

Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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Postal Rate and Fee Changes

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Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS SMITH TO INTERROGATORIES OF  
AMERICAN BANKERS ASSOCIATION  
AND NATIONAL ASSOCIATION OF PRESORT MAILERS  
(ABA&NAPM/USPS-T21-37-40)

The United States Postal Service hereby provides the responses of witness Smith to the following interrogatories of the American Bankers Association and National Association of Presort Mailers: ABA&NAPM/USPS-T21-37-40, filed on March 22, 2000.

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

  
Richard T. Cooper

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April 5, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH  
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**ABA&NAPM/USPS-T21-37**

In your LR-I-81, there are several files which list "BY 98" figures and also "TY 98" figures. For example, file mpshtynp.xls worksheet Total (4) references "TY 98" while worksheet Cost Pool Data in the same file references "BY 98". This is also true of worksheet Summary (2) and Summary from the same file. It is also true for various worksheets in files mpshapn.xls and mpshusty.xls.

- a. Are the files TY 98 labeled correctly? If yes, does this refer to data taken from the R97-1 rate case test year 1998? If no, do these data refer to the test year in this case namely TY 2001?
- b. If your answer to a. is yes, please explain what procedures you are using that relate base year 98 figures to test year figures from the last rate case, and why you are using them.
- c. In file mpshusty.xls, worksheet Letters (4), does the table labeled "TY 98 USPS Version---Fully Reconciled" refer to test year 2001 in this case?

**Response:**

If you are referring to the cell "A1" of many of the sheets in all three of the spreadsheets listed above, then please disregard these titles. Instead use the "print preview" option to see the headers (both center and right side) used for the hard copy contained in USPS-LR-I-81. The abbreviations used in the right-side header are defined in at page v (contained in LR81.doc). Alternatively, use the hard copy of this library reference relying on the bold print headers in the center and right side.

- a. No. Please disregard all such references in cell "A1" of the various sheets in these spreadsheets. No data has been used from the R97-1 test year

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH  
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**Page 2 of the Response to ABA&NAPM/USPS-T21-37**

costs. Please see my testimony at pages 28 to 31 for a description of the calculations in this library reference. Also see pages ii to vi of USPS-LR-I-81.

- b. Not applicable, see my response to part a.
- c. Yes, these costs are for the test year, FY 2001. As indicated above, please disregard cell "A1." Instead rely on the right-side header which can be viewed using the Print Preview option or by using the corresponding hard copy of the USPS-LR-I-81 at page VI-31.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH  
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**ABA&NAPM/USPS-T21-38**

Please refer to your testimony at page 8, where you note that "...This assumes that there is a constant proportion of labor and equipment-related costs for the marginal and accrued costs."

- a. With increasing deployments of DPBCS expected through the test year, how good an assumption is this?
- b. In general, as automation in mail processing proceeds to equip each productive worker with more and more capital, how good an assumption is this?
- c. If you were to drop this assumption, what would happen to your results?

**Response:**

- a. The quoted statement given above is meant to apply by operation or cost pool rather than for mail processing as a whole. The quoted sentence would be clearer if it were prefaced with "for individual operations." This is also discussed by witness Bozzo, USPS-T-15, at pages 40-41 and in his response to OCA/USPS-T15-10. Increased deployments of Delivery Barcode Sorters or any other equipment does not imply changing proportions of labor and equipment related costs for the individual operations.
- b. See my response to part a and also please note that the assumption of constant proportions of labor and equipment-related costs is made with respect to different levels of volume. Certainly over time, as technology changes, there will be modifications in the proportions of labor and equipment-related costs. My statement does not preclude such changes.

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**Page 2 of Response to ABA&NAPM/USPS-T21-38**

- c. As indicated by witness Bozzo in his response to OCA/USPS-T15-10, part  
d, the labor and equipment variabilities would not be equal.

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**ABA&NAPM/USPS-T21-39**

Please refer to document for USPS-T-21 page 25 you note that "This gives us the desired result of having the operation-specific piggyback factor for each of the 52 mail processing labor cost pools listed in my Attachment 13."

- a. What was your "desired result"?
- b. Did you have any specific factors or numbers in your mind before producing Attachment 13?

**Response:**

- a. The desired result is as stated in the quoted sentence and that is: "the operation-specific piggyback factor for each of the 52 mail processing labor cost pools." This is the "desired result" described at page 21. It is the calculations described on pages 21-25, which culminate in the achievement of this "desired result" as indicated at page 25.
- b. No.

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**ABA&NAPM/USPS-T21-40**

Please refer to USPS-T-21, Attachments 2 & 3.

- a. Your depreciation costs for FY 98 are based on CS 20.1 but depreciation costs for FY 2001 are based on CS 20. Are you using different CRA totals in this comparison as between the two years?
- b. The percentage increase in depreciation costs for total non-mail processing equipment is 49.37% from FY 98 to FY 2001. Please list what this equipment is, the percentage increases by type of equipment, and explain why the depreciation costs for this aggregate are increasing far more than they are for mail processing equipment depreciation, which increases by 26.62% through the test year.
- c. In your accounting system, what kind of depreciation method are you using e.g., straight-line method or MACRS, etc.?

**Response:**

- a. Attachment 3 depreciation is also based on cost segment 20.1. The last line of the column heading in Attachment 3 should say "(CS 20.1)."
- b. For a listing of non-mail processing equipment, please see my response to ABA&NAPM/USPS-T21-6 and USPS-LR-I-201. The non-mail processing equipment which is being purchased during FY 1999 to FY 2001 include: Point of Service One, Self-Service Vending, Associate Office Infrastructure, Delivery Confirmation Infrastructure Acquisition and Corporate Call Management. Forecasts of test year depreciation for each of these types of equipment has not been done. However, information on the expenditures for this equipment is contained in witness Tayman's responses to ANM/USPS-T10-17 and ANM/USPS-T9-8.

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**Page 2 of the Response to ABA&NAPM/USPS-T21-40**

- c. Our accounting system uses straight-line depreciation as indicated at  
USPS-LR-I-201, Chapter 3, page 13.

DECLARATION

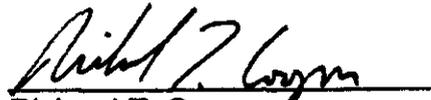
I, Marc A. Smith, hereby declare, under penalty of perjury, that the foregoing Docket No. R2000-1 interrogatory responses are true to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Marc A. Smith

4/5/2000  
Date

**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.

  
Richard T. Cooper

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