

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE AND FEE CHANGES
OFFICE OF THE SECRETARY
Docket No. R97-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
TIME WARNER, INC. WITNESS STRALBERG
(USPS/TW-T1-1-14)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to Time Warner, Inc. witness Stralberg: USPS/TW-T1-1-14.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Eric P. Koetting

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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January 12, 1998


Eric P. Koetting

POSTAL SERVICE INTERROGATORIES FOR TW WITNESS STRALBERG

USPS/TW-T1-1. Please explain how you purport to produce a more accurate distribution of volume-variable costs in, for example, the BCS cost pool, by employing IOCS tally information associated with non-BCS mail processing operations, including non-letter operations.

USPS/TW-T1-2. Please refer to program ALB105C5, USPS-LR-H-21.

- (a) Please confirm that the shape-related mixed mail codes (5610, 5620, 5700) are assigned based on the mail processing operation recorded in IOCS question 19. If you do not confirm, please explain.
- (b) Please confirm that witness Degen's distribution cost pools (BCS, LSM, Manual Flats, etc.) are MODS-based analogues to IOCS question 19 operations. If you do not confirm, please explain.
- (c) Please confirm that the assignment of the shape-related mixed mail codes in program ALB105C5 does not take into account whether the mail processing operation is a manual, mechanized, or automated operation. If you do not confirm, please explain.
- (d) Is it your testimony that you should obtain more accurate mixed-mail distributions by employing mixed-mail activity codes that ignore whether the tally was taken in a manual, mechanized, or automated operation? Please explain fully.

USPS/TW-T1-3. Do you believe that all mixed-mail in an operation is likely to have the same subclass distribution regardless of the item or container information

recorded in IOCS question 21? If so, please reconcile your answer with witness Cohen's Table 4 (MPA-T-2, p. 24). If not, why do you propose ignoring the question 21 data in your testimony?

USPS/TW-T1-4. On page 11 of your testimony, you claim that there are "severe distortions" involved in distributing not-handling costs as a group, by cost pool. As an example, you offer the example of not-handling costs migrated from window service to FSM.

(a) Please refer to spreadsheet TW-19.xls, USPS-LR-H-260. Please confirm that tallies with window service activity codes are 0.23% of costs in the FSM pool. If you do not confirm, please explain.

(b) Is it your testimony that distributing 0.23% of FSM cost pool costs per witness Degen's methodology will lead to "severe distortions" of the cost distribution? Please explain.

USPS/TW-T1-5. Please refer to Table 4-1, Exhibit 4, TW-T-1.

(a) Please confirm that Table 4-1 indicates that IOCS data collectors obtained a top piece for $976,410/1,002,564 = 97.4\%$ of non-empty items subject to the Top Piece Rule (weighted by cost). If you do not confirm, please explain.

(b) Is it your testimony that the 97.4% of eligible items to which the Top Piece Rule was successfully applied are not representative of all items subject to the Top Piece Rule in any significant way? Please explain fully.

USPS/TW-T1-6. Please see Table 4-1, Exhibit 4, TW-T-1.

(a) Please confirm that Table 4-1 indicates that IOCS data collectors were able to obtain subclass information for the contents of $(55,139+41,537)/137,256 = 70.4\%$ of non-empty items not subject to the Top Piece Rule (weighted by cost). If you do not confirm, please explain.

(b) Please confirm that Table 4-1 indicates that IOCS data collectors were able to obtain subclass information for $(1,031,549+41,537)/1,139,820 = 94.1\%$ of all non-empty single items (weighted by cost). If you do not confirm, please explain.

USPS/TW-T1-7. Please see Exhibit 5, TW-T-1. Please disaggregate Tables 5-1, 5-2 and 5-3 by item type, and please also provide the resulting tables in electronic spreadsheet format.

USPS/TW-T1-8. In your testimony, you state, "application of [witness Degen's] approach within each cost pool requires the further (unstated) assumption that mail that appears in containers at a given pool also appears as loose mail at the same cost pool" (TW-T-1, page 20, lines 26-28). Please provide a formal demonstration that this is necessary for the assumption stated by witness Degen, quoted at TW-T-1, page 20, lines 22-24. Please discuss any mathematical arguments you employ in this process.

USPS/TW-T1-9. Please refer to your testimony at page 31.

(a) Please confirm that your hypothetical assumes that not-handling costs in the

manual operation do not vary with the volume of mail processed manually. If you do not confirm, please explain.

(b) What cost distribution would result in your hypothetical if not-handling costs in the manual operation were 80% volume variable? Please explain.

USPS/TW-T1-10. Please refer to your testimony at page 33, lines 7-17. What percentage of the costs for the 63 IOCS activity codes would be distributed in proportion to all mail processing costs in an office group under your proposed methodology? Please provide any supporting calculations in electronic spreadsheet format.

USPS/TW-T1-11. Please refer to your testimony at page 33, line 26 to page 34, line 1. Please confirm that the FY1996 Postal Service methodology classifies costs for activity codes 6220 and 6230 as fully institutional. If you do not confirm, please explain.

USPS/TW-T1-12. Please refer to your testimony at page 39, lines 19-21, and USPS-LR-H-146, pages II-11 to II-12.

(a) Please confirm that witness Degen's method distributes not-handling costs to special services in several "Function 1" cost pools. If you do not confirm, please explain.

(b) Please explain fully how your response to subpart (a) affects your testimony.

USPS/TW-T1-13. Please refer to your testimony at page 25, lines 1-2, where you claim that "Periodicals mail is certain to be overcharged under any possible use of the item/container data collected by the current IOCS."

(a) Is it your testimony that it is impossible for Periodicals to be "undercharged" with mixed-mail costs under some possible uses of the item and container data collected in IOCS? Please explain.

(b) Consider a pallet consisting of shrink-wrapped brown sacks which is sampled in IOCS and results in a mixed-mail tally. Is it likely that such a pallet would have resulted in a direct Periodicals tally if its contents had been counted? Please explain.

(c) Please confirm that Periodicals would receive a smaller share of the costs associated with this tally, and thus be "undercharged," under the mixed-mail distribution approach proposed by witness Degen, as compared with the situation described in subpart (b) in which the contents are counted and the tally is recorded as a direct Periodicals tally. If you cannot confirm, please explain fully.

USPS/TW-T1-14. Please refer to your testimony at page 24, lines 16-20, where you claim that the costs associated with bundles on pallets would "be distributed based on the costs of all bundle handlings" if pallets were treated as containers. Please confirm that under the scenario you describe, witness Degen's methodology actually would distribute the costs associated with bundles on pallets based on the costs of bundle handlings in the same cost pool, except for the MODS 1 Platform and BMC Platform cost pools. If you do not confirm, please explain fully. If you do confirm, please state how this affects your testimony.