN	2ADM	56
610	STEWARDS - CLERKS - CN	2ADM	56
623	TRAVEL WITHIN HOURS - CN	2ADM	56
636	MEETING TIME CN-NON-SUPV	2ADM	56
651	ADMIN & CLER CONTROLLER	2ADM	56
569	C/RA NON CONTROLLER EMPL	2ADM	57
579	O.D.I.S. NON CONTRLER EM	2ADM	57
591	O.D.I.S. CONTROLLER EMPL	2ADM	57
592	C/RA CONTROLLER EMPL	2ADM	57
969	STAT PROGRAMS-INTERNAT	2ADM	57
633		2ADM	58
541	MISC HUMAN RESOURCE ACT	2ADM	61
611	STEWARDS - CLERKS - HR	2ADM	61
642	MEETING TIME HR-LABOR RL	2ADM	61
652	LABOR RELAT ACTIVITIES	2ADM	61
686	ADMIN & CLER - LABOR REL	2ADM	61
902	TRAVEL WITHIN HOURS - HR	2ADM	61
557	OFFICE WORK AND RECORDS	2ADM	62
572	PERSONNEL SECTION	2ADM	62
689	ADMIN & CLER-PERSON SVCS	2ADM	62
653	SAFETY & HEALTH	2ADM	63
692	ADMIN & CLER-SAFETY/HLTH	2ADM	63
654	EEO/AFFIRMATIVE ACTION	2ADM	64
687	ADMIN & CLER-EEO/AFFIRM	2ADM	64
566	TRAINING INSTRUCTORS	2ADM	65
691	ADMIN & CLER - TRAINING	2ADM	65
643	MEETING TIME HR-PERSONNL	2ADM	66
959	LIMITED DUTY	2ADM	68
958	REHABILITATION	2ADM	69
656	ACCOUNT MANAGEMENT	2ADM	71
657	TECH SALES & SERVICES	2ADM	72
693	ADMIN & CLER-TECH SALES	2ADM	72
658	MERCHANDISING/PROMOTION	2ADM	73
694	ADMIN & CLER-MCHD & PROM	2ADM	73
659	COMMUNICATIONS	2ADM	74
696	ADMIN & CLER-COMMUNICATN	2ADM	74
661	CONSUMER AFFAIRS	2ADM	76
662	ACCOUNTABLE PAPER	2ADM	77
663	ADMIN & CLER - M & C	2ADM	78

MODS Operations Assigned to Administrative Cost Pools

MODS Oper	Description	Cost Pool	LDC
903	TRAVEL WITHIN HOURS -M&C	2ADM	78
570	ADMIN SERVICES - SUPPLY	2ADM	82
571	EXECUTIVE SECTION	2ADM	82
665	ADMIN & CLER - ADMINIS	2ADM	82
904	TRAVEL WITHIN HOURS -ADM	2ADM	82
666	PROCUREMENT	2ADM	83
648	MGMT INFO SYSTEMS	2ADM	84
682	ADMIN&CLER MGMT INFO SYS	2ADM	84
670	ADMIN & CLER - FAC	2ADM	85
463	REGIONAL PROJECTS	2ADM	89
464	REGIONAL PROJECTS	2ADM	89
465	REGIONAL PROJECTS	2ADM	89
466	REGIONAL PROJECTS	2ADM	89
467	REGIONAL PROJECTS	2ADM	89
468	REGIONAL PROJECTS	2ADM	89
469	REGIONAL PROJECTS	2ADM	89
470	REGIONAL PROJECTS	2ADM	89
505	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
506	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
507	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
508	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
509	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
510	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
511	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
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529	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
530	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
531	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
532	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
533	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
534	HEADQUARTERS PROJECTS - Non Sup	2ADM	89

MODS Operations Assigned to Administrative Cost Pools

MODS Oper	Description	Cost Pool	LDC
535	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
536	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
537	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
538	HEADQUARTERS PROJECTS - Non Sup	2ADM	89
780	TRAINING - OPER SUPPORT	2ADM	90
781	TRAINING - MAIL PROCESS	2ADM	91
782	TRAINING - DELIVERY SERV	2ADM	92
783	TRAINING - PLANT & EQUIP	2ADM	93
789	TRAINING - VEHICLE SERV	2ADM	93
784	TRAINING - CUST SERVICES	2ADM	94
785	TRAINING - CONTROLLER	2ADM	95
786	TRAINING - HUMAN RESOUR	2ADM	96
787	TRAINING - MKT & COMMUN	2ADM	97
788	TRAINING-ADMINISTRATION	2ADM	98
777	INCOMING LTRS TO ROUTE/BOX	2ADM	Special Operations
778	INCOMING FLATS TO ROUTE/BOX	2ADM	Special Operations
888	FLOWED AS FINALIZED	2ADM	Special Operations
988	LOANED AS OFFICER-IN-CHARGE	2ADM	Special Operations
989	LOANED TO HEADQUARTERS	2ADM	Special Operations
990	LOANED AS SUPERVISOR	2ADM	Special Operations
991	LOANED AS CLERK	2ADM	Special Operations
992	LOANED AS MAIL HANDLER	2ADM	Special Operations
993	LOANED AS CARRIER	2ADM	Special Operations
994	LOANED AS SPECIAL DLVRY MSSGR	2ADM	Special Operations
995	LOANED AS VMF MECHANIC	2ADM	Special Operations
996	LOANED AS MAINT BLDG SERVICES	2ADM	Special Operations
997	LOANED AS RURAL CARRIER	2ADM	Special Operations
998	TIME & ATTENDANCE CORRECTION	2ADM	Special Operations
905		2ADM	
906		2ADM	
551	INQUIRY AND CLAIMS	2Adm inq	75
552	INQUIRY AND CLAIMS	2Adm inq	75
920	MGR, ENGRG TECH UNIT	2Adm_out	1
922	MGR, IN-PLANT SUPPORT	2Adm_out	1
924	MGR, ADDRESS INFO SYSTEM	2Adm_out	1
342	QWL COOR-SUPERVISORY EMP	2Adm_out	10
698	SUPV, AUTOMATION-MP	2Adm_out	10
699	SUPV, MECHANIZATION-MP	2Adm_out	10
700	SUPV, MANUAL-MP	2Adm_out	10
701	SUPV, OTHER DIRECT-MP	2Adm_out	10
702	SUPV, INDIRECT-MP	2Adm_out	10
770	SUPV, RBCS SYSTEMS ADMIN	2Adm_out	10
927	MANAGER, DISTRIBUTION OPERATION	2Adm_out	10
928	SUPERVISOR, DISTRIBUTION OPERATI	2Adm_out	10
932	SUPV, INTERNATIONAL	2Adm_out	10
705	SUPV - DELIVERY SERVICES	2Adm_out	20
707	SUPV - ROUTE EXAMINATION	2Adm_out	20

MODS Operations Assigned to Administrative Cost Pools

MODS Oper	Description	Cost Pool	LDC
708	SUPV - OTHER DELV/CUST	2Adm_out	20
354	STANDBY - DELIVERY SRVS	2Adm_out	21
613	STEWARDS - CARRIERS	2Adm_out	21
622	TRAVEL WITHIN HRS-DS	2Adm_out	21
632	MEETING TIME - DS	2Adm_out	21
714	VIM ROUTE - OFFICE	2Adm_out	21
716	2-TRIP BUSINESS - OFFICE	2Adm_out	21
718	1-TRIP BUSINESS - OFFICE	2Adm_out	21
720	RESIDENTIAL FOOT-OFFICE	2Adm_out	21
722	RESIDENTIAL MOTOR-OFFICE	2Adm_out	21
724	2TRIP MIXED FOOT-OFFICE	2Adm_out	21
726	2TRIP MIXED MOTOR-OFFICE	2Adm_out	21
728	1TRIP MIXED FOOT-OFFICE	2Adm_out	21
730	1TRIP MIXED MOTOR-OFFICE	2Adm_out	21
713	VIM ROUTE - STREET	2Adm_out	22
715	2-TRIP BUSINESS - STREET	2Adm_out	22
717	1-TRIP BUSINESS - STREET	2Adm_out	22
719	RESIDENTIAL FOOT-STREET	2Adm_out	22
721	RESIDENTIAL MOTOR-STREET	2Adm_out	22
723	2TRIP MIXED FOOT-STREET	2Adm_out	22
725	2TRIP MIXED MOTOR-STREET	2Adm_out	22
727	1TRIP MIXED FOOT-STREET	2Adm_out	22
729	1TRIP MIXED MOTOR-STREET	2Adm_out	22
733	PARCEL-POST-STREET	2Adm_out	23
734	PARCEL-POST-OFFICE	2Adm_out	23
735	RELAY-STREET	2Adm_out	23
736	RELAY-OFFICE	2Adm_out	23
737	COMBINATION-STREET	2Adm_out	23
738	COMBINATION-OFFICE	2Adm_out	23
739	CARRIER DRIVERS - STREET	2Adm_out	23
740	CARRIER DRIVERS - OFFICE	2Adm_out	23
614	STEWARDS - SD MESS	2Adm_out	24
744	SPECIAL DELIVERY MSNGR	2Adm_out	24
757	CITY EMP ON RURAL ROUTES	2Adm_out	25
743	CARRIER CUSTOMER SUPPORT	2Adm_out	26
731	COLLECTION STREET	2Adm_out	27
732	COLLECTIONS OFFICE	2Adm_out	27
768	CITY CARRIER - TERT DIST	2Adm_out	28
709	ROUTERS	2Adm_out	29
710	ROUTERS	2Adm_out	29
711	ROUTERS	2Adm_out	29
758	MANAGER FLEET OPERATIONS	2Adm_out	30
759	SUPVR FLEET OPERATIONS	2Adm_out	30
760	SUPV - VEHICLE MAINT	2Adm_out	30
676	ADMIN & CLER MAINT SUPPT	2Adm_out	35
933	MGR, MAINT ENGINEER/OPER	2Adm_out	35
951	SUPV-OPER EQUIP MAINT	2Adm_out	35

MODS Operations Assigned to Administrative Cost Pools

MODS Oper	Description	Cost Pool	LDC
952	SUPV-MAINT. OPERATIONS SUPPORT	2Adm_out	35
953	MANAGER, FIELD MAINTENANCE OPER	2Adm_out	35
706	SUPERVISORS - CUST SERV	2Adm_out	40
929	MGR, CUSTOMER SERVICES OPERATI	2Adm_out	40
599	MANAGER, FINANCE	2Adm_out	50
635	MEETING TIME-FINANCE-SUPV	2Adm_out	50
703	SUPV - FINANCE	2Adm_out	50
923	STATISTICAL PROGRAMS COORDINAT	2Adm_out	50
936	MGR ACCOUNTING SERVICES	2Adm_out	50
937	GEN SUP PSDS OPERATIONS	2Adm_out	50
641	MEETING TIME HR-SUPV	2Adm_out	60
601	MANAGER, CUSTOMER SERVICES SUP	2Adm_out	70
655	SUPRV, BUSINESS MAIL ENTRY	2Adm_out	70
946	MGR, POSTAL BUSINESS CENTERS	2Adm_out	70
948	MGR, COMMERCIAL ACCOUNTS	2Adm_out	70
949	MGR, CONSUMER AFFAIRS & CLAIMS	2Adm_out	70
950	MGR, MAILING REQUIREMNTS	2Adm_out	70
671	POSTMASTER/INSTALL HEAD	2Adm_out	80
455	REGIONAL PROJECTS	2Adm_out	88
456	REGIONAL PROJECTS	2Adm_out	88
457	REGIONAL PROJECTS	2Adm_out	88
458	REGIONAL PROJECTS	2Adm_out	88
459	REGIONAL PROJECTS	2Adm_out	88
460	REGIONAL PROJECTS	2Adm_out	88
461	REGIONAL PROJECTS	2Adm_out	88
462	REGIONAL PROJECTS	2Adm_out	88
471	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
472	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
473	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
474	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
475	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
476	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
477	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
478	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
479	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
480	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
481	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
482	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
483	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
484	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
485	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
486	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
487	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
488	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
489	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
490	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
491	HEADQUARTERS PROJECTS - SUP	2Adm_out	88

MODS Operations Assigned to Administrative Cost Pools

MODS Oper	Description	Cost Pool	LDC
492	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
493	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
494	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
495	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
496	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
497	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
498	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
499	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
500	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
501	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
502	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
503	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
504	HEADQUARTERS PROJECTS - SUP	2Adm_out	88
944		2Adm_out	
954		2Adm_out	
955		2Adm_out	

1 CHAIRMAN GLEIMAN: Anyone else?

2 [No response.]

3 CHAIRMAN GLEIMAN: Nine participants requested
4 oral examination of witness Degen -- ADVO, the Alliance of
5 Non-Profit Mailers, the Direct Marketing Association --
6 excuse me. I'm sorry.

7 MR. BERGMAN: Excuse me, Chairman Gleiman. There
8 is one additional designation of written cross examination
9 we'd like to put into the record.

10 CHAIRMAN GLEIMAN: All right. If you could please
11 approach the witness and show the witness the additional
12 materials.

13 MR. BERGMAN: Michael Bergman representing the
14 Direct Marketing Association.

15 Mr. Degen, I'm handing you --

16 CHAIRMAN GLEIMAN: You're going to have to speak
17 up a little bit.

18 MR. BERGMAN: I'm sorry.

19 Mr. Degen, I'm handing you what's been marked as
20 your response to DMA/USPS-T-12-12, which was filed on
21 October 15, 1997, and I would like to ask whether this would
22 be -- whether this was prepared under your supervision or
23 prepared by you.

24 THE WITNESS: Yes.

25 MR. BERGMAN: If you were going to respond to that

1 interrogatory response today, would your answers be the
2 same?

3 THE WITNESS: Yes, they would.

4 MR. BERGMAN: Okay.

5 Chairman Gleiman, I'm handing two copies of -- of
6 Mr. Degen's response to ^{DMA}~~DMS~~/USPS-T-12-12 to the court
7 reporter and ask to move that into evidence as written cross
8 examination designation.

9 CHAIRMAN GLEIMAN: I'll direct that it be -- that
10 the additional designated written cross examination be
11 accepted into evidence and transcribed into the record at
12 this point.

13 [Additional Designation of Written
14 Cross-Examination of Carl G. Degen
15 was received into evidence and
16 transcribed into the record.]

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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 INTERROGATORY OF
THE DIRECT MARKETING ASSOCIATION, INC.
(DMA/USPS-T12-12)

The United States Postal Service hereby provides the response of witness Degen to the following interrogatory of the Direct Marketing Association, Inc.: DMA/USPS-T12-12, filed on October 1, 1997.

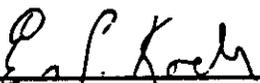
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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October 15, 1997

**Response of United States Postal Service Witness Degen
to Interrogatories of the Direct Marketing Association, Inc.**

DMA/USPS-T12-12. Please refer to your response to MPA/USPS-T12-8e and LR-H-277, spreadsheet mpa8e.xls, where you show the distribution of costs for "migrated" IOCS tallies. Please provide the distribution to subclass of the costs for these tallies if they had remained in the window service and administrative/support cost components (C/S 3.2 and 3.3). Please provide this information in an electronic spreadsheet format.

DMA/USPS-T12-12 Response.

The exercise most closely corresponding to that performed in response to MPA/USPS-T12-8e for the given scenario is to determine the change in the output of program ADMWIN that results from adding the "migrated" tallies to the MODS administrative/window service tally set. The cost pool weighting factors (see LR-H-146, p. IV-2) were also modified to reflect the IOCS costs and estimated cost pool costs associated with the migrated tallies. The results of this exercise will be filed in LR-H-296 as spreadsheet DMA-12.xls. Procedures for the distribution to subclass of costs associated with activity codes that are not redistributed within program ADMWIN are described in LR-H-1, section 3.3.4.

1 CHAIRMAN GLEIMAN: Anybody else?

2 MR. KOETTING: Mr. Chairman, if I could just get a
3 clarification. As we said in our notice of the 14th, we
4 --we did hope at this point to enter 146 and 185 -- library
5 references H-146 and 185 -- into the record.

6 Was our earlier -- did our earlier discussion
7 indicate that that wouldn't be appropriate at this time or
8 that, merely, if we did that, the parties would have the
9 opportunity to cross examine later? Because we're prepared
10 to do that at this point.

11 CHAIRMAN GLEIMAN: Well, let -- let's add them at
12 this point.

13 MR. KOETTING: Thank you.

14 CHAIRMAN GLEIMAN: I was asked about the two
15 library references, and my response was that -- let's put
16 them in the record at this point, recognizing that there are
17 outstanding and continuing objections and concerns.

18 BY MR. KOETTING:

19 Q Mr. Degen, I'm handing you copies of library
20 reference H-146 and library reference H-185. Are you
21 familiar with these documents?

22 A Yes, I am.

23 Q Were they prepared by you or under your
24 supervision?

25 A Yes, they were.

1 Q Are you prepared to sponsor them as your testimony
2 in this proceeding?

3 A Yes, I am.

4 MR. KOETTING: Mr. Chairman, subject to the
5 conditions discussed earlier, the Postal Service would move
6 that these library references be accepted into evidence,
7 U.S. Postal Service Library Reference H-185, First-Class
8 Mail Characteristics Study, and Library Reference H-146 on
9 MODS-Based Costing.

10 CHAIRMAN GLEIMAN: If you'd provide copies to the
11 court reporter, I'll direct that --

12 Are there any objections? I know that there are
13 some. We'll reserve everybody's rights.

14 I'll direct that the two library references in
15 question be accepted into evidence. As is our practice,
16 they will not be transcribed into the record.

17 [Library References H-146 and H-185
18 were marked for identification and
19 received into evidence.]

20 CHAIRMAN GLEIMAN: Anybody else?

21 [No response.]

22 CHAIRMAN GLEIMAN: That brings us to oral cross
23 examination.

24 As I started to say a moment ago, nine
25 participants requested oral cross examination of the witness

1 -- ADVO, the Alliance of Non-Profit Mailers, the Direct
2 Marketing Association, Dow-Jones & Company, the National
3 Federation of Non-Profits, the National Newspaper
4 Association, the Office of the Consumer Advocate, the Parcel
5 Shippers Association, and the United Parcel Service, and I
6 note that it's my understanding that Magazine Publishers,
7 McGraw-Hill, and Time-Warner reserve their right for
8 follow-up cross examination.

9 Is there anyone that I missed who wants to cross
10 examine this witness?

11 [No response.]

12 CHAIRMAN GLEIMAN: There doesn't appear to be. If
13 that is the case, Mr. McLaughlin?

14 CROSS EXAMINATION

15 BY MR. McLAUGHLIN:

16 Q Mr. Degen, I'm Tom McLaughlin, representing ADVO,
17 Inc., and I have just some brief questions concerning your
18 responses to ADVO interrogatory five and six.

19 Last week, we had sent some cross examination
20 exhibits to your counsel that were identified as ADVO XE-1
21 and ADVO XE-2. Did you receive those --

22 A Yes, I did.

23 Q -- documents?

24 MR. McLAUGHLIN: Mr. Chairman, at this time, I
25 will hand out copies of these two cross examination

1 exhibits. And I would ask that -- well, let me identify
2 those as we get to the cross examination they relate to.

3 BY MR. McLAUGHLIN:

4 Q First, referring you to your response to ADVO
5 interrogatory five, this was one where had prepared a table
6 for you to complete, and the table had been omitted in your
7 response, but if you look at ADVO Cross Examination Exhibit
8 1, the table that we had shown was the table marked Degen
9 Table 5, New Method. Is that correct?

10 A Yes.

11 Q And your response to interrogatory five said that
12 -- said that the data for the old method could be calculated
13 from your response to ADVO interrogatory four?

14 A That's correct.

15 Q And the -- in the cross examination exhibit, that
16 is the data under the column marked "Old Method." Is that
17 correct?

18 A Yes. It's the first column of numbers.

19 Q Okay. So that this table, then, subject to any
20 revisions that have been made to your testimony since then,
21 would have been responsive to the original ADVO
22 interrogatory number five. Is that correct?

23 A Yes.

24 Q Now, I understand that you have made some changes
25 dated October 17th to the Table 5, New Method, numbers. Is

1 that correct?

2 A That's correct.

3 Q I'll go through a couple of those in a moment, but
4 is it fair to say that the changes you made do not have any
5 real appreciable major change in the percentage change
6 figures shown in the final column of ADVO XE-1?

7 A Yes.

8 Q For example, under first-class letters, the
9 changes that you have in your recent errata would change the
10 percentage from minus-19.6 to minus-19.7 percent. Is that
11 correct?

12 A That's correct.

13 Q And likewise, for first-class as a whole, the
14 number would actually be unchanged at minus-19.1 percent.

15 A That's also correct.

16 Q And for second-class, total second-class, instead
17 of minus-2 percent, it would be minus-1.8 percent?

18 A Yes.

19 Q For total third-class, instead of minus-9.3
20 percent, it's minus-9.1 percent.

21 A That's correct.

22 Q And likewise, looking at ADVO XE-1, total
23 fourth-class, instead of minus-15.7 percent, it's minus-14
24 percent.

25 A That's correct.

1 Q Okay.

2 Now, I'd like to refer you to your response to
3 ADVO T-12-6.

4 MR. McLAUGHLIN: And this is another one, Mr.
5 Chairman, where the response did not include a table that's
6 referenced in the question. That table is included in the
7 designated materials that will appear in the record.

8 BY MR. McLAUGHLIN:

9 Q But you confirmed our table, subject to some
10 qualifications that perhaps it wasn't the best comparison.
11 Is that correct?

12 A That's correct.

13 Q And the comparison you suggest is a comparison of
14 total cost segment three costs in the old method versus the
15 new method. Is that -- base year versus fiscal year. Is
16 that correct?

17 A Yes, that's correct.

18 Q And if you look at ADVO XE-2, which I have handed
19 out to you, does this reflect a -- a comparison of fiscal
20 year '96 versus base year '96 cost segment three total
21 costs?

22 A Yes, it does.

23 Q And so, this would be the comparison that you
24 would say would be more appropriate.

25 A Yes.

1 MR. McLAUGHLIN: Mr. Chairman, I would ask that
2 both of these cross examination exhibits be identified as
3 ADVO XE-1 and ADVO XE-2, and since the witness has vouched
4 for them, I would ask that they be received into evidence.

5 CHAIRMAN GLEIMAN: Is there any objection?

6 MR. KOETTING: I certainly have no objection. I
7 think it might be clearer if we do note at this point that,
8 in ADVO XE-1, the second column of numbers, which is the
9 column labeled "Degen Table 5, New Method," that those
10 numbers were included in the revision, as Mr. McLaughlin
11 discussed. The changes aren't necessarily material, but to
12 reflect the current -- to match with the testimony, you'd
13 need to substitute the -- the revised numbers from Table 5
14 into that column.

15 MR. McLAUGHLIN: That's correct. If you wanted to
16 have the absolutely precise numbers, you would use the
17 errata.

18 CHAIRMAN GLEIMAN: ADVO XE-4 and ADVO XE-2 will be
19 received into evidence.

20 MR. McLAUGHLIN: That completes my
21 cross-examination.

22 CHAIRMAN GLEIMAN: And transcribed into the
23 record. I'm sorry.

24 [Cross-Examintaion Exhibit Nos.
25 ADVO-XE-1 and ADVO-XE-2 were

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received into evidence and
transcribed into the record.]

**FY96 Distributed Mail Processing Costs by Subclass
After Distribution of "Mixed Mail" and "Other" Costs**

	ADVO/USPS- T12-4 <u>Old Method</u>	Degen Table 5 <u>New Method</u>	<u>Change</u>	<u>% Change</u>
FIRST CLASS				
Letters	5,792,212	4,655,673	(1,136,539)	-19.6%
Private mailing cards	186,946	133,288	(53,658)	-28.7%
Postal cards	3,733	3,062	(671)	-18.0%
Presort letters	1,250,959	1,063,505	(187,454)	-15.0%
Presort cards	48,270	35,765	(12,505)	-25.9%
TOTAL FIRST	7,282,120	5,891,293	(1,390,827)	-19.1%
Priority	454,660	477,893	23,233	5.1%
Express	70,625	84,370	13,745	19.5%
Mailgrams	125	75	(50)	-40.0%
SECOND CLASS				
Within County	16,547	15,161	(1,386)	-8.4%
Regular	466,694	461,201	(5,493)	-1.2%
Nonprofit	85,800	80,618	(5,182)	-6.0%
Classroom	4,765	5,632	867	18.2%
TOTAL SECOND	573,806	562,612	(11,194)	-2.0%
THIRD CLASS				
Single Piece	96,195	78,184	(18,011)	-18.7%
Carrier Route	269,270	265,772	(3,498)	-1.3%
Non-CR	1,709,177	1,540,108	(169,069)	-9.9%
BRR	1,978,447	1,805,880	(172,567)	-8.7%
NP Carrier Route	29,063	28,895	(168)	-0.6%
NP Non-CR	410,728	366,726	(44,002)	-10.7%
NP	439,791	395,621	(44,170)	-10.0%
TOTAL THIRD	2,514,433	2,279,685	(234,748)	-9.3%
4TH CLASS				
Parcels	176,466	156,650	(19,816)	-11.2%
BPM	85,865	73,210	(12,655)	-14.7%
Special	88,610	67,076	(21,534)	-24.3%
Library	20,254	16,065	(4,189)	-20.7%
TOTAL FOURTH	371,195	313,001	(58,194)	-15.7%
USPS	105,359	77,044	(28,315)	-26.9%
Free for Blind	11,478	10,022	(1,456)	-12.7%
International	267,904	206,773	(61,131)	-22.8%
Special Services	218,664	139,761	(78,903)	-36.1%
TOTAL	11,870,369	10,042,529	(1,827,840)	-15.4%

Cost Segment 3 – Total Clerk/Mailhandler

	<u>Fiscal Year 96</u>	<u>BaseYear 96</u>	<u>Change</u>	<u>% Change</u>
FIRST CLASS				
Letters	7,057,955	5,566,303	(1,491,652)	-21.1%
Presort letters	1,442,451	1,194,689	(247,762)	-17.2%
Cards	250,793	183,379	(67,414)	-26.9%
Presort cards	56,273	41,349	(14,924)	-26.5%
TOTAL FIRST	8,807,472	6,985,720	(1,821,752)	-20.7%
Priority	554,312	540,853	(13,459)	-2.4%
Express	192,690	112,436	(80,254)	-41.6%
Mailgrams	141	88	(53)	-37.6%
SECOND CLASS				
Within County	19,880	17,388	(2,492)	-12.5%
Regular	521,980	496,960	(25,020)	-4.8%
Nonprofit	97,465	88,934	(8,531)	-8.8%
Classroom	5,347	6,005	658	12.3%
TOTAL SECOND	644,672	609,287	(35,385)	-5.5%
THIRD CLASS				
Single Piece	101,342	82,069	(19,273)	-19.0%
Carrier Route	335,647	305,921	(29,726)	-8.9%
Non-CR	1,821,325	1,605,824	(215,501)	-11.8%
BRR	2,156,972	1,911,745	(245,227)	-11.4%
NP Carrier Route	34,724	32,442	(2,282)	-6.6%
NP Non-CR	442,580	385,597	(56,983)	-12.9%
NP	477,304	418,039	(59,265)	-12.4%
TOTAL THIRD	2,735,618	2,411,853	(323,765)	-11.8%
4TH CLASS				
Parcels	192,577	168,661	(23,916)	-12.4%
BPM	90,143	76,322	(13,821)	-15.3%
Special	95,741	72,257	(23,484)	-24.5%
Library	20,760	16,453	(4,307)	-20.7%
TOTAL FOURTH	399,221	333,693	(65,528)	-16.4%
USPS				
Free	147,928	112,772	(35,156)	-23.8%
International	13,032	11,042	(1,990)	-15.3%
Special Services	326,727	252,743	(73,984)	-22.6%
	485,846	353,220	(132,626)	-27.3%
TOTAL ATTRIB.	14,307,659	11,723,707	(2,583,952)	-18.1%
INSTITUTIONAL	2,148,432	4,732,392	2,583,960	120.3%
ACCRUED	16,456,091	16,456,099	8	0.0%
% ATTRIB.	86.9%	71.2%		

1 CHAIRMAN GLEIMAN: Alliance of Nonprofit Mailers.

2 MR. LEVY: Thank you, Mr. Chairman.

3 Is my mike on?

4 CHAIRMAN GLEIMAN: Either that or your voice is
5 carrying well today.

6 MR. LEVY: That's unusual.

7 CROSS EXAMINATION

8 BY MR. LEVY:

9 Q Good morning, Mr. Degen, I'm David Levy, for the
10 Alliance of Nonprofit Mailers.

11 A Good morning.

12 Q You know, your testimony discusses the IOCS
13 methodology; is that correct?

14 A Yes, it does.

15 Q And you've testified about the IOCS in previous
16 dockets, haven't you?

17 A With respect to certain aspects of IOCS, yes, I
18 have.

19 Q Well, for example, in Docket R94-1, you sponsored
20 a supplemental testimony that reclassified IOCS tallies for
21 Second Class in-county mail?

22 A That's correct.

23 Q And those tallies had originally been
24 misclassified?

25 A That's correct.

1 Q Now in preparing for the present case, about how
2 many hours have you personally spent working with the IOCS?
3 I don't need a precise number, just an order of magnitude.

4 A Several thousand.

5 Q And other professionals at Christensen Associates
6 have also spent time working with the IOCS in preparation
7 for this case?

8 A Yes, they have.

9 Q And order of magnitude about how many hours did
10 they spend?

11 A Many thousands.

12 Q So if I want to ask about how the IOCS tallies are
13 taken, you're the best witness the Postal Service has in
14 this case?

15 A I'm not really familiar with the other witnesses,
16 but I think I can help.

17 Q All right. Now after IOCS tallies are taken,
18 they're supposed to be checked for errors and anomalies,
19 that sort of thing?

20 A Yes.

21 Q And those checks are called edit checks?

22 A Yes.

23 Q And they are supposed to be performed before the
24 IOCS tallies are used to distribute costs?

25 A Yes.

1 Q Now what does the Postal Service or Christensen
2 Associates in this case do with a tally if it's discovered
3 that the tally is anomalous?

4 A It depends on the nature of the anomaly.

5 Q Are there circumstances when the tally is simply
6 discarded?

7 A Yes.

8 Q Are there circumstances in which an assumption is
9 made that the tally should be reassigned to a different
10 class or subclass of mail?

11 A Those are generally in the nature of -- if there
12 are ambiguities in the mail class assignment, recoding the
13 tally to a corresponding mixed mail tally that would be at a
14 level of aggregation above the ambiguity.

15 Q And then the mixed mail -- the costs associated
16 with the mixed mail tallies would then be attributed to
17 individual subclasses in proportion to the tallies that are
18 deemed to be valid?

19 A Depending on the nature of the tally and whether
20 the tally-taker observed the person handling containers or
21 items the mixed methodology -- or the mixed mail
22 distribution would be essentially in proportion to either
23 direct tallies or the counted item contents.

24 Q Approximately how many worker hours did the Postal
25 Service spend in this case in edit checks and related work

1 A I believe that's true. So it would be an anomaly.

2 Q And what are the IOCS guides or instructions say
3 about disposing of such a tally?

4 A I'm not sure. I'd have to look that up.

5 Q Where would you look it up?

6 A I believe the codes instructions, which are the
7 instructions for recording information into the automated
8 data collection system, are in Manual F-45, and that would
9 tell the data collector how to enter the data.

10 Q And that's been marked as a library reference,
11 hasn't it?

12 A Yes, I believe it has.

13 Q Okay. Let me ask you about a different kind of
14 hypothetical. Suppose that this tally involves nonprofit
15 Standard A mail. In this case it's a single piece of
16 flat-shaped mail, and the piece is recorded as weighing six
17 pounds and six ounces. Again, you would agree this would be
18 an anomalous tally, because the recorded weight is more than
19 16 ounces?

20 A Yes.

21 Q Do you have any idea of how the F-45 handbook
22 would call for the disposition of such a tally?

23 A No, not at this time.

24 Q Let me ask you a different question.

25 A I'd be happy to get back to you on those

1 questions. I mean, that's something I could verify and give
2 you a response on.

3 MR. LEVY: Thank you. I'd appreciate that. And
4 if the Postal Service doesn't object, I would make that a
5 request.

6 MR. KOETTING: We'll mark it down and get back to
7 you.

8 BY MR. LEVY:

9 Q Now some tally errors are not obvious on their
10 face. For example, if a piece of Standard A commercial mail
11 were inadvertently recorded as Standard A nonprofit mail,
12 there's no way you could tell from looking at the tally that
13 the piece was misrecorded. Isn't that right?

14 A Well, I'm not aware of any way you could tell that
15 it was commercial mail to begin with.

16 Q Exactly. Does the Postal Service have any
17 additional safeguards to try to catch those kinds of
18 nonobvious errors?

19 A There are substantial efforts made to avoid those
20 kinds of errors in the form of training of data collection
21 technicians and supervision by the statistical program
22 coordinators. I'm not aware of any way you could identify
23 an error like that after the fact, so the efforts to prevent
24 them are before the fact.

25 Q How many data collection technicians were involved

1 in the IOCS work for this case? Order of magnitude.

2 A Several hundred.

3 Q And how many statistical programs coordinators or
4 SPCs were involved in the same task?

5 Let me restate that. Were involved in preparation
6 of IOCS tallies in this case.

7 A Actually let me revise my earlier answer. There
8 were probably several hundred statistical program
9 coordinators and several thousand data collection
10 technicians.

11 Q How many hours did the average SPC spend educating
12 the data collection technicians before the fact?

13 A That would be very difficult to answer, because it
14 would involve the average tenure of an SPC and how much
15 training they've received over the years.

16 Q I'm sorry --

17 A Sorry, of the data collection technicians, you
18 know, depending on how long they've worked for the Postal
19 Service, the amount of training would vary.

20 Q For how many rate cases has the -- for how many
21 years have the current IOCS instructions been in effect?

22 A Exactly as they stand today?

23 Q Well, let's start with that.

24 A I believe there are some minor revisions to the
25 instructions almost every year.

1 Q Okay. For how long have the instructions been
2 approximately the same as they are today?

3 A I think they'd be substantially the same since its
4 inception, and I'm not sure when that was.

5 Q Well, let me ask you this. For how many hours a
6 year does an average SPC spend educating data collection
7 technicians?

8 A My understanding is that the primary function of
9 the SPC is to manage, train, and review the work of the data
10 collection technician, so the exact separation of the work
11 year among the management, the training, and the supervision
12 I'm not certain of.

13 Q Well, in this case or in preparation for this case
14 how many hours did the average SPC spend monitoring data
15 collection technicians recording IOCS tallies?

16 A I can't answer that.

17 Q Any order of magnitude?

18 A Some fraction of a full work year. I mean, as I
19 indicated, their job is to manage, train, and supervise, and
20 that's what they do with all of their time. The division
21 among those tasks I'm not sure of.

22 Q Has the Postal Service sponsored any tests to
23 verify whether the before the fact education of data
24 collection technicians is effective in avoiding errors?

25 A My understand is that the policy is that

1 supervisors -- or statistical program coordinators, and also
2 training teams from higher level units within the Postal
3 Service, do conduct reviews of people's work. They watch
4 them take audits, and in that sense identify the kind of
5 errors you're talking about. As I've indicated, I'm not
6 aware of any way to do it after the fact.

7 Q Well, what kind of error rates are identified?

8 A I don't believe the purpose is to identify an
9 error rate. I believe the purpose is to identify
10 misunderstandings on the part of data collection technicians
11 and correct them.

12 Q Well, does the review provide data which indicate
13 any -- from which data rates -- do the reviews of the data
14 collection techniques -- technicians generate any data from
15 which error rates can be inferred?

16 A Not that I'm aware of.

17 Q If such data existed, is it likely that you would
18 be aware of them?

19 A I believe so.

20 Q Thank you.

21 Now, let me go to a slightly different topic,
22 again a hypothetical. Well, the first question is not a
23 hypothetical. Under the proposed rate classification, a
24 piece of Standard A mail that weighs more than the break
25 point of 3.3 ounces is, by definition, a non-letter. Isn't

1 that right?

2 A I'm not sure.

3 Q Okay.

4 Would you accept, subject to check, that the rate
5 schedule for Standard A letters doesn't go beyond 3.3
6 ounces?

7 A Yes.

8 Q Now, when IOCS clerks distinguish between letters
9 and non-letters, do they consider only the outside
10 dimensions of the piece, or do they also consider the weight
11 of the piece?

12 A I'm not certain. I'd have to check that.

13 Q And where you would check would be the F-45
14 handbook?

15 A That's correct.

16 Q Suppose that, in looking at non-profit Standard A
17 tallies, you found a single-piece letter -- you found a
18 tally of a single-piece letter that weighed between 15 and
19 16 ounces. Do you understand that hypothetical assumption?

20 A Yes, I do.

21 Q Now, if -- if -- if it is, in fact, correct that a
22 piece weighing more than 3.3 ounces is, by definition, a
23 non-letter, then that tally would be anomalous, wouldn't it?

24 A Yes, it would.

25 Q Now, in your testimony in supporting library

1 references, you note that tallies can be taken of things
2 that consist of more than one piece of mail. Isn't that
3 correct?

4 A Yes, it is.

5 Q Some of those are containers, correct?

6 A Yes.

7 Q A container is something on wheels?

8 A Basically, yes.

9 Q And other things that can have more than one piece
10 are called items?

11 A That's correct.

12 Q And items consist of, for example, bundles and
13 trays and sacks?

14 A Yes, those would all be included as items.

15 Q Now, when the IOCS data collector catches a postal
16 employee working on a container or an item, is the data
17 collector supposed to record the weight of the entire
18 container or item, or is the data collector supposed to
19 record the weight of a representative piece?

20 A I'm not sure.

21 Q Well, let me ask you a narrower question. Suppose
22 at the point of data -- moment of data collection the Postal
23 Service employee is holding a bundle -- a bundle of mail.
24 Is the -- is the tally supposed to reflect the weight of the
25 entire bundle or the weight of a single piece in the bundle?

1 A I'd have to check that.

2 Q Again, would you check in F-45?

3 A Yes.

4 Q Suppose that the -- at the point of data
5 collection the employee is working on a container that
6 itself -- that, in turn, contains a number of items. Do you
7 follow my question?

8 A Yes, I do.

9 Q What would the tally-taker record, the weight of
10 the container, the weight of an individual item, or the
11 weight of a representative piece?

12 A I would have to check that.

13 Q Do you know how a data collector is supposed to
14 verify whether a container of mail has mail in only one
15 subclass versus mixed mail?

16 A They're supposed to look at the contents. If, for
17 instance, the contents are all sacks with identical labels
18 and they open -- they open some of the sacks, they can use
19 their judgement to determine whether or not it's an
20 identical mailing. Depending on the time available to
21 review it, they -- they have to do the best they can.

22 Q Suppose time is not a constraint -- that is, that
23 there is not a critical dispatch coming up soon --

24 A Uh-huh.

25 Q -- so that they have the leisure of looking at

1 everything in the container or item.

2 A Yes.

3 Q How many pieces are they supposed to look at
4 before they decide that it -- the contents are mixed versus
5 not mixed?

6 A Enough to convince themselves that it's mixed or
7 not mixed.

8 Q Is there an objective standard for when the number
9 of pieces looked at is sufficient to be convincing?

10 A Not that I'm aware of. A lot has to do with --
11 with the kind of mail that ends up being in the -- in the
12 container.

13 Q Are there multiple standards prescribed by the
14 Postal Service for when looking -- when enough pieces should
15 be looked at to be convincing depending on the kind of mail?

16 A I think it's very difficult to set an objective
17 standard, because the range of things that they might
18 encounter is so great.

19 Q And there is no objective standard promulgated by
20 the Postal Service.

21 A I mean, in the extreme, you would -- you might
22 have to look at everything, but under -- under certain
23 circumstances, you could -- you could infer from the
24 similarity of the packaging and the appearance of it being
25 an identical mailer or at least a -- a mailing of a single

1 subclass, you could stop before looking at everything.

2 Q But it's not always obvious from looking at the
3 container or item, is it?

4 A It's not always obvious.

5 Q For example, you could have trays of mail that
6 have both commercial and non-profit Standard A mail letters,
7 as well as first-class letters, if it's --

8 A That's -- that's correct.

9 Q -- deemed to be sufficient? And I'm not sure that
10 I heard an answer. The Postal Service has not published any
11 objective standards for when you've looked at enough pieces
12 to be sure --

13 A I'm not aware of any.

14 MR. LEVY: Thank you.

15 That's all I have, Mr. Chairman.

16 CHAIRMAN GLEIMAN: Direct Marketing Association.

17 MR. BERGMAN: Mr. Chairman, Michael Bergman from
18 Direct Marketing Association. At this time, we will not
19 conduct any cross examination of witness Degen, but we will
20 reserve our right to any followup, if necessary.

21 CHAIRMAN GLEIMAN: Thank you.

22 That brings us to Dow-Jones & Company.

23 MR. McBRIDE: Thank you, Mr. Chairman.

24 CROSS EXAMINATION

25 BY MR. McBRIDE:

1 Q Good morning again, Mr. Degen.

2 A Good morning, Mr. McBride.

3 Q For the record, I am Michael McBride for Dow-Jones
4 & Company. I'm going to have quite a few questions for you.
5 I've tried to put them in the yes-or-no category. If you'd
6 be willing, I'd like you to try to answer them that way. Is
7 that all right with you?

8 A I'll try.

9 Q Great. First, just to set the context, are you
10 aware of the cross examination exhibit that Time-Warner's
11 counsel introduced through witness Bradley yesterday on
12 productivity?

13 A I was here when it was introduced. I have not
14 looked at it.

15 Q Oh, okay.

16 Is it a fact, Mr. Degen, that your firm does
17 productivity studies for the Postal Service?

18 A Yes.

19 Q And is it a fact that your firm has been doing
20 that for a long time?

21 A Yes.

22 Q Now, as a background matter, is it also a fact
23 that your firm created the methodology that was largely the
24 basis for a productivity adjustment to the index that is
25 used to adjust railroad rates?

1 A Yes, it is.

2 Q Do you have in front of you the decision most
3 recently issued by the Surface Transportation Board
4 following that methodology that your firm created, that I
5 provided to your counsel the other day?

6 A Let's be careful that what Christensen Associates
7 did with respect to this is the productivity adjustment --

8 Q Yes.

9 A -- to the RCAF, and this notice is basically --
10 includes things that we did not design.

11 Q That's quite correct. And the RCAF, for the
12 record, is Rail Cost Adjustment Factor?

13 A Yes.

14 Q And the paren "adjusted" after it is the
15 adjustments you're referring to. Is that correct?

16 A Yes.

17 Q And that's the -- the adjustment that your firm is
18 largely responsible for creating.

19 A That's correct.

20 Q Now, sir, if you would, please, turn to the
21 appendix in Table A to that decision, and directing your
22 attention to footnote five.

23 A I see it.

24 Q Just to move this along, does that footnote
25 reflect that the productivity adjustment applicable to the

1 railroad industry for 1991 and '95 was 5 percent per year?

2 A That's correct.

3 Q Now -- and is it a fact that the railroad industry
4 is a service industry and not a manufacturing industry?

5 A That's correct.

6 Q Now, are you also familiar with productivity
7 numbers that Postal Service witness Tayman introduced into
8 this record for the Postal Service?

9 A Familiar may be a little strong.

10 MR. McBRIDE: May I approach the witness, Mr.
11 Chairman?

12 CHAIRMAN GLEIMAN: Certainly.

13 BY MR. McBRIDE:

14 Q Mr. Degen, I have put in front of you what has
15 been introduced into this record at Volume 9, pages 441 to
16 442 through Postal Service Witness Tayman -- do you see the
17 two sheets I have put in front of you, sir?

18 A Yes, I do.

19 Q Do those numbers purport to measure total factor
20 productivity for the Postal Service from 1972 through 1996?

21 A Yes, they do.

22 Q And do you believe that they are correct?

23 A I have no knowledge of that.

24 Q Did your firm prepare those numbers?

25 A I think that would be a good guess, but I am not

1 sure. I did not prepare them.

2 Q Assuming that they were prepared and verified by
3 Witness Tayman -- are you willing to make that assumption or
4 that the numbers could be checked by you?

5 A I am willing to assume that these are the numbers
6 that Witness Tayman put in the record.

7 Q All right, sir. Just if you would, look at the
8 number for 1972. Does that indicate a value of 1.0000?

9 A Yes, that's correct.

10 Q Indicating that that was used as the base year?

11 A It would appear so.

12 Q And what is the number for 1996?

13 A 1.0838.

14 Q All right. Now you are pretty good with numbers,
15 sir, are you not?

16 A I'm okay.

17 Q Would the 24-year period that we have just
18 identified then indicate that the annual productivity growth
19 for the Postal Service would have been considerably less
20 than 1 percent?

21 A Yes, it would.

22 Q All right. Now Mr. Degen, do you recall that in
23 order to achieve the productivity growth that you have
24 testified to for the railroad industry, the railroad
25 industry substantially reduced its workforce in the 1980s?

1 A Among other things.

2 Q Did you also have an opportunity to review some
3 pages from a Staff study by the Postal Rate Commission in
4 1990 of productivity of the Postal Service that I provided
5 to your counsel the other day?

6 A I did look at that, but I don't have a copy right
7 here.

8 MR. McBRIDE: May I approach?

9 CHAIRMAN GLEIMAN: Yes.

10 THE WITNESS: Thank you.

11 BY MR. McBRIDE:

12 Q Mr. Degen, do you recall that the staff study that
13 I have now put in front of you indicated that there were
14 periods of time that significant increases in productivity
15 of the Postal Service occurred when there were hiring
16 freezes?

17 A I have that recollection, but if you will give me
18 a moment I could identify the exact passage -- or would
19 counsel care to direct me to it?

20 Q Start with the first sentence of paragraph 3,
21 which you might read into the record.

22 MR. KOETTING: If counsel cares to read that, he
23 can read that into the record. I don't see why the witness
24 should.

25 CHAIRMAN GLEIMAN: Well, Mr. McBride, why don't

1 you do the reading today?

2 MR. McBRIDE: "We find that virtually all
3 improvement in TFP" -- which parenthetically I'll note is
4 Total Factor Productivity -- "came during periods of hiring
5 freezes in the 1970s."

6 BY MR. McBRIDE:

7 Q Do you see that, sir?

8 A Sir, I do.

9 Q And then do you see in the next two paragraphs
10 references to a further hiring freeze in the 1980s?

11 A Yes, I do.

12 Q And do you see that the report reflects that there
13 was substantial productivity associated with that hiring
14 freeze?

15 A Yes.

16 Q And do you recall that the current Postmaster
17 General tried but failed to eliminate a number of positions
18 a few years ago?

19 A I am not sure what you mean by "eliminate a number
20 of positions."

21 Q Do you recall that he attempted to reduce the
22 number of employees of the Postal Service or at least the
23 positions that they were holding?

24 A I am aware of I believe it was characterized as an
25 "early out" option and I think the year was 1993 in which a

1 large number of employees separated from the Postal Service.

2 Q And do you know whether the number of employees
3 today is larger than it was when the current Postmaster
4 General took over?

5 A My sense is that it is, but I am not positive.

6 MR. KOETTING: Mr. Chairman, at this point I
7 wonder is this in any way related to scope of the testimony
8 offered by Witness Degen in this proceeding?

9 I am starting to wonder where we are going here.

10 MR. McBRIDE: It's all foundation and I just
11 finished the line of it.

12 CHAIRMAN GLEIMAN: Thank you, Mr. Koetting. Thank
13 you, Mr. McBride.

14 Mr. McBride, fire away.

15 MR. McBRIDE: Thank you.

16 BY MR. McBRIDE:

17 Q Now is it a fact, Mr. Degen, that significant
18 amounts of automated sortation equipment for handling flats,
19 among other things, have been acquired by the Postal Service
20 in the last, say, 10 years?

21 A I would be comfortable saying large amounts but I
22 don't know what significance you want to attach to the word
23 "significant" so I don't want to say that.

24 Q Fine, and do you know if the Postal Service
25 eliminated a significant number of the positions of those

1 people or let go the employees were sorting the flats
2 manually that are now typically sorted by automation?

3 A I am not sure about that.

4 Q And do you recall calculating a total factor
5 productivity for the Postal Service in 1994?

6 MR. KOETTING: Once again, how does that relate to
7 this testimony? I thought we were past the foundation part.

8 CHAIRMAN GLEIMAN: Mr. Koetting, you know, I have
9 learned to sit up here and scratch my head in awe of the
10 skill of the members of the Postal Bar as they ask
11 questions, trying to think downstream about what it is that
12 they are really trying to achieve, and frequently I walk
13 away from the hearing room not having the foggiest notion of
14 how they are going to use what they have gotten onto the
15 record, and then lo an behold in comes a direct case of in
16 Intervenor or a brief and it all comes together and I
17 understand where they were going.

18 I think that we ought to let Mr. McBride have
19 whatever rope he feels he needs and continue on here and one
20 of these days downstream both you and I will have a better
21 understanding of what he is all about with this cross
22 examination.

23 If it gets too far afield on a continuing basis,
24 then we'll let you turn your mike on and make an objection
25 and maybe we will rein him in, but for right now, I suspect

1 I won't know where he is going with all this until I see the
2 Dow Jones case.

3 MR. KOETTING: I think that he is required to
4 explain how it relates to the testimony of this witness that
5 he here for cross examination on. He shouldn't be allowed
6 to use this witness to talk about subject matters that may
7 be of interest to Dow Jones's case but have no bearing on
8 this witness's testimony, which is the purpose for which the
9 Postal Service offered this witness.

10 CHAIRMAN GLEIMAN: I am going to assume that this
11 is all going to wrap up, and whether this -- whether he set
12 the footings to the foundation before and now he is pouring
13 the basement floor I don't know, but we are going to
14 continue for awhile, okay?

15 MR. McBRIDE: Thank you, Mr. Chairman.

16 BY MR. McBRIDE:

17 Q Do you recall your 1994 productivity study in
18 general, Mr. Degen?

19 A Could you be more specific?

20 Q It is the document that I provided a copy to your
21 counsel of the other day. I will be happy to provide you
22 another copy.

23 A Could you just read me the title?

24 Q "Performance Analysis of Processing and
25 Distribution Facilities: Sources of TFP Improvement."

1 A Thank you -- and what was the question?

2 Q Do you recall in general your conclusions from
3 that study?

4 A Yes, I do.

5 Q Did you conclude that the Postal Service --

6 A Can I clarify?

7 Q Certainly.

8 A I think earlier you were characterizing that as my
9 TFP study or my productivity study.

10 The productivity model that underlies that is not
11 something that I developed or was even very involved with.

12 That report is really a benchmarking report that
13 looks for sources for productivity improvement, but the
14 actual productivity measure in there is not something that I
15 was very actively involved with.

16 Q But you were one of the authors of this report, is
17 that correct?

18 A That particular report, yes.

19 Q And do you recall that the report concluded that
20 the Postal Service was capable of large amounts of
21 additional productivity in mail processing and distribution
22 costs?

23 A The basic conclusion of the report was that by
24 learning from the best facilities there were some potential
25 for productivity improvement.

1 Q And in fact what you just referred to, to clarify
2 this for the record, was that -- if I understood your
3 study -- what you did is took the top quarter of Postal
4 facilities and compared the bottom three-quarters in terms
5 of productivity to them, is that correct?

6 A I believe we compared the bottom 80 percent to the
7 top 20 percent.

8 Q In any event, what you did was you compared postal
9 facilities to one another and not against some outside or
10 academic standard of productivity, correct?

11 A That's correct.

12 Q And do you recall that you did not attribute the
13 productivity -- excuse me, the additional costs that could
14 be saved to such things as the size of letters or the shape
15 of letters, I should say, size of flats, weight of parcels
16 or other characteristics of the mail, but rather to other
17 factors?

18 A That's correct.

19 Q Are you aware that claims of other Postal
20 witnesses that the productivity of various postal facilities
21 may be different because of different management approaches
22 to such things as the amount of break time for smoking or
23 washing up?

24 A I am not aware of such testimony.

25 Q Do you have any basis for drawing a conclusion as

1 to whether if you were to measure total factor productivity
2 and the cost savings that could be achieved today whether
3 those cost savings would be larger in dollar terms than what
4 was calculated in 1994?

5 A I honestly don't know.

6 Q I am going to ask you now to assume that an
7 employee's work was eliminated when automation equipment was
8 purchased. Further assume that for whatever reason he is
9 still on the Postal Service payroll.

10 Under the MODS payroll system in order to get
11 paid, he must clock in to something, correct?

12 A That is correct?

13 Q Now assume that management instructs him to clock
14 into manual flats processing but they already have enough
15 employees to do that work. Assume further that his labor
16 input lowers productivity for that operation.

17 Could a rational costing system assign his salary
18 and benefits to institutional costs?

19 A That seems to me to be a very hypothetical
20 example, and I am in no way endorsing that it ever occurs,
21 could a rational costing system -- yes.

22 Q Now I would like to shift to the assumptions that
23 went into either the old methodology or the methodology that
24 you are sponsoring here, sir, and I am going to state them
25 and ask you to confirm or deny that those were the

1 underlying assumptions.

2 Is it a fact that the new method distributes mail
3 processing costs using MODS payroll costs, MODS cost pool by
4 cost pool?

5 A Would you say that again?

6 Q Is it a fact that the new methodology distributes
7 mail processing costs using MODS payroll costs, MODS cost
8 pool by cost pool?

9 A That is not completely true.

10 That is true for the MODS office portion of the
11 mail processing costs.

12 Q Okay. Is it a fact that under the old methodology
13 for direct costs, it was assumed that costs were 100 percent
14 volume variable?

15 A Yes.

16 Q Is it a fact that under the new methodology for
17 direct costs, costs are assumed to be variable to the degree
18 estimated by Postal Service Witness Bradley?

19 A That's correct.

20 Q Is it a fact that for mixed mail under the old
21 methodology mail processing costs were distributed to
22 subclasses of mail in proportion to corresponding direct
23 tally costs within basic function and CAG?

24 A That's correct.

25 Q CAG being Cost Ascertainment Group.

1 A Yes.

2 Q Is it a fact that under the new methodology you
3 assumed that loose letters and flats in containers have the
4 same subclass composition as all individually-handled
5 letters and flats at each MODS cost pool?

6 A I don't think that is true, but I would have to
7 check that.

8 Q Could you check that, and by the way, for the next
9 five questions including that one I am stating this as we
10 understand it as a general proposition.

11 I understand there may be some very limited
12 exceptions, so if you need to qualify it, please do so, but
13 I would like you to confirm or deny as a general
14 proposition. Would you do that?

15 A Yes.

16 Q Is it a fact that, under the new methodology for
17 the same three categories, that mail processing costs are
18 distributed through subclasses in proportion to direct items
19 of the same item type and cost pool -- that is, the 16 item
20 types and 50 cost pools?

21 A Yes, that's generally correct.

22 Q Is it a fact that, under the new methodology, you
23 assumed that the items in unidentified/empty containers of a
24 specific container type and cost pool are in the same
25 proportion as items in identical/identical containers of the

1 same type in the same cost pools?

2 A Yes, that's generally true.

3 Q Is it a fact that, under the new method, you
4 assume that identical/identical containers of a specific
5 container type and cost pool are representative of all
6 containers of the same container type and cost pool in terms
7 of the items contained?

8 A Could I have that one again?

9 Q Yes, sir. Is it a fact that, under the new
10 method, you assumed that identical/identical containers of a
11 specific container type and cost pool are representative of
12 all containers of the same container type and cost pool in
13 terms of the items contained?

14 A We're going to need to talk about this one in
15 pieces. The identical/identical?

16 Q Yes. Containers --

17 A Okay.

18 Q -- of a specific container type --

19 A Right.

20 Q -- and cost pool --

21 A Okay.

22 Q -- are representative of all containers of the
23 same container type and cost pool in terms of the items
24 contained?

25 A I don't think that's true.

1 Q Within the same cost pool, is that assumption --
2 was that an assumption you made? Perhaps that would help
3 you in understanding the question.

4 A No, I don't think so. Are you saying that the
5 unidentified containers are distributed in proportion to
6 only the identical containers, or do you mean to say
7 identified where you've said identical?

8 Q Identified.

9 A So, in your identical/identified, it should really
10 be identical/identified?

11 Q Excuse me. That may be correct, yes.

12 A Okay. How about if you put that in and read it
13 again?

14 Q Sure. Is it a fact that, under the new method,
15 you assumed that identical/identified containers of a
16 specific container type and cost pool are representative of
17 all containers of the same container type and cost pool in
18 terms of the items contained?

19 A That's generally true.

20 Q All right. I apologize for the confusion.

21 A No problem.

22 Q Is it a fact that, under the old methodology, it
23 was assumed that direct tallies within a basic function and
24 CAG were representative of mixed tallies within that basic
25 function?

1 A Yes, generally.

2 Q Generally, is it a fact that, under the new
3 methodology, for mixed mail, it is assumed that direct items
4 within an item type and cost pool are representative of
5 uncounted/empty items, identified containers, and
6 unidentified/empty containers of the same item type and cost
7 pool?

8 A You got a little complicated there at the end. I
9 was with you up to counted items being represented of
10 uncounted items, but then you added the container part, and
11 there's some stuff missing there. I -- I can't just agree
12 to that.

13 Q Tell me what assumption you made for mixed mail
14 with respect to those categories. Maybe that's the simple
15 way to do it.

16 A Well, that -- that the counted items are
17 representative of the uncounted items in general and that
18 the counted items -- or that the items in identified
19 containers are representative of the items in the
20 non-identified containers.

21 Q Now for the category of costs denominated, quote,
22 "not handling mail," close quote, Mr. Degen, is it a fact
23 that, under the old methodology, the mail processing costs
24 were attributed to subclasses in proportion to the
25 distribution of all other mail processing costs?

1 A Yes.

2 Q Is it a fact that, under the new methodology, mail
3 processing costs for, quote, "not handling costs," close
4 quote, should be distributed to subclasses in proportion to
5 all other mail processing costs within the cost pool?

6 A There is a distinction among cost pools as to
7 whether the not handling costs are distributed over just the
8 classes of mail versus the special service activity codes,
9 as well, but subject to that qualification, yes.

10 Q Is it a fact that, under the old methodology, it
11 was assumed that overhead costs were equally caused by all
12 direct and mixed costs?

13 A And could you -- could you be specific about what
14 you mean by overhead, including not handling?

15 Q If that allows you to answer the question, make
16 that inclusion.

17 A Yes.

18 Q Is it a fact that, under the new methodology, it
19 is assumed that not handling tally costs for employees
20 within a specific cost pool are caused by the mail sorted
21 within the cost pool in proportion to direct and mixed tally
22 costs by subclass?

23 A Yes, subject to the qualification that sometimes
24 classes of mail include special services and other times
25 not, as you used it there.

1 Q Say that again, please, the "subject to"?

2 A In some cost pools, the overhead costs, if you
3 will, are only distributed to the mail class activity codes,
4 not to the special service activity codes.

5 Q Now, did you perform any studies to test any of
6 the assumptions that you have just described were part of
7 your analysis?

8 A Other than -- than the work itself?

9 Q Right.

10 A No.

11 Q And I take it that you would agree with the
12 general proposition that an analysis is only as good as the
13 assumptions that go into it.

14 A The assumptions that go into an analysis are
15 important.

16 Q And I take it -- if I could direct your attention
17 to the sentence that begins at the bottom of page six and
18 carries over to the top of page seven of your testimony that
19 I'll read --

20 A Okay. Could you wait --

21 Q Sure.

22 A -- till I get that in front of me? Okay.

23 Q "That is, all activities of an employee clocked
24 into a mail process MODS operation are counted as part of
25 that mail processing operation, even if the data collector

1 observed the employee working somewhere else," unquote. Did
2 I read that correctly?

3 A Yes.

4 Q Is that still your testimony?

5 A Yes, it is.

6 Q Did you perform any studies to attempt to
7 determine how the costs your methodology distributes are
8 causally related to the various subclasses of mail?

9 A Well, witness Bradley's work relates the costs to
10 the TPH, but we have not done any further studies at the
11 subclass level.

12 Q And -- and you didn't do that. Is that correct.
13 You did not --

14 A No.

15 Q -- perform such a study. Is that correct?

16 A That's correct.

17 Q Could such a study be done?

18 A If I knew a way to do it, I would proposed it by
19 now.

20 MR. McBRIDE: Well, with that, Mr. Chairman, I
21 appreciate your indulgence, and I have no further questions
22 at this time.

23 CHAIRMAN GLEIMAN: We're going to take a 10-minute
24 break now, come back at 11 o'clock, and at that point, we'll
25 pick up with the National Federation of Non-Profits.

1 [Recess.]

2 CHAIRMAN GLEIMAN: Before we get on with the next
3 party, Mr. McBride informs me that, in his zeal to
4 accommodate Mr. Koetting, he forgot to ask a question or
5 two. So, we're going to let him finish up with his initial
6 round of cross examination.

7 And before you do that, just let me say that, when
8 I talked about all the attorneys who come in here and of
9 whom I wind up in awe as they cross-examine, it wasn't only
10 the intervenor attorneys that I had in mind, it was the
11 Postal Service attorneys, too, who are quite skilled.

12 Mr. McBride.

13 MR. McBRIDE: We'll stipulate that they're fine
14 lawyers, Mr. Chairman.

15 BY MR. McBRIDE:

16 Q Mr. Degen, I wanted to ask you one last question
17 about the 1994 study that we talked about earlier that you
18 were one of the authors of?

19 A Yes.

20 Q Do you recall that your estimate of savings the
21 Postal Service might achieve in mail processing and
22 distribution costs was in the range of \$2.5 billion?

23 A I don't have that in front of me. Could I have a
24 look at that?

25 MR. KOETTING: Mr. Chairman, once again, since

1 --this was supposed to be foundation, but we've now gone
2 through the entire line of cross examination. I still fail
3 to see how this is relevant to witness Degen's testimony on
4 the allocation of mail processing costs, which is the scope
5 of the testimony for which the Postal Service has offered
6 him today.

7 CHAIRMAN GLEIMAN: Thank you, Mr. Koetting. Let's
8 see if the witness can answer this one last question.

9 MR. McBRIDE: That's correct, Your Honor.

10 THE WITNESS: I see from looking at this I was
11 wrong in my earlier answer that it was the top 20 percent we
12 were comparing to. You are correct. It was quartiles.
13 There are several estimates of savings in this report.

14 At the beginning of the paragraph, I talk about
15 savings in the range of 1.9 to 2.6 billion, and in another
16 table, I talk about it being 2.5 billion, and again, those
17 are -- those are estimated savings, sort of, you know, best
18 case, what you could achieve if -- if you really could get
19 everybody up to that top quartile. They have to be taken
20 for what they are.

21 BY MR. McBRIDE:

22 Q Billion dollars, correct?

23 A Yes, those are dollars.

24 MR. McBRIDE: Thank you, Mr. Chairman.

25 CHAIRMAN GLEIMAN: Thank you, Mr. McBride, and

1 thank you, Mr. Koetting, for indulging us a bit further.

2 Is there anyone here from the National Federation
3 of Non-Profits?

4 [No response.]

5 CHAIRMAN GLEIMAN: If not, then we'll move along
6 to the National Newspaper Association.

7 CROSS EXAMINATION

8 BY MS. RUSH:

9 Q Mr. Degen, good morning.

10 A Good morning.

11 Q My name is ^{Jonda}~~Fonda~~ Rush, and I am here as counsel
12 for the National Newspaper Association.

13 I'd like to follow up just briefly on something I
14 heard you say to Mr. Levy a moment ago. I believe you said
15 that in the collection of IOCS data that you could account
16 for several thousand data collectors and several hundred
17 statistical coordinators. Is that correct?

18 A Yes, those are ballpark figures --

19 Q I understand.

20 A So don't hold me to actual digits.

21 Q During the base year of 1996, would the numbers in
22 both of those categories have risen or fallen from the base
23 year of '93? Do you have any idea?

24 A I want to say they've risen, but I'm not sure.

25 Q What about from the base year that was used in

1 R-90, which I assume would have been 1989?

2 A I really don't know.

3 Q Do you have any idea whether the instances of
4 observations taken for the base year in the instant case
5 have risen or fallen from the base year in R-94?

6 A I've certainly seen those numbers, but I don't
7 recall them.

8 Q My questions to you relate in large measure to the
9 testimony that you've referred us back to in your response
10 to T-12-3 to NNA, where you've referred us back to your
11 testimony in R-94, in which you did some validation of the
12 methodology used for within-county tallies. And I believe
13 you told us in T-12-3 that the methodology used in this
14 current base year was the same as had been used in past
15 years. Is that correct?

16 A Yes, that is correct.

17 Q And you're familiar with how that process has been
18 conducted, because you've done an audit of the methodology;
19 is that correct?

20 A I'm not as familiar as I was in '94.

21 Q Okay.

22 A But I recall it pretty well.

23 Q Okay. When a worker is observed holding a piece
24 of mail, is it correct to say that the first decision that
25 has to be made before the tally is recorded in the code

1 software is to determine generally the class that it would
2 belong into and not the subclass?

3 For example, let me give you a hypothetical. If
4 you have a worker who's holding a piece of mail that is
5 printed on newsprint, for example, does the tally taker have
6 to initially decide whether this is a piece of periodicals
7 mail or a Standard A class mail?

8 A Yes, because the recording rules are different for
9 those two.

10 Q Would you accept subject to check that it would be
11 possible for a mail piece printed on newsprint that carries
12 a substantial amount of advertising to be eligible either
13 for the periodicals class or the Standard A class?

14 A I don't know how I'd check that. I mean, it seems
15 like a subjective determination.

16 Q Would you accept that the eligibility standards
17 for periodicals mail permit a periodical to carry a great
18 deal of advertising in some issues and lesser amounts in
19 others?

20 A Yes. I'm not a real expert on rates, but it
21 sounds reasonable to me.

22 Q Okay. So the first question that would be raised
23 ~~is~~ as this tally is recorded^{is} which class it actually would
24 be recorded in, as opposed to which subclass?

25 A Well, as I've already said, specifically with

1 respect to periodicals, I mean, that is the first
2 determination --

3 Q That's the first determination?

4 A I mean, because periodicals subclass is not a
5 determination that's made by the data collectors.

6 Q And as you try to refine this categorization to
7 get down to the subclass level, if I have understood the
8 methodology used, the tally taker looks at the mail piece to
9 determine whether there is an international standard serial
10 number or an ISSN; is that correct?

11 A That's correct.

12 Q And that is what's actually recorded in the codes
13 software?

14 A That's correct.

15 Q And then is it true that a later examination of
16 that ISSN number assigns that mail piece further down to a
17 subclass, or is that done at the tally-taking time?

18 A No, the determination of subclass for periodicals
19 tallies is done by computer programs, not by data collectors
20 at any point in time.

21 Q So the ISSN numbers entered in the code software
22 determine where it goes after that?

23 A That's correct.

24 Q Is that correct? It's true, isn't it, that the
25 ISSN number is a designation that is not issued by the

1 Postal Service but by the Library of Congress? Is that
2 correct? Or at least we know it doesn't come from the
3 Postal Service.

4 A Yes, I don't think it comes from Library of
5 Congress, either, but it does not come from the Postal
6 Service.

7 Q Is it possible that ISSN numbers are issued to
8 publications that would not be eligible for periodicals
9 mail?

10 A Yes, I believe that's true.

11 Q So is it possible that the tally taker that
12 initially enters that ISSN number could be entering
13 something as a periodical that in fact is not a periodical?

14 A Yes.

15 Q And the code software would then do what with that
16 ISSN number? Do you know?

17 A It would record it and associate it with the
18 tally.

19 Q Okay.

20 A But subsequent programs would identify that that's
21 not an ISSN that would be mailed at periodicals rates, and
22 that tally would then be associated with Third Class -- or
23 Standard A mail.

24 Q When you did your audit of this methodology to
25 determine the validity of it, as you looked at the total --

1 A Excuse me --

2 Q I'm sorry.

3 A We didn't audit a methodology, we just -- we
4 developed the methodology.

5 Q You developed the methodology?

6 A Right.

7 Q Okay. Thank you for that correction. When you
8 developed the methodology for it, you took the total tallies
9 in periodicals and examined them to determine the accuracy
10 with which they were then assigned to subclasses; is that
11 correct?

12 A That's a pretty good characterization; yes.

13 Q And can you recall whether within-county tallies
14 were involved going through a substantial amount of
15 investigation to determine the circulation sizes, for
16 example? That you had to find those numbers out in order to
17 decide whether it was a within-county piece?

18 A Yes. The in-county eligibility requires that you
19 have circulation I believe less than 10,000 pieces or that
20 something like 50 percent of your circulation occur within
21 the county where you originate the mail. And so one of the
22 things we did to determine whether a piece identified as in
23 county should in fact be in county was whether or not its
24 circulation was above 10,000.

25 Q And can you recall going back and researching in

1 periodicals like the Gale's Directory to make that
2 determination?

3 A If I -- I remember looking at some of those
4 directories, but I think ultimately it came down to looking
5 at information we had on the bulk mail transactions for
6 particular periodicals.

7 Q If you --

8 A From the permit system.

9 Q If you looked at a tally that was recorded as a
10 within-county tally, did you go back and look at permit data
11 to determine whether there were in-county volumes recorded
12 at the entry post office?

13 A Yes, we did.

14 Q What would have happened to that tally in the
15 circumstance in which that entry office was not on the
16 permit system?

17 A If that -- if the entry office was not in the
18 permit system -- well, could I back up a little bit? If a
19 tally was in the permit system and if we were sure that we
20 had all the entry post offices for that publication in the
21 permit system, and none of them showed any in-county
22 volumes, then we determined it was not an in-county tally.
23 If the permit system were deficient in that we didn't know
24 for sure that we had all of the volumes, we made calls to
25 individual post offices of origin to determine whether

1 particular publications were mailed at in-county rates.

2 Q And if you didn't find a validation of that from
3 either the permit system or that telephone call, then you
4 determined it was not a within-county tally --

5 A That's correct.

6 Q Is that correct?

7 The process that you went through for developing
8 the methodology involved taking, if I understand you
9 correctly, taking the initial tallies and editing them to
10 find anomalies and check back to find out whether those
11 belonged in that subclass; is that correct?

12 A Well --

13 Q I'm talking about your study that you did in '94.

14 A Right. I mean, I don't know about editing them,
15 but basically we looked at how they were classified and then
16 gathered other information we knew about that particular
17 ISSN. It went both ways. We looked at all periodicals
18 vis-a-vis were things in in-county that shouldn't have been
19 and were in-county tallies elsewhere that shouldn't have
20 been.

21 Q You discovered it was a fairly labor-intensive
22 exercise; is that correct?

23 A Yes, it was.

24 Q You had many eligibility questions that needed to
25 be answered before you determined that the tally was

1 eligible for that subclass?

2 A I'm not sure what you mean by many. If for a
3 particular tally we made a call to the origin post office,
4 then that usually resolved it.

5 Q Can you recall approximately how many steps you
6 would have to go through to settle in your own mind whether
7 that tally was in the appropriate subclass between the time
8 that you determined it was a periodical and the time that
9 you had it properly assigned?

10 A How many steps for the average tally or for -- I
11 mean, in some cases we went --

12 Q The average tally, sir.

13 A In the majority of cases we went right to our
14 permit system data base and could identify that ISSN as
15 having in-county volumes, so they only had one step.

16 Q So the average tally would be one. What would be
17 the extreme?

18 A The extreme would have been the phone call, so
19 that was about three or four steps, but there weren't a lot
20 of those relative to the total.

21 Q If the mail piece that you had in your hand that
22 generated this tally had turned out to be a piece of mail
23 that was actually directed to a nonsubscriber of that
24 publication, would that information have surfaced during
25 your phone call to the entry office to find whether there

1 were in-county volumes there or not?

2 A I'm not sure.

3 Q Would you have any way of knowing from looking at
4 the tally or at the mail piece itself whether that piece
5 would be eligible for the within-county preferred rates
6 because it would have been a copy directed to a
7 nonsubscriber?

8 A I don't believe so.

9 Q The process you went through in R-94 was to
10 develop a methodology, is that correct?

11 A That's correct.

12 Q The methodology as used in the base year of this
13 case is identical, as far^{as} you know, is that correct?

14 A Yes, and we still do it, so I believe it is
15 identical.

16 Q Does that mean that each of these tallies for
17 periodicals are examined, edited in the requisite number of
18 telephone calls or inquiries are made to determine that it
19 falls into the proper subclass?

20 A With the addition that if it was mailed at an
21 in-county rate last year, we assume it was mailed at an
22 in-county rate again this year.

23 I mean that if we called last year and it was
24 eligible for in-county rates and its circulation has not
25 changed in such a way that would disqualify it, then we

1 don't make another phone call.

2 Q And how would you know that?

3 A That its circulation had not changed?

4 Q Yes. How would you know that its eligibility had
5 not been altered?

6 A Its eligibility with respect to circulation? We
7 can look at circulation up in our database of bulk mail
8 transactions.

9 Q Is that done?

10 A Yes.

11 Q During the methodology you set up in R-94, you
12 made certain percentage adjustments as you discovered errors
13 in the original tallies, is that correct?

14 You removed some tallies from within-county and
15 assigned them to other subclasses, and vice versa?

16 A Yes -- and your initial characterization was that
17 we made percentage adjustments.

18 We actually edited the tallies and put them where
19 they belonged. I mean from that you could calculate
20 percentage changes but it was not the case that we estimated
21 a percentage.

22 We physically recoded the appropriate tallies.

23 Q In base year for '93?

24 A Yes.

25 Q And was that also done in the base year -- for

1 base year '96?

2 A Yes.

3 Q That those were actually recoded manually by the
4 Postal Service?

5 A Yes. This operation is basically part of the
6 initial tally editing process now, that before cost
7 distribution proceeds, the tallies are coded properly.

8 MS. RUSH: No further questions, Mr. Chairman.

9 CHAIRMAN GLEIMAN: Office of the Consumer
10 Advocate?

11 MR. RICHARDSON: Mr. Chairman, we have no
12 questions for this witness.

13 CHAIRMAN GLEIMAN: Parcel Shippers Association?

14 [No response.]

15 CHAIRMAN GLEIMAN: United Parcel Service.

16 MR. McKEEVER: Thank you, Mr. Chairman.

17 CROSS EXAMINATION

18 BY MR. McKEEVER:

19 Q Mr. Degen -- is that right, Dee'gun?

20 A No.

21 Q What is it?

22 A Day'-gun.

23 Q Mr. Degen, I apologize. Mr. Degen, am I correct
24 that there are, in fiscal year 1996 IOCS tallies for not
25 handling mail in the Express Mail unit?

1 A You could be. I'd have to look that up. It
2 sounds reasonable.

3 Q All right. Let's assume that there are.

4 Do you know if previously those not handling mail
5 costs in the Express Mail unit were treated as a specific
6 fixed cost for Express Mail were assigned to Express Mail
7 exclusively?

8 A My understanding is that Express is the category
9 for which there were specific fixed costs, and it would have
10 been the not handling tallies.

11 Q So the not handling mail tallies would have been
12 all assigned to Express Mail exclusively?

13 A I believe that's true.

14 Q Okay. How do you allocate those not handling mail
15 costs in the Express Mail unit in this case, if you know?

16 A They stay within the Express Mail cost pool and
17 are allocated to subclasses of mail that are handled by the
18 people clocked into the Express Mail cost pool.

19 Q So they are not allocated exclusively to Express
20 Mail?

21 A Pretty darn close. I mean, you know, the way MODS
22 works, occasionally a person is clocked into an operation
23 that should be Express Mail and if a piece of Priority Mail
24 is mixed in with Express and the tally taker comes while he
25 is holding that, we are going to see some portion of those

1 costs being distributed to Priority Mail because some
2 Priority Mail gets handled by the people clocked in the
3 Express Mail unit, but essentially it stays in the Express
4 Mail pool, which is predominantly Express Mail.

5 Q But it is a fact that not all of the not mail
6 handling costs in the Express Mail unit are assigned to
7 Express Mail now, as they were before?

8 You want me to try that again? The syntax was a
9 little bit difficult.

10 A But I think I can agree to it -- not every last
11 penny but certainly the lion's share, and if I had the
12 number in front of me, maybe darn near all.

13 Q Okay. Do you have the number in front of you? Is
14 that somewhere in your materials?

15 A I'm sure it is. Whether I can put my hands on it
16 real quick is another question. Should I have a look?

17 MR. McKEEVER: Mr. Chairman, we don't need to take
18 time to have that number now, as long as Mr. Degen and
19 counsel for the Postal Service would agree to provide that
20 number to us subsequently in writing.

21 CHAIRMAN GLEIMAN: Mr. Koetting?

22 THE WITNESS: Should I look for it?

23 MR. KOETTING: Yes. Let's see if the witness can
24 find it.

25 CHAIRMAN GLEIMAN: Okay..

1 MR. KOETTING: Quickly. I don't want to belabor
2 the point either.

3 BY MR. McKEEVER:

4 Q Mr. Degen, maybe I can help you.

5 A Okay.

6 Q Turn to your testimony USPS-T-12, Table 5.

7 A Oh, yes. Now what I have in front of me
8 unfortunately is the original version, not the revised
9 version, but I don't know that these numbers will change
10 substantially if at all.

11 Q Yes, and I have got the revised version here so we
12 can verify that.

13 A Okay.

14 Q Now if you look at the row for Express and in the
15 column for MODS Express, what number do you have there?

16 A What page number have you got there?

17 Q Page 19, Table 5.

18 A Okay.

19 Q What number do you have for MODS Express for
20 Express Mail?

21 A 26,704.

22 Q -- 704 --

23 A Out of a total of 35,456.

24 Q Okay, so --

25 A It's a little more than two-thirds.

1 Q A little bit more than two-thirds of the costs we
2 have been talking about are allocated to Express Mail?

3 A A little more than two-thirds of the Express Mail
4 cost pool costs are allocated to Express Mail.

5 Your specific question was about not handling and
6 that would roughly be the relevant portion, that about
7 two-thirds of the not handling --

8 Q Would go to Express Mail.

9 A -- would go to Express.

10 Q And roughly one-third, a little less, would go to
11 other classes of mail?

12 A Yes, as shown in that table.

13 MR. McKEEVER: Thank you, Mr. Chairman. That's
14 all I have.

15 CHAIRMAN GLEIMAN: Is there any follow-up?

16 [No response.]

17 CHAIRMAN GLEIMAN: No follow-up. Brings us to
18 questions from the bench. Commissioner LeBlanc.

19 COMMISSIONER LeBLANC: Mr. Degen, we have met
20 before, so here we go again.

21 THE WITNESS: Greetings.

22 COMMISSIONER LeBLANC: In response to Presiding
23 Officer's Information Request Number 4, this Question Number
24 3 -- it's the third to last page.

25 THE WITNESS: I don't seem to have a copy of that.

1 I must have omitted it from my binder.

2 You said Question Number 3?

3 COMMISSIONER LeBLANC: POIR Number 4, Question 3,
4 the third to last page.

5 CHAIRMAN GLEIMAN: Counsel, do you have a copy
6 that you can provide your witness?

7 COMMISSIONER LeBLANC: I looked for it. I didn't
8 have it either.

9 CHAIRMAN GLEIMAN: Mr. McBride is trying to redeem
10 himself by assisting the Postal Service. Thank you, Mr.
11 McBride, on behalf of the Postal Service and the Commission.

12 COMMISSIONER LeBLANC: Troublemaker I am, I guess.
13 What can I say? Thank you, Mr. McBride.

14 THE WITNESS: Okay.

15 COMMISSIONER LeBLANC: You have the POIR, Number
16 4, Question Number 3?

17 THE WITNESS: Yes.

18 COMMISSIONER LeBLANC: At the third to last page,
19 just want to clarify this here.

20 THE WITNESS: So third to last would be number 9?

21 COMMISSIONER LeBLANC: I believe that is correct.

22 THE WITNESS: Okay.

23 COMMISSIONER LeBLANC: You say, and I will
24 paraphrase, that you assumed that the proportion of total
25 pieces handled to volume for a subclass and cost pool

1 remains constant over time.

2 THE WITNESS: Okay -- I think you are looking at
3 my response to Question Number 5 because I see Number 3 in
4 front of my was answered by Mr. Bradley, and that sounds
5 like a Number 5 answer.

6 COMMISSIONER LeBLANC: Would you check it then? I
7 may stand to be corrected here.

8 THE WITNESS: Okay.

9 COMMISSIONER LeBLANC: Since I don't happen to
10 have it in front of me either.

11 THE WITNESS: Third to last page starts with the
12 words, "More formally."

13 COMMISSIONER LeBLANC: Again, unfortunately I
14 don't have it in front of me, but to paraphrase, maybe you
15 can rather than actually referring to that, tell me if I am
16 wrong or right here, okay?

17 THE WITNESS: Okay.

18 COMMISSIONER LeBLANC: You are saying, if I am
19 understanding it correctly, that you assumed that the
20 proportion of total pieces handled to volume for a subclass
21 and cost pool remains constant over time?

22 THE WITNESS: I don't think I am saying that.

23 COMMISSIONER LeBLANC: Was I right?

24 THE WITNESS: No.

25 COMMISSIONER LeBLANC: All right. Then I may be

1 wrong on this next one also but on the second to last page
2 you indicate that a proportion is likely to change over time
3 due to such things as changes in mail mix and operation mix.

4 THE WITNESS: Yes.

5 COMMISSIONER LeBLANC: Okay. You say that such
6 changes are not a problem in the long-run, however, because
7 mail processing distribution keys are updated every year
8 based on IOCS data. Is that a fair characterization of what
9 you said?

10 THE WITNESS: Well, I think it will be every year
11 if you adopt this methodology but right now we are using '96
12 for the '96 base year, so yes, we are using current year
13 tallies to distribute the costs.

14 COMMISSIONER LeBLANC: So you would agree with
15 that then?

16 THE WITNESS: Yes.

17 COMMISSIONER LeBLANC: Okay. Then attributable
18 mail processing labor costs are distributed to subclasses
19 according to relative time spent handling pieces as
20 indicated by the IOCS then, right?

21 THE WITNESS: That's correct.

22 COMMISSIONER LeBLANC: Okay. Is the ultimate
23 relationship of interest how volume drives costs then?

24 THE WITNESS: Well, I mean the ultimate relation
25 is -- relationship is what is the marginal cost of a piece

1 in each of these subclasses.

2 COMMISSIONER LeBLANC: So -- so, in your case,
3 it's the marginal cost, then.

4 THE WITNESS: Yes. I mean I think, by
5 construction, our -- our application of the tally
6 proportions to the estimated variable cost pool is -- is an
7 estimate of the marginal cost.

8 COMMISSIONER LeBLANC: Okay.

9 Then, at the subclass level, should rates be
10 charged based on the additional cost that volume causes?

11 THE WITNESS: I really didn't come prepared to
12 talk about how things should be priced.

13 COMMISSIONER LeBLANC: Can you, in your capacity,
14 then, as an expert -- would you -- would you wager yes on
15 that one? In other words, should rates charged be based on
16 the additional cost the volume causes or not? You want to
17 take a gander at it?

18 THE WITNESS: I think that's certainly one of the
19 important factors in the consideration.

20 COMMISSIONER LeBLANC: Mr. Degen, then how does
21 updating the distribution key based on piece handlings
22 overcome the problem of the disproportionality between piece
23 handlings and volume if volume is the ultimate cost driver?

24 THE WITNESS: Well, whatever number of piece
25 handlings required for a given piece of a specific subclass

1 type, that will appear in the form of higher costs as
2 inferred from the higher proportion of time.

3 That is, the IOCS tallies measure proportions of
4 time, and so, within a given cost pool for a -- for a
5 certain number of pieces in a subclass, the proportions of
6 time per piece will be larger if the pieces in that subclass
7 have a higher average number of piece handlings associated
8 with them.

9 COMMISSIONER LeBLANC: So, time is your driving
10 factor?

11 THE WITNESS: Well, it -- it's -- it's the
12 distributing factor. The proportion of time spent is -- is
13 used to distribute the costs to subclass.

14 COMMISSIONER LeBLANC: Okay.

15 Moving right along, as they say, then, if you
16 wanted to measure the degree to which operation mix and mail
17 mix have changed over the 10-year period -- excuse me --
18 modeled by witness Bradley, is the necessary data available
19 for it?

20 THE WITNESS: Well, one of the pluses of -- of the
21 new costing methodology that we put on the table here is
22 that we now have a lot more operational information
23 associated with our costing information. We can identify
24 the operational cost pool from -- of which the total costs
25 are comprised.

1 One could implement this methodology back through
2 time, at least -- I don't know about 10 years, because I'm
3 not quite sure how long MODS operation has been recorded,
4 and I know there's an answer to that in this pile somewhere,
5 but it's back there.

6 COMMISSIONER LeBLANC: I understand how the piles
7 can get.

8 THE WITNESS: Yes.

9 COMMISSIONER LeBLANC: But is the --

10 THE WITNESS: So the -- so the operational mix
11 --you know, the data aren't readily available to do it, but
12 you could construct it for some time series back in time.
13 The -- the mail mix would be a little tougher, you know,
14 because mail characteristic studies are not done for all
15 subclasses of mail, and even when they are done, they're
16 done at different points in time. So --

17 COMMISSIONER LeBLANC: So, if you were -- if you
18 were going to do it, you would use what?

19 THE WITNESS: Boy. I'd have to look around. You
20 know, I would use -- I would try to implement this
21 methodology going backward in order to get the operational
22 mix, and you know, I'd have to try to gather up mail mix
23 data wherever I could. I don't think I'm really answering
24 that very well, but I hadn't thought about it coming in
25 here, and I'm just not prepared.

1 COMMISSIONER LeBLANC: Well, I think you've
2 answered this for me, but let me just take it just one step
3 further and make sure that you don't have any answer for
4 this, I think is what you just said.

5 Another way of saying it may be, if somebody
6 wanted to measure the degree to which the ratio of TPH --
7 excuse me -- to volume has changed over the 10-year period,
8 either by operation, by facility, or in total, would that --
9 would that data be available for us?

10 THE WITNESS: Okay. In -- in total, you might be
11 able to do that, because I assume, when you talk about the
12 relationship to volume, you're talking like RPW volumes.

13 COMMISSIONER LeBLANC: Right.

14 THE WITNESS: But anything less than total, I'm
15 not aware of RPW volumes by --

16 COMMISSIONER LeBLANC: -- operation, facility, or
17 anything like that.

18 THE WITNESS: Yes. Not facility, definitely --

19 COMMISSIONER LeBLANC: Any breakdown --

20 THE WITNESS: -- not operation.

21 COMMISSIONER LeBLANC: -- other than in total,
22 then.

23 THE WITNESS: That's right.

24 COMMISSIONER LeBLANC: Okay. I think that will do
25 me. Thank you very much, Mr. Degen.

1 Thank you, Mr. Chairman.

2 THE WITNESS: Okay.

3 CHAIRMAN GLEIMAN: Mr. Degen, the first question
4 that Commissioner LeBlanc asked you -- he -- he paraphrased
5 your response to question number five at the third page from
6 the end.

7 THE WITNESS: Yes.

8 CHAIRMAN GLEIMAN: And he asked you -- he said you
9 assumed that the proportion of total pieces handled for
10 volume -- to volume for a subclass and cost pools remained
11 constant over time, and you said that that's not what you
12 say there?

13 THE WITNESS: No, I don't think it is. Can -- can
14 you point me to it?

15 CHAIRMAN GLEIMAN: Well, I'm -- I'm kind of
16 curious now. One, two, three, four, five, six, seven, eight
17 lines up from the bottom.

18 THE WITNESS: Last page?

19 CHAIRMAN GLEIMAN: Of the third-from-the-last
20 page.

21 THE WITNESS: Of the third-from-the-last page.

22 CHAIRMAN GLEIMAN: Maybe it's the second --
23 second-from-the-last page. Unfortunately the pages are not
24 numbered. The second-to-the-last page, on the assumptions,
25 it says there is an implicit assumption that inter-year

1 changes in mail mix and operation mix are small. Operation
2 mix differences can cause differences in A-sub-Y -- the
3 A-sub-Y parameters across facilities. This does not
4 conflict with the assumption of proportionality per se.

5 THE WITNESS: Yes.

6 CHAIRMAN GLEIMAN: That -- that doesn't mean to
7 imply that the cost pools -- the proportionality of total
8 piece -- pieces handled to volume for a subclass of cost
9 pools remain constant over time?

10 THE WITNESS: I was specifically answering Mr.
11 LeBlanc's question with respect to a distribution analysis.
12 I mean if you read that entire paragraph, it makes it clear
13 that, with respect to distribution, we're using current year
14 proportions, and so, any changes over time are not an issue.

15 CHAIRMAN GLEIMAN: Okay. Thank you.

16 Is there any followup as a consequence of
17 questions from the bench?

18 MR. McKEEVER: Mr. Chairman, I do -- do have a
19 questions of followup on Commissioner's LeBlanc's questions.

20 FURTHER CROSS EXAMINATION

21 BY MR. McKEEVER:

22 Q Mr. Degen, as I understand it, the costing process
23 the Postal Service uses is a two-step process. One is to
24 address the overall -- how -- how much of mail processing
25 costs are volume variable, and the other is to then

1 determine distribution keys for whatever those volume
2 variable costs turn out to be. Is that correct?

3 A Essentially.

4 Q And you address the distribution key part of that
5 process.

6 A Well, you know, they're not independent steps in
7 that the -- the structure of the cost pools was developed in
8 such a way so that it was -- would facilitate estimates of
9 variability that could then be applied to those cost pools
10 and distribution keys applied there. So --

11 Q There's interplay between the two.

12 A Exactly.

13 Q But if the variability calculation turned out to
14 be different, you could still use the MODS data to develop
15 distribution keys?

16 A You could use the MODS data to develop the
17 distribution keys.

18 Now, it depends on what you mean by "turned out to
19 be different." You know, if we're going to -- we can't just
20 assume everything's going to be one, because part of the new
21 methodology is that the variability assumption comes from
22 Mr. Bradley.

23 You know, there are certain categories, like
24 specific fixed and an example would be not handling -- or
25 overhead time in the bulk mail acceptance unit are costs

1 that were -- were made institutional under the old
2 methodology. The new cost distribution to subclass
3 methodology doesn't include those kinds of adjustments,
4 because the variability estimation is done by witness
5 Bradley.

6 So, yes, I mean to the extent you want to tweak
7 the variability estimates, you know, that can be done
8 somewhat independently of the -- the cost distribution
9 structure. If you wanted to do something radical like, say,
10 set them all equal to one, you've got to do some more
11 thinking, you know, because -- because that's actually a
12 more variable assumption than was in the previous
13 methodology.

14 Q But is the problem created by the specific fixed
15 cost element? Is that what I understood you to say?

16 A No, I think I was -- I think I was headed the
17 wrong way there. I think it's more things that were made
18 institutional, and -- and also, in our methodology,
19 administrative costs are brought into the mail processing
20 cost pool under our new definition that were formerly
21 allocated to sub-class in the work sheets, and before that
22 allocation was done, there was a variability assumption
23 applied to them. That -- that wouldn't happen if you just
24 set all the variabilities equal to one and turned the crank
25 on the new distribution methodology.

1 Q So, you would have to make certain adjustments,
2 but if you made those adjustments, then is it correct that
3 the variability calculation could change and you still could
4 use the MODS distribution keys?

5 A I think that's essentially true, but I actually
6 haven't worked through everything you would want to do if
7 you were going to go back to the, you know, non-estimated
8 variabilities.

9 MR. McKEEVER: That's all I have, Mr. Chairman.

10 CHAIRMAN GLEIMAN: Is there any further followup?

11 [No response.]

12 CHAIRMAN GLEIMAN: If not, that brings us to
13 redirect.

14 Would you like some time with your witness?

15 MR. KOETTING: Please, Mr. Chairman, if we could
16 have --

17 CHAIRMAN GLEIMAN: Ten minutes?

18 MR. KOETTING: -- 10 minutes.

19 CHAIRMAN GLEIMAN: Certainly.

20 [Recess.]

21 CHAIRMAN GLEIMAN: Mr. Koetting?

22 MR. KOETTING: Thank you, Mr. Chairman. We will
23 have redirect. You can only go to the well so often.

24 CHAIRMAN GLEIMAN: I've got all these folks lined
25 up here at the counsel tables waiting to recross from your

1 redirect. May we won't get out of here before lunch. Who
2 knows? We'll see.

3 MR. McBRIDE: This is not a row of buzzards.

4 REDIRECT EXAMINATION

5 BY MR. KOETTING:

6 Q Mr. Degen, in your discussion with Counsel McBride
7 for Dow-Jones, you were asked a series of questions to
8 essentially summarize some of the major points of -- of your
9 methodology. Into that line a bit, you identified some
10 confusion with the phrase "identical/identified" or
11 something along those lines. Do you recall that?

12 A Yes.

13 Q Do you know whether or not that same confusion
14 might have existed in some of the questions that preceded
15 your identification of that confusion?

16 MR. McBRIDE: I find that question
17 incomprehensible.

18 MR. KOETTING: Well, let me try it again, then.

19 CHAIRMAN GLEIMAN: I always thought it was the
20 witness and the attorney for the witness who had to
21 understand the question. But try it again if you want, Mr.
22 Koetting.

23 BY MR. KOETTING:

24 Q Do you recall whether or not the same phrase that
25 created -- that you identified as creating some confusion in

1 Mr. McBride's question had also been used confusingly in
2 previously questions?

3 A At the first point where I -- I realized he was
4 saying identical/identical, I raised the issue. He may have
5 said that in previous questions and I didn't catch it and I
6 was hearing identified -- or identical/identified. You
7 know, I'd almost have to go back and look at the record to
8 see where that -- where that happened, because I -- I can't
9 for sure say that he didn't do it in other instances, but if
10 he did, I would certainly want to amend my answer there to
11 say identical/identified, if it happened.

12 Q Are you aware of anyplace else in the record that
13 somebody could look to for a perhaps less confusing
14 discussion of these issues?

15 A Well, I think the attachment to MPA interrogatory
16 T-12-1 has a tabular presentation of -- of distribution of
17 item and container costs that -- that basically summarizes
18 the kinds of things he was asking me there.

19 Q Mr. McBride also asked you about the assumptions
20 made regarding the distribution of mixed mail overhead cost,
21 and assumptions was -- was his term. Can you talk a little
22 bit about on what basis those assumptions were made?

23 A Well, there was considerable discussion among my
24 associates at Christensen Associates and Postal Service
25 people, witness Bradley, some other consultants, as well, I

1 mean that -- that were part of this work. They weren't a
2 separate study, but there was considerable discussion and --
3 in -- in arriving at the reasonability of the assumptions
4 that underlie the new costing methodology.

5 Q Finally, you had some discussion with Mr. McKeever
6 from United Parcel Service regarding the distribution of
7 overhead costs in Express Mail operations under what we can
8 either call the Fiscal Year 1996 methodology or, perhaps
9 somewhat less confusingly, the old methodology, as opposed
10 to the base year '96 or new methodology. Do you recall that
11 discussion?

12 A Yes.

13 Q Can you tell us whether or not, under the old
14 methodology, all of the not handling mail cost in the
15 MODS-based new Express Mail MODS cost pool -- under the old
16 methodology, would all of those costs have been assigned to
17 Express Mail-specific cost in, for example, the Fiscal Year
18 '96 CRA?

19 A No, they would not have, and -- and in particular,
20 I mis-spoke when he asked me whether all overhead costs in
21 mixed mail would have been in specific fixed even under the
22 old methodology, and -- and that's not true. There's a
23 particular activity for specific fixed Express Mail costs
24 and that defined specific fixed, things -- portions of
25 overhead in the break and personal needs, clocking, moving

1 empty equipment would not have been assigned a specific fix
2 for Express Mail and would have been part of the general
3 overhead.

4 So, in particular, if, as comparing the old and
5 new methodology, where the new methodology shows that about
6 two-thirds of the overhead costs stay in Express Mail, I
7 haven't researched the comparable dollars under the old
8 methodology, but it's not obvious that that's significantly
9 different than the old methodology.

10 MR. KOETTING: That's all the redirect we have,
11 Mr. Chairman.

12 CHAIRMAN GLEIMAN: Recross?

13 MR. McBRIDE: Yes, Mr. Chairman.

14 RECCROSS EXAMINATION

15 BY MR. McBRIDE:

16 Q Mr. Degen, I'm informed that I stand corrected,
17 that I should have said identical/identified when I asked
18 you those questions earlier. With that correction, would
19 your answers be the same as they were previously, had I used
20 the correct phrase?

21 A It might be worth rereading them just -- just to
22 clear that up.

23 Q Is it a fact that, under the new methodology, you
24 assumed that the items in unidentified/empty containers of a
25 specific container type and cost pool are in the same

1 proportion as items in the identical/identified containers
2 of the same type in the same cost pool?

3 A That's generally true.

4 Q Is it a fact that, under the new method, you
5 assume that identical/identified containers of a specific
6 container type and cost pool are representative of all
7 containers of the same container type and cost pool in terms
8 of the items contained?

9 A That's generally true, although not true for every
10 cost pool.

11 Q Do you recall any other questions where I used the
12 wrong phrase, Mr. Degen?

13 A No.

14 MR. McBRIDE: Thank you, Mr. Chairman.

15 CHAIRMAN GLEIMAN: Mr. McKeever?

16 BY MR. McKEEVER:

17 Q Mr. Degen, in his redirect, Mr. Koetting sometimes
18 used the term -- with respect to the Express Mail costs --
19 sometimes used the term "overhead" and sometimes used the
20 term "not handling mail." Are those terms identical to you?
21 They have identical meanings, I should ask.

22 A I hate to say yes. Overhead is sort of an old
23 system term and -- and not handling is sort of how we're
24 thinking of it in terms of the new methodology, and I'm
25 tempted to say there's -- they are the same, but you know,

1 there -- there may be some minor difference that's escaping
2 me at this point.

3 Q Now, you indicated on redirect that there was an
4 IOCS code under the old methodology for specific fixed
5 costs, I think, if I heard you correctly. Is that right?

6 A Yes.

7 Q Do you know if that's IOCS code 6231?

8 A I can look, and it shouldn't take too long.
9 That appears to be correct.

10 Q Okay. And were those specific fixed costs under
11 6231, are they the Express Mail unit not handling mail
12 costs?

13 A I don't think so. I think there's some things
14 that are -- that don't involve handling mail that don't go
15 in there.

16 Q That don't involve not handling mail that go in
17 there? Is that what you're saying?

18 A Well, things like breaks and personal needs I
19 don't believe is in there.

20 Q Do you have any way of checking that now?

21 A No. I mean, that could eat up a while.

22 MR. McKEEVER: Mr. Chairman, I'd like to request
23 that the breakdown of the costs in IOCS Activity Code 6231
24 be provided by the Postal Service.

25 THE WITNESS: When you say breakdown, could you be

1 more specific, please?

2 MR. McKEEVER: Well, I thought you indicated to me
3 that there were things in there other than not handling
4 mail; am I wrong on that?

5 THE WITNESS: Yes. I thought you were asking me
6 is all not handling mail in 6321, and I was saying no to
7 that. I didn't mean to imply there were things in 6321 that
8 did involve handling mail.

9 BY MR. McKEEVER:

10 Q Oh. Okay, I see. Now let's make sure we're
11 clear. When -- I'm talking about not handling mail. The
12 whole discussion has been in the context of Express Mail
13 unit not handling mail costs. Is that how you understood my
14 questions?

15 A Yes, it is.

16 Q Okay. So that all of the Express Mail unit not
17 handling mail costs would not be in activity code 6231?

18 A That's my understanding, that things like breaks
19 and personal needs I consider not handling mail, but I don't
20 believe they're reported as specific fixed for Express Mail.

21 Q Under the old methodology?

22 A Under the old methodology.

23 Q Can you tell me what other activity codes those
24 costs are in?

25 A 6521 would be breaks and personal needs; 6522

1 would be clocking in and out; 6523 would be moving empty
2 equipment.

3 Q Anything else?

4 A Possibly, but not in my head right now.

5 MR. McKEEVER: Okay. That's all I have, Mr.
6 Chairman.

7 CHAIRMAN GLEIMAN: Does that take care of the
8 requests that you are making, it obviates the need? You
9 were asking for a breakout.

10 MR. McKEEVER: Yes, it does.

11 CHAIRMAN GLEIMAN: Okay. Thank you.

12 MR. KEEGAN: Mr. Chairman, thank you.

13 I'd like to conduct a brief followup based on Mr.
14 Koetting's redirect examination.

15 RE CROSS EXAMINATION

16 BY MR. KEEGAN:

17 Q Mr. Degen, I'm Timothy Keegan, representing Time
18 Warner Inc. I believe Mr. Koetting asked you about the
19 basis for your assumptions concerning mixed mail, and your
20 response was that there had been extensive discussions
21 between yourself and your associates, Witness Bradley, and
22 Postal Service personnel; is that correct?

23 A That's correct. This new methodology has been
24 very much of a team effort.

25 Q Does Witness Bradley to your knowledge have any

1 specialized knowledge about the content of the mail stream?

2 A He's definitely better than the average lay
3 person. I mean, he's worked on postal matters for a long
4 time.

5 Q Okay. Mr. McBride asked you at one point as I
6 recall whether you had conducted any studies to validate
7 your assumptions, and I believe your answer was that if you
8 could have thought of a way to do that, you would have done
9 so. Is that right?

10 A I really think you're mixing the question and the
11 answer there.

12 Q Well --

13 A I thought when I said if I could have figured out
14 how to do it, he was specifically asking me about a study
15 that involved volumes by subclass by operation group, and,
16 you know, we should go back in the record and look at that.
17 I'm not comfortable with your characterization of it.

18 Q Right. I accept that. I accept that correction.

19 A Okay.

20 Q Would it be possible to have done studies to
21 verify your assumptions concerning mixed mail, for example,
22 concerning the proportionality between counted items and
23 uncounted items, identified and unidentified containers and
24 so on? Would a new study in the way of a statistical sample
25 of mixed mail have shed any light on the validity of those

1 assumptions in your view?

2 A Actually, I thought what I had just said was that
3 identification of the universe of mixed mail is the
4 fundamental problem in such a study.

5 I mean if one could say this is what is in mixed
6 mail, one could learn, you know, whether or not the
7 identified containers are representative of it.

8 The problem would be to a priori identify what
9 particular container was going to be mixed mail, because
10 that is not just a function of the characteristics of the
11 container but of the individual data collector, the
12 particular facility and exactly what is happening to that
13 container at any point in time.

14 So would something that I think we can't do help
15 us? Yes, if we could do it, but I hate to say yes to your
16 question because I don't see how you do it.

17 Q Well, could you do it, for example, by having an
18 item examined after a data collector had identified it as
19 mixed mail to see what is actually in it?

20 A You could try that, but if the time were available
21 to do that, I would like to think it wouldn't have been
22 mixed mail to begin with.

23 You know, a lot of the mixed mail tallies I think
24 are coming because it is very difficult or time or logistics
25 are not permitting complete identification of the item, and

1 so what you are proposing is to look at those things that we
2 haven't been able to look at. That is the hurdle there I
3 see.

4 MR. KEEGAN: Thank you, Mr. Degen. Thank you, Mr.
5 Chairman.

6 CHAIRMAN GLEIMAN: Is there any further recross?
7 [No response.]

8 CHAIRMAN GLEIMAN: If not, Mr. Degen, I want to
9 apologize for mispronouncing your name earlier, for
10 starters, and to let you know that we appreciate your
11 appearance here today and your contributions to the record,
12 and if there is nothing further, you are excused.

13 THE WITNESS: Thank you, Mr. Chairman.
14 [Witness excused.]

15 CHAIRMAN GLEIMAN: That concludes today's
16 hearings. We will reconvene tomorrow, Wednesday the 22nd,
17 at 9:30 to receive testimony from four Postal Service
18 witnesses -- Thress, Tolley, Alexandrovich and Patelunas.

19 With any luck, tomorrow will end this round of
20 hearings from Postal Service witnesses, so thank you all for
21 your cooperation.

22 [Whereupon, at 12:11 p.m., the hearing was
23 recessed, to reconvene at 9:30 a.m., Wednesday, October 22,
24 1997.]

25