

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS VAN-TY-SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC. AND
ALLIANCE OF NONPROFIT MAILERS (MPA/USPS-T11-1)**
(June 29, 2006)

The United States Postal Service hereby provides the response of Witness Van-Ty-Smith (USPS-T-11) to the following interrogatory of Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers: MPA/USPS-T11-1, filed on June 15, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 29, 2006

**RESPONSE OF POSTAL SERVICE WITNESS ELIANE VAN-TY-SMITH TO
INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC. AND
ALLIANCE OF NONPROFIT MAILERS**

MPA/USPS-T11-1. Please refer to USPS-LR-L-43, PER OC FLATS.xls, 'CRA FLATS' and line 19 on page 18 through line 8 on page 19 where you state:

As was proposed by the Postal Service in Docket No. R2005-1, the two support cost pools at the plants are consolidated into one "piggyback" cost pool (see discussion in USPS-T-12, section III E, Docket No. R2005-1). The two plant support cost pools are quasi-administrative pools characterized by a high percentage of not-handling-mail activities. The volume-variable costs for the "piggyback" cost pool are distributed to subclasses in proportion to the distribution of volume-variable costs of subclasses in the cost pools they support. The supported cost pools do not include the ISC mail processing cost pool, since these facilities have their own support operations.

More specifically, the "Mail Processing Support" and "Miscellaneous" cost pools (1SUPPORT and 1MISC) are combined into a Function 1 support cost pool. The volume-variability factor for the pool is the cost-weighted average of the econometric volume-variable factors (see B.2.1 above). The handling tallies in these pools are not used in the distribution keys, following the rationale in witness Degen's testimony in Docket No. R2000-1. Instead, the distribution key shares for the Function 1 support cost pool are the subclass shares of volume variable costs in the supported operations. Thus, the volume-variable cost for the Function 1 support pool is distributed in proportion to all Function 1 and LDC 79 volume-variable costs.

- (a) Please confirm that you used the "piggyback" distribution approach for the 1SUPPF1 cost pool shown on USPS-LR-L-43, PER OC FLATS.xls, 'CRA FLATS.'
- (b) Did you use this piggyback approach for any other cost pools shown on USPS-LR-L-43, PER OC FLATS.xls, 'CRA FLATS'? If so, please identify those cost pools.
- (c) Please list all cost pools that you believe are quasi-administrative, and explain why you believe they are quasi-administrative.

RESPONSE

- a. Confirmed for the MODS 99 1SUPP_F1 cost pool in Table 3 of my testimony corresponding to the 1SUPPF1 cost pool shown on USPS-LR-L-43, PER OC FLATS.xls, 'CRA FLATS.'

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- b. No, I did not use this piggyback approach for any other of the cost pools in Table 3 of my testimony which correspond to those shown on USPS-LR-L-43, PER OC FLATS.xls, 'CRA FLATS.'

- c. From Table 3 of my testimony, the MODS 99 1SUPP_F1 cost pool is the one readily seen to be quasi-administrative. It includes the MODS operation numbers and operation names for the two LDC18 pools identified as 1MISC and 1SUPPORT which are shown in Table I-2B in USPS-LR-L-55. These MODS operation numbers and LDCs are not those used for general administrative services, and apply only to mail processing, but these operation names indicate the quasi-administrative nature of the operations.

CERTIFICATE OF SERVICE

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

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