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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000–1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DEGEN TO INTERROGATORIES OF TIME WARNER, INC., REDIRECTED FROM WITNESS VAN-TY-SMITH (TW/USPS–T17-19)

The United States Postal Service hereby provides the response of witness
Degen to the following interrogatories of Time Warner, Inc.: TW/USPS–T17-19, filed on
March 10, 2000, and redirected from witness Van-Ty-Smith.

Each 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

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2992 Fax –5402
March 24, 2000

TW/USPS-T17-19 The following questions concern your attribution and distribution of costs in the two Function 1 and two Function 4 "support" pools.

    a. Please confirm that the direct tallies, identifying specific subclasses and special services, in cost pools 1Misc, 1Support, LD48_Adm and LD48Oth represent $89.713 million in "tally dollars" or $83.192 million in accrued BY98 costs. If not confirmed, please supply corrected figures.

    b. Confirm that your method distributes the volume variable portion of these direct costs in a manner that ignores all subclass and handling specific information recorded by IOCS clerks for these tallies.

    c. Granted that many other (not handling) tallies in these cost pools indicate general and administrative functions for which a broad distribution over all mail processing costs may be justified, what exactly is your justification for ignoring the specific information on the direct tallies instead of simply distributing the costs of those tallies to the subclasses and services indicated?

    d. List all reasons you have, if any, to believe that ignoring the subclass and service specific information on the direct tallies referred to above leads to a more accurate distribution than you would get by simply using the ignored information.

TW/USPS–T17–19 Response.

    a. Confirmed.

    b. Confirmed.

    c. As I explain in my testimony, "The direct tally data represent actual handlings of mail by the sampled employees, but we believe these handlings are incidental to the support activities that constitute the bulk of the tallies in these cost pools, and, therefore, do not necessarily

represent the true patterns of cost causation." Please see USPS-T-16 at page 57, lines 15-18. The statement of the interrogatory seems to imply that the causal factors behind the handling portion of these cost pools is fundamentally different from the not-handling portion. I believe this is incorrect. All of the MODS operations (and associated costs) mapped to the mail processing support cost pools (see USPS LR-I-106 at I-25 and I-27) constitute what you call "general and administrative functions." Accordingly, one should not expect the relatively small number of handling tallies observed in those operations to be representative of the drivers of costs in the supported activities.

d. See the response to part (c) of this interrogatory.

DECLARATION

I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.
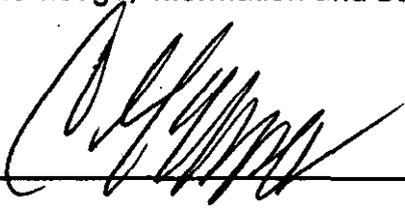
Date: 3-23-00

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.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–2992 Fax –5402
March 24, 2000