

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 TIME WARNER INC.: TW/USPS-T20-13, REDIRECTED FROM
WITNESS MILLER, USPS-T-20
(July 26, 2006)

The United States Postal Service hereby provides the response of witness Van-Ty-Smith (USPS-T-11) to the following interrogatory of Time Warner Inc.: TW/USPS-T20-13, filed on July 12, 2006, and redirected from witness Miller (TW/USPS-T-20) to witness Van-Ty-Smith (USPS-T-11).

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

Frank R. Heselton
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-5204; Fax -6187
July 26, 2006

**Response of United Postal Service Witness Eliane Van-Ty-Smith to
Interrogatories of Time-Warner Inc. Redirected from Witness Miller**

TW/USPS-T20-13 Please provide, based on IOCS tallies, an estimate of the portion of the “Allied” unit costs for Outside County Periodicals flats at NonMODS offices, stations and branches that represent bundle sorting and functions auxiliary to bundle sorting such as those referred to in part b of the preceding interrogatory. Please include a description of how the estimate is derived, the piggyback factors and volume variability factors used in the derivation and the portion of those costs that come from (1) NonMODS offices and (2) Function 4 stations and branches. Additionally, please identify the portion of the estimated costs that is for incoming secondary bundle sorting.

RESPONSE:

The estimated portion of the “Allied” unit costs for Outside County Periodicals flats at Post-Offices, Stations and Branches (PO/STA/BR) for bundle sorting is 37 percent.

The estimate was derived using costs for handling tallies in the ‘ALLIED’ cost pool that are associated with activity code 2212 (i.e. outside county periodicals) and with bundles (it is assumed that this criterion probably covers by and large the activities specified in TW/USPS-T20-12b). These tallies include: 1) the direct tallies with activity code 2212 containing ‘B’ (bundles) in IOCS field Q20; 2) the bundle portion of the ‘identified’ mixed mail container tallies that are distributed to activity code 2212; and 3) the bundle percentage of the ‘unidentified’ and empty container tallies distributed to activity code 2212, where the bundle percentage is based on the bundle portion of the ‘identified’ container tallies. (For further reference, see sections B.2.3.a Distribution of Mixed Tallies to Subclasses in my testimony.)

The estimated 37 percent would apply to the PO/STA/BR ‘Allied’ cost pool unit cost of 1.045 cents for Outside County Periodicals flats derived by witness Smith in LR-L-53, which already includes the piggyback factor and volume-variability factor.

Because the mixed mail distribution is done in the aggregate for NonMODS offices and Function 4 stations and branches, and also for all basic functions combined, it is not possible to obtain separate costs for them. However, “Allied’

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direct tallies, which represent about 78% of all bundle handling tallies (direct and mixed) associated with activity code 2212, can provide some of those details. The direct bundle tallies for activity code 2212 in the 'Allied' cost pool show that about 75% are from NonMODS offices and 25% from Function 4 stations and branches. Those direct bundle tallies also show that about 96% have the 'incoming' basic function (as coded in IOCS field F261), 3% have the 'outgoing' basic function, and 1% have an undetermined basic function. F261 does not indicate whether the 'incoming' is primary or secondary. Additional IOCS information on primary and secondary scheme is collected only for piece distribution operations and is therefore not available for allied 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.

Frank R. Heselton

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Washington, D.C. 20260-1137
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