

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

**SPECIAL SERVICES FEES
AND CLASSIFICATIONS**

Docket No. MC96-3

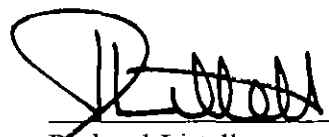
**RESPONSE OF MAJOR MAILERS ASSOCIATION
WITNESS RICHARD BENTLEY TO REQUEST FOR PRODUCTION OF DOCUMENTS
AND INTERROGATORIES OF UNITED STATES POSTAL SERVICE
(USPS/MMA-27-41)**

The Major Mailers Association hereby provides responses of witness Richard Bentley to the following interrogatories of the United States Postal Service: USPS/MMA-27 through 41, filed on December 5, 1996.

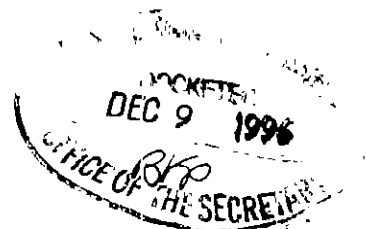
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION


Richard Littell
Suite 400
1220 19th Street, N.W.
Washington, D.C. 20036
(202) 466-8260

December 9, 1996



**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-27.

Please provide all notes, spreadsheets, workpapers, electronic files, and other documentation related to your analysis contained at Tr.6/2039-41 and as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

RESPONSE

I have made a copy of my revised EXCEL file on a 3.5" diskette, which is being sent to the Postal Service via Federal Express for Monday morning delivery. If any other party is interested I will be glad to send an additional copy. I have made slight corrections (typographical errors and the addition of three footnotes) to the original files. Therefore, I cannot provide a computer copy of the original workpapers on diskette underlying Tr. 6/2039-41 since they have been erased and cannot be retrieved.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-28.

Please refer to your analysis contained at Tr.6/2039-41 and revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- a. Please confirm that these analyses use Commission cost and volume figures from the Docket No. R94-1 initial Recommended Decision. If you do not confirm, please explain the source for the Commission figures

RESPONSE

Confirmed, as shown in footnotes 2 and 4.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-28.

Please refer to your analysis contained at Tr.6/2039-41 and revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- b. Please confirm that "the Commission-approved cost methodology", as you use the phrase, is that used in the Further Recommended Decision in Docket No. R94-1. If you do not confirm, please explain what "the Commission-approved cost methodology" is.

RESPONSE

Confirmed. Please refer to my answer to your previous interrogatory USPS/MMA-9a and

- b.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-28.

Please refer to your analysis contained at Tr.6/2039-41 and revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- c. Please explain in detail why your analyses used the Commission cost and volume figures from the Docket No. R94-1 initial Recommended Decision rather than the Further Recommended Decision.

RESPONSE

I used the data from the Commission's Docket No. R94-1 Initial Recommended Decision for three reasons. First, this analysis was developed the night before I was to testify and data from the Initial Decision was readily available to me. The data from the Further Recommended Decision was not. Second, the differences between the data from the Initial Decision and the Further Recommended Decision are, as determined by an OCA witness, "trivial in the extreme." (USPS/OCA-T200-21b) I agree with that assessment. See also the Supplemental Comments of the United States Postal Service to Motion to Strike Major Mailers Association Witness Bentley's New Analysis (p. 5) where the Service indicates that using data from the Commission's Further Recommended Decision would change the Commission's percent of attributable costs from 69.09% to 69.05%. This translates to a total reduction in the Commission attributable costs by about \$21 million ($52,592,438 * 0.004 = 21,038$). Thus, the Commission and Postal Service's methodology at the Postal Service's proposed rates are estimated to be about \$986 million apart rather than 1.007 billion as shown in row 3 my workpaper. Such a difference is quite small in relation to a billion dollars.

MMA WITNESS: RICHARD BENTLEY
USPA/MMA-28(c)

Third, it really does not matter which figures are used for my purposes. All I was trying to illustrate by my analysis shown in OCA/MMA-XE-3 is that the difference between the amount of costs attributed by the Postal Service's methodology and the Commission's methodology are "huge" and are about a billion dollars apart. Certainly small changes in the Commission's costs would have little impact on my conclusion.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-29.

Please refer to OCA/MME-XE-1 at Tr. 6/2039.

- a. Please confirm that a similar analysis was not contained in MMA-LR-1.

RESPONSE

Confirmed. This analysis was formulated to confirm in a somewhat different manner that the Postal Service's methodology and the Commission's methodology were about a billion dollars apart

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-29.

Please refer to OCA/MME-XE-1 at Tr. 6/2039

- b. Was a similar analysis prepared using PRC-LR-1 and 2 in this docket? If so, please provide all notes, spreadsheets, workpapers, electronic files, and other documentation related to this analysis. If not, why not? Please explain in detail.

RESPONSE

No. The analysis shown in OCA/MMA-XE-1 compares USPS and Commission costs under two different sets of rates. The costs utilized in MMA-LR-1 reflect the same set of rates. Therefore, there was no need to make any adjustments of the kind shown in MMA-LR-1 that were performed in OCA/MMA-XE-1.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-30.

Please refer to OCA/MMA-XE-1 at Tr 6/2039.

- a. Please confirm that row 2, column 4 represents Commission accrued costs. If you do not confirm, please explain what this number represents.

RESPONSE

Not confirmed. The same figure shown in column 1, rows 1 and 2 represents the Commission's total accrued cost using the Commission's recommended rates in Docket No R94-1. This same cost figure (\$52,530,344) in row 2, column 4 represents an estimate of the Postal Service's total accrued costs under the Commission's recommended rates and the projected volumes resulting from those rates.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-30.

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- b. Please confirm that row 2, column 5 represents an attributable cost figure derived by multiplying Commission accrued costs times the percentage of Postal Service accrued costs which are attributable (from column 6). If you do not confirm, please explain what this number represents.

RESPONSE

The cost figure (\$33,225,443) in row 2, column 5 represents an estimate of the amount of costs that would be attributed under the Postal Service's costing methodology at the Commission's recommended rates. It is computed by multiplying the estimated USPS total accrued costs (\$52,530,344, see my answer to part a) by the USPS percentage of total accrued costs that is attributed (63.25%). See footnote 3.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-30.

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- c. Please explain in detail the reason for the derivation of the figure in row 2, column 5. What is the significance of this number? Why is it relevant to show what *Commission* accrued costs would be attributable by application of the *Postal Service's* percentage of attributable costs?

RESPONSE

The purpose of this exercise is to compare Postal Service and Commission cost methodologies under a similar set of rates. Since the rates proposed by the Postal Service and the rates recommended by the Commission are somewhat different, and these rates affect volumes which in turn affect costs, the comparison of the USPS and PRC costs shown on row 1 is not quite correct. Therefore, I made adjustments in rows 2 and 3 to account for the differences in volumes under the two sets of rates.

In row 2 I have adjusted the Postal Service's total accrued costs to be exactly equal to the Commission's total accrued costs. The underlying assumption is that if the costs are constrained to be equal, then they would reflect equal volumes. Thus, using this constraint results in an estimate of USPS costs using the Commission's recommended rates and resulting volumes.

In row 3 I have adjusted the Commission's total accrued costs to be exactly equal to the Postal Service's total accrued costs. Under this scenario, the Commission's cost estimates will reflect the Postal Service's rates and volumes.

Under all three situations, the difference between the two methodologies is about a billion dollars.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-30.

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- d. Can the same calculation described in subpart c, above, be done by individual mail class, subclass or special service? If not, why not? Please explain in detail.

RESPONSE

No. I do not know of any data source that provides total accrued costs by subclass.

It is possible to estimate the difference in the Postal Service and Commission cost methodologies on a subclass by subclass comparison. For example, a table entitled "Unit Attributable Cost Comparison" is provided for both methodologies for the test year on page III-68 of the Commission's Initial Decision in Docket No. R94-1. As shown there, the Commission's unit attributable cost for First-Class letters is just over half a cent higher than the Postal Service's unit cost, or .55 cents ($.1979 - .1924 = .0055$). Multiplying this unit attributable cost difference by the Commission's projected volume (91,167 million, Appendix G, Schedule 1) results in a First-Class letter difference of \$501 million. A similar computation for third class bulk adds another \$350 million to the differential ($56,412 \text{ million} * .0062 = \349.8 million). Attachment I to this interrogatory answer provides the computations for all subclasses and services. The difference between the two methodologies using this method adds up to \$947 million.

Comparison of USPS and PRC Attributable Cost Methodologies
Docket No. R94-1

	1	2	3	4	5
			Unit		Total
<u>Subclass or Service</u>	<u>PRC Unit</u> <u>Attrib Cost 1/</u> <u>(\$)</u>	<u>USPS Unit</u> <u>Attrib Cost 1/</u> <u>(\$)</u>	<u>Attrib Cost</u> <u>Difference 2/</u> <u>(\$)</u>	<u>Projected</u> <u>Volume 3/</u> <u>(000)</u>	<u>Attrib Cost</u> <u>Difference 4/</u> <u>(\$ 000)</u>
First-Class Mail:					
1 Letters	0.1979	0.1924	0.0055	91,166,641	501,417
2 Cards	0.1465	0.1439	0.0026	4,404,591	11,452
3 Priority Mail	1.8370	1.8293	0.0077	762,115	5,868
4 Express Mail	10.8758	10.4861	0.3897	52,785	20,570
5 Mailgrams	1.7659	1.7932	-0.0273	4,711	-129
Second-Class Mail:					
6 Within County	0.0823	0.0801	0.0022	922,497	2,029
7 Nonprofit	0.1461	0.1435	0.0026	2,370,348	6,163
8 Classroom	0.1306	0.1276	0.0030	103,940	312
9 Regular Rate	0.1953	0.1927	0.0026	7,071,355	18,386
Third-Class Mail:					
10 Single Piece	1.5250	1.5307	-0.0057	164,611	-938
11 Bulk Rate Regular	0.1168	0.1106	0.0062	56,411,919	349,754
12 Bulk Rate Nonprofit	0.1020	0.0995	0.0025	12,890,375	32,226
Fourth-Class Mail:					
13 Parcel Post	3.3969	3.4356	-0.0387	185,825	-7,191
14 Bound Printed Matter	0.7231	0.7216	0.0015	383,398	575
15 Special rate	1.7639	1.7593	0.0046	177,746	818
16 Library Rate	1.8868	1.9345	-0.0477	21,764	-1,038
17 Free-for-the-Blind Mail	0.5155	0.5109	0.0046	57,782	266
18 International Mail	1.3846	1.3796	0.0050	990,865	4,954
19 Total All Mail				178,143,268	945,493
Special Services:					
20 Registry	4.0158	4.0385	-0.0227	19,615	-445
21 Insurance	1.2200	1.2202	-0.0002	28,297	-6
22 Certified	1.1600	1.1472	0.0128	266,564	3,412
23 COD	4.0312	4.0434	-0.0122	5,913	-72
24 Money Orders	1.0377	1.0410	-0.0033	185,486	-612
25 Special Delivery	9.9450	16.8081	-6.8631	116	-796
26 Box/Caller Service	30.3751	30.3502	0.0249	16,093	401
27 Total Mail & Services				178,143,268	947,374

1/ PRC Opinion, Docket No. R94-1, p. III-68

2/ Col 1 - Col 2

3/ PRC Opinion, Appendix G, Schedule 1

4/ Col 3 x Col 4

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-31.

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- a. Please confirm that row 3, column 1 represents Postal Service accrued costs. If you do not confirm, please explain what this number represents.

RESPONSE

Not confirmed. The same figure shown in row 1, column 4 represents the Postal Service's total accrued costs. This same cost figure (\$52,592,438) in row 3, column 1 represents an estimate of the Commission's total accrued costs under the Postal Service's recommended rates.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-31.

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- b. Please confirm that row 3, column 2 represents an attributable cost figure derived by multiplying Postal Service accrued costs times the percentage of Commission accrued costs which are attributable (from column 3). If you do not confirm, please explain what this number represents.

RESPONSE

The cost figure (\$34,232,418) in row 3, column 2 represents an estimate of the amount of costs that would be attributed under the Commission's costing methodology at the Postal Service's proposed rates. It is computed by multiplying the estimated Commission total accrued costs (\$52,592,438, see my answer to part a) by the Commission percentage of total accrued costs that is attributed (65.09%). See footnote 5

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-31.

Please refer to OCA/MMA-XE-1 at Tr. 6/2039

- c. Please explain in detail the reason for the derivation of the figure in row 3, column 2. What is the significance of this number? Why is it relevant to show what *Postal Service* accrued costs would be attributable by application of the *Commission's* percentage of attributable costs?

RESPONSE

The purpose of this exercise is to compare Postal Service and Commission cost methodologies under a similar set of rates. Since the rates proposed by the Postal Service and the rates recommended by the Commission are somewhat different, and these rates affect volumes which in turn affect costs, the comparison of the USPS and PRC costs shown on row 1 is not quite correct. Therefore, I made adjustments in rows 2 and 3 to account for the differences in volumes under the two sets of rates.

In row 2 I have adjusted the Postal Service's total accrued costs to be exactly equal to the Commission's total accrued costs. The underlying assumption is that if the costs are constrained to be equal, then they would reflect equal volumes. Thus, using this constraint results in an estimate of USPS costs using the Commission's recommended rates and resulting volumes.

In row 3 I have adjusted the Commission's total accrued costs to be exactly equal to the Postal Service's total accrued costs. Under this scenario, the Commission's cost estimates will reflect the Postal Service's rates and volumes.

Under all three situations, the difference between the two methodologies is about a billion dollars.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-31.

Please refer to OCA/MMA-XE-1 at Tr. 6/2039.

- d. Can the same calculation described in subpart c, above, be done by individual mail class, subclass or special service? If not, why not? Please explain in detail.

RESPONSE

No. See my answer to USPS/MMA-T1-30d.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-32.

Please explain in detail your understanding of why the Commission and Postal Service cost models show different costs in the test year.

RESPONSE

The Commission and Postal Service cost models show different accrued costs in the test year since each set of costs was developed using a different set of rates. Since the rates are different, the volumes would change. Thus, the total accrued costs would change.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-33.

Please confirm that certain figures in OCA/MME-XE-1 were taken from Appendix D of the Commission's initial Recommended Decision in Docket No. R94-1, whereas certain figures in OCA/MME-XE-2 and 3 were taken from Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1. If you do not confirm, please explain in full detail.

RESPONSE

Confirmed.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-34.

Why do Appendix D and Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1 show different accrued cost totals? Why do Appendix D and Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1 show different attributable cost totals? Please explain in detail.

RESPONSE

The Appendix D accrued costs do not include contingency costs or prior year losses. As shown in Appendix D, total accrued costs amount to \$52,530,344. If contingency costs (\$1,050,607, p. III-66) and prior year loss recovery costs (\$936,226, Appendix G) are added, the result (\$54,517,177) will be the total accrued costs shown in Appendix G.

The Appendix D attributable costs do not include contingency costs or final adjustments, as shown on page III-66 of the Docket No R94-1 Opinion. If the attributable contingency cost (\$680,008) is added to, and the final adjusted attributable cost (\$192,593) is subtracted from, the Appendix D attributable cost (\$34,193,077), the result (\$34,680,492) is just about the same as the attributable cost total shown in Appendix G (\$34,680,457).

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-35.

Why did you use Appendix D of the Commission's initial Recommended Decision in Docket No. R94-1 in OCA/MMA-T1-XE-1 and Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1 in OCA/MMA-XE-2 and 3? Is one better than the other for a particular purpose or comparison? Please explain in detail.

RESPONSE

I used the cost totals from Appendix D of the Commission's Docket No. R94-1 Decision in OCA/MMA-XE-1 since the total accrued costs, total attributable costs, and computations of the percent of accrued costs that were attributable, for both the Commission and Postal Service, were readily available (with no additional computations required) and comparable.

I used the cost figures from Appendix G of the Commission's Docket No. R94-1 Decision in OCA/MMA-XE-2 and 3 since these data were comparable to the Postal Service's data that were used from USPS-11A in Docket No. R94-1.

It is not a question of which data are better but which data are comparable.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-36.

Please confirm that if you had used Appendix G of the Commission's initial Recommended Decision in Docket No. R94-1 in OCA/MMA-XE-T1-1, the Commission attributable cost percentage in column 3 would be 63.61 percent (including Prior Years Loss Recovery) and 64.73 percent (excluding Prior Year Loss Recovery). If you do not confirm, please explain in detail.

RESPONSE

Had I used the total revenue requirement as shown in Appendix G as the Commission's total accrued cost in OCA/MMA-XE-1, and the Appendix G total attributable costs, then the percent of attributable costs computes to $34,680,457 / 54,517,176 = 63.61\%$ including prior year losses and $34,680,457 / (54,517,176 - 936,226) = 64.73\%$ excluding prior year losses. However, it is incorrect to use the Appendix G figures since they are not comparable to the Postal Service's total accrued cost, total attributable cost and percent of total accrued costs that is attributable, as shown in Schedule D.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-37.

Please refer to OCA/MME-XE-2 at Tr. 6/2040. Please confirm that the "USPS Institutional Cost Apportionment Factor" for First-Class Mail has decreased, and for Third-Class BRR and All Other has increased in this case (Tr. 6/1951, as opposed to OCA/MMA-XE-2). If you do not confirm, please explain in detail.

RESPONSE

The "USPS Institutional Cost Apportionment Factor" for First-Class is 69.05% in OCA/MMA-XE-2 and 62.27% in MMA-LR-1, page 2. For third-class these figures are 16.55% and 19.80%, respectively.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-38.

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek). Should footnote 5 be changed to read "Col 2 * (Col 4/Col 3)?" If not, please explain in detail why the footnote is accurate.

RESPONSE

Yes. That correction has been made on the diskette provided in answer to USPS/MMA-T1-27.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-39.

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- a. Please confirm that you make an adjustment to Commission attributable costs with the intent of reflecting "USPS volumes at USPS Proposed Rates." If you do not confirm, please explain in detail.

RESPONSE

Confirmed.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-39.

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- b. Please confirm that the volume adjustment referred to in subpart a, above is the only difference between OCA/MMA-XE-2 and 3. If you do not confirm, please explain in detail.

RESPONSE

Confirmed.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-39.

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek)

- c. Please explain in detail the reason for this volume adjustment. Why is it needed? What does it accomplish?

RESPONSE

The costs as reported by the Commission's Docket No. R94-1 Initial Opinion reflect for the test year Postal Service costs and revenues at the Postal Service's proposed rates, and the Commission's costs and revenues at the Commission's recommended rates. The adjustment shown in OCA/MMA-XE-3 was made so show the estimated impact on the Commission's attributable costs, had the Postal Service's rates and volumes been in effect. This allows for a better comparison than the analysis shown in OCA/MMA-XE-2, where no such adjustment was made. In either event, the difference in attributable costs approaches a billion dollars.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-39.

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- d. Why did you not make a similar volume adjustment in MMA-LR-1?
Please explain in detail.

RESPONSE

A similar volume adjustment was not needed in MMA/LR-1 since the Commission's costs for the test year in that document reflect the same rates and volumes that the Postal Service's costs reflect.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-39.

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- e. Please confirm that the effect of your volume adjustment in OCA/MMA-XE-3 is to inflate the numbers in columns 6 and 7 for First-Class and All Other and deflate them for Third-Class BRR? If you do not confirm, please explain in detail.

RESPONSE

Confirmed. The rates recommended by the Commission for First-Class were slightly lower than the Postal Service's proposed rates, thereby increasing the projected volume and attributable costs. The rates recommended by the Commission for third-class were higher than the Postal Service's proposed rates, thereby decreasing the projected volume and attributable costs. I presume the Commission recommended rates for "All Other" were slightly lower than the Postal Service's proposed rates, causing the projected volumes and attributable costs to increase.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-39.

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek).

- f. Please confirm that the cost differences resulting from the different Commission and Postal Service forecasted mail volumes are explicitly reflected in the mail volume effect in both the Commission and Postal Service rollforward cost models. If you do not confirm, please explain in detail.

RESPONSE

The roll forward cost models should and probably do take into account differences in mail volumes that result from differences in rates. However, I have not independently verified this.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-39.

Please refer to OCA/MMA-XE-3 as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M Duchek).

- g. If a mail volume effect is already included in the Commission's cost model, then please confirm that your volume adjustment would result in double-counting of the impact of volume changes. If you do not confirm, please explain in detail.

RESPONSE

Not confirmed. The Commission's costs reflect its recommended rates and volumes. The Postal Service's costs reflect its proposed rates and volumes. Thus, total accrued costs should be and are different. In order for the totals of each to be directly comparable, one of the sets of figures should be adjusted.

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-40.

Did you prepare an analysis similar to MMA-LR-1, page 1 (Tr 6/1952) using your R94-1 analysis reflected in OCA/MMA-XE-2 (without mail volume adjustment)? If so, please provide all notes, spreadsheets, workpapers, electronic files, and other related documentation. If not, please explain in detail why not.

RESPONSE

Yes See Attachment II. A copy of the workpaper is also included in the diskette provided in response to USPS/MMA-T1-27.

Apportionment of "Attributable" and "Institutional" Costs Using the PRC and USPS Attributable
Cost Methodologies for TY 1995 in Docket No. R94-1
(\$000)

Attachment II

<u>Line</u>	<u>Methodology</u>	<u>First-Class Letters</u> 1		<u>Third-Class BRR</u> 2		<u>Other Subclasses and Services</u> 3		<u>Total</u> 4		<u>Ratio of First-Class to Third-Class</u> 5 (Col 1 / Col 2)
<u>Commission Method:</u>										
1	Additional Attributable Costs	\$530,021	1/	\$274,271	1/	\$138,873	1/	\$943,165		1.93
<u>USPS Method:</u>										
2	Apportioned As Institutional Costs	\$651,222	2/	\$156,139	2/	\$135,804	2/	\$943,165		4.17
3	Difference Due To Method	(\$121,201)	3/	\$118,132	3/	\$3,069	3/	\$0		
4	% Difference Due To Method	123%	4/	57%	4/	98%	4/	100%		

Conclusions: For every additional dollar of cost that the PRC's methodology attributes to First Class, the USPS assigns \$1.23 of institutional cost to First Class. For every additional dollar of cost that the PRC's methodology attributes to third class, the USPS assigns \$.57 of institutional cost to third class. For every additional dollar of cost that the PRC's methodology attributes to all other subclasses and services, the USPS assigns \$.98 of institutional cost to those subclasses and services.

1/ Page 2, Col 3

2/ Apportionment Factor from Page 2, Col 8 * \$943,165

3/ Line 1 - Line 2

4/ Line 2 / Line 1

MMA WITNESS: RICHARD BENTLEY
USPS

USPS/MMA-41.

Did you prepare an analysis similar to MMA-LR-1, page 1 (Tr. 6/1952) using your R94-1 analysis reflected in OCA/MMA-XE-3 (with mail volume adjustment)? If so, please provide all notes, spreadsheets, workpapers, electronic files, and other related documentation. If not, please explain in detail why not.

RESPONSE

Yes. See Attachment III. A copy of the workpaper is also included in the diskette provided in response to USPS/MMA-T1-27.

Apportionment of "Attributable" and "Institutional" Costs Using the PRC and USPS Attributable
(PRC Attributable Costs Adjusted to Reflect USPS Volumes at USPS Proposed Rates)
Cost Methodologies for TY 1995 in Docket No. R94-1
(\$000)

Attachment III

Line	Methodology	First-Class			Third-Class			Other Subclasses			Total	Ratio of
		<u>Letters</u>			<u>BRR</u>			<u>and Services</u>			<u>4</u>	<u>First-Class to</u> <u>Third-Class</u>
		1			2			3			4	5
												(Col 1 / Col 2)
	<u>Commission Method:</u>											
1	Additional Adj Attributable Costs	\$559,459	1/		\$192,624	1/		\$205,044	1/		\$957,127	2 90
	<u>USPS Method:</u>											
2	Apportioned As Institutional Costs	\$660,862	2/		\$158,450	2/		\$137,815	2/		\$957,127	4 17
3	Difference Due To Method	(\$101,403)	3/		\$34,174	3/		\$67,229	3/		(\$0)	
4	% Difference Due To Method	118%	4/		82%	4/		67%	4/		100%	

Conclusions: For every additional dollar of cost that the PRC's methodology attributes to First Class, the USPS assigns \$1.18 of institutional cost to First Class. For every additional dollar of cost that the PRC's methodology attributes to third class, the USPS assigns \$.82 of institutional cost to third class. For every additional dollar of cost that the PRC's methodology attributes to all other subclasses and services, the USPS assigns \$.67 of institutional cost to those subclasses and services.

1/ Page 2, Col 6

2/ Apportionment Factor from Page 2, Col 8 * \$957,127

3/ Line 1 - Line 2

4/ Line 2 / Line 1

AFFIRMATION

I, Richard E. Bentley, affirm that my Responses to Interrogatories USPS/MMA-27 through 41 are true and correct to the best of my knowledge and belief.

12/9/96
Date

Richard Bentley
Signature

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document (1) upon the U.S. Postal Service by messenger and First-Class Mail and (2) upon the other parties requesting such service by First-Class Mail.

J. W. Plummer
Jeffrey Plummer

December 9, 1996