

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-T1-42-53)

The Major Mailers Association hereby provides responses of witness Richard Bentley to the following interrogatories of the United States Postal Service: USPS/MMA-T1-42 through 53, filed on December 11, 1996.

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

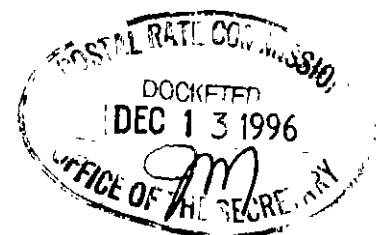
Respectfully submitted,

MAJOR MAILERS ASSOCIATION



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

December 13, 1996



**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-42.

Please refer to Sheet 4 of MMAUSPS.XLS, footnote 1. That footnote cites page 2, column 3 as the source for the amounts in lines 1 and 2, but the cells refer to MMA11.XLS as the source for these amounts. Please provide MMA11.XLS and all source and other materials (in both hard copy and electronic format) necessary to fully document MMAUSPS.XLS.

RESPONSE

A 3.5" diskette that includes the file MMA11.XLS is being sent via Federal Express to the Postal Service. A hard copy of both file MMA11.XLS and file MMAUSPS.XLS is attached. Note that I have added a "header" and "footer" which indicates the file and sheet number to avoid confusion.

Sheet1 of MMA11.XLS is identical to Sheet4 of MMAUSPS.XLS. Sheet2 of MMA11.XLS is identical to Sheet1 of MMAUSPS.XLS.

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

| Line | Methodology | First-Class | Third-Class | Other Subclasses | | Total | Ratio of | | |
|---------------------------|------------------------------------|-------------|-------------|------------------|----|-----------|----------------|-----------------|------|
| | | Letters | BRR | and Services | | | First-Class to | | |
| | | 1 | 2 | 3 | | 4 | 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

USPS Finances For TY 1995 Using USPS and PRC Cost Methodologies at USPS and PRC Rates
 Docket No. MC96-3
 (\$000)

OCA/MMA-XE-2

Computation of Attributable Cost Difference

| <u>Line</u> | <u>Subclass</u> | <u>USPS Attrib Costs</u> 1 | | <u>PRC Attrib Costs2/</u> 2 | | <u>Difference Attrib Costs</u> 3 (Col 2 - Col 1) | <u>PRC Attrib Cost Factor</u> 4 (Col 3 / 943,165) |
|-------------|---------------------|-----------------------------------|----|------------------------------------|----|--|---|
| 1 | First Class Letters | \$17,515,829 | 1/ | \$18,045,850 | 2/ | \$530,021 | 56.20% |
| 2 | Third Class BRR | \$6,317,013 | 1/ | \$6,591,284 | 2/ | \$274,271 | 29.08% |
| 3 | All Other | \$9,904,450 | 1/ | \$10,043,323 | 2/ | \$138,873 | 14.72% |
| 4 | Grand Total | \$33,737,292 | | \$34,680,457 | | \$943,165 | 100.00% |

Computation of USPS Institutional Cost Apportionment Factors

| | <u>Subclass</u> | <u>USPS Attrib Costs</u> 5 | | <u>USPS Rev Target</u> 6 | | <u>Institutional Cost Burden</u> 7 (Col 6 - Col 5) | <u>USPS Institutional Cost Apportionment Factor</u> 8 (Col 7 / 20,670,749) |
|---|---------------------|-----------------------------------|----|---------------------------------|----|--|--|
| 5 | First Class Letters | \$17,515,829 | 1/ | \$31,788,238 | 1/ | \$14,272,409 | 69.05% |
| 6 | Third Class BRR | \$6,317,013 | 1/ | \$9,739,013 | 1/ | \$3,422,000 | 16.55% |
| 7 | All Other | \$9,904,450 | 1/ | \$12,880,790 | 1/ | \$2,976,340 | 14.40% |
| 8 | Grand Total | \$33,737,292 | | \$54,408,041 | | \$20,670,749 | 100.00% |

1/ Docket No. R94-1, USPS-11A, reproduced as Exhibit MMA-1E of Exhibit MMA-T-1

2/ Docket No. R94-1, Appendix G, Schedule 1

USPS Finances For TY 1995 Using USPS and PRC Cost Methodologies at USPS and PRC Rates
 Docket No. MC96-3
 (\$000)

OCA/MMA-XE-2

Computation of Attributable Cost Difference

| <u>Line</u> | <u>Subclass</u> | <u>USPS Attrib Costs</u> 1 | | <u>PRC Attrib Costs</u> ^{2/} 2 | | <u>Difference Attrib Costs</u> 3 (Col 2 - Col 1) | <u>PRC Attrib Cost Factor</u> 4 (Col 3 / 943,165) |
|-------------|--------------------|-----------------------------------|----|--|----|--|---|
| 1 | First Class Letter | \$17,515,829 | 1/ | \$18,045,850 | 2/ | \$530,021 | 56.20% |
| 2 | Third Class BRR | \$6,317,013 | 1/ | \$6,591,284 | 2/ | \$274,271 | 29.08% |
| 3 | All Other | \$9,904,450 | 1/ | \$10,043,323 | 2/ | \$138,873 | 14.72% |
| 4 | Grand Total | \$33,737,292 | | \$34,680,457 | | \$943,165 | 100.00% |

Computation of USPS Institutional Cost Apportionment Factors

| | <u>Subclass</u> | <u>USPS Attrib Costs</u> 5 | | <u>USPS Rev Target</u> 6 | | <u>Institutional Cost Burden</u> 7 (Col 6 - Col 5) | <u>USPS Institutional Cost Apportionment Factor</u> 8 (Col 7 / 20,670,749) |
|---|--------------------|-----------------------------------|----|---------------------------------|----|--|--|
| 5 | First Class Letter | \$17,515,829 | 1/ | \$31,788,238 | 1/ | \$14,272,409 | 69.05% |
| 6 | Third Class BRR | \$6,317,013 | 1/ | \$9,739,013 | 1/ | \$3,422,000 | 16.55% |
| 7 | All Other | \$9,904,450 | 1/ | \$12,880,790 | 1/ | \$2,976,340 | 14.40% |
| 8 | Grand Total | \$33,737,292 | | \$54,408,041 | | \$20,670,749 | 100.00% |

1/ Docket No. R94-1, USPS-11A, reproduced as Exhibit MMA-1E of Exhibit MMA-T-1

2/ Docket No. R94-1, Appendix G, Schedule 1

USPS Finances For TY 1995 Using USPS and PRC Cost Methodologies at USPS Proposed Rates

OCA/MMA-XE-3

(PRC Attributable Costs Adjusted to Reflect USPS Volumes at USPS Proposed Rates)

Docket No. R94-1

(000)

Computation of Attributable Cost Difference

| Line | Subclass | USPS Attrib Costs 1 | PRC Attrib Costs 2/ 2 | USPS Proj Volume 3 | PRC Proj Volume 4 | Adjusted PRC Attrib Costs 5 | Difference Attrib Costs 6 (Col 5 - Col 1) | PRC Attrib Cost Factor 7 (Col 6 / 957,127) |
|------|---------------------|---------------------------|-----------------------------|--------------------------|-------------------------|-----------------------------------|--|---|
| 1 | First Class Letters | \$17,515,829 1/ | \$18,045,850 2/ | 91,018,165 3/ | 91,166,641 4/ | \$18,075,288 5/ | \$559,459 | 58.45% |
| 2 | Third Class BRR | \$6,317,013 1/ | \$6,591,284 2/ | 57,119,463 3/ | 56,411,919 4/ | \$6,509,637 5/ | \$192,624 | 20.13% |
| 3 | All Other | \$9,904,450 1/ | \$10,043,323 2/ | 30,909,472 3/ | 31,113,121 4/ | \$10,109,494 5/ | \$205,044 | 21.42% |
| 4 | Grand Total | \$33,737,292 | \$34,680,457 | 179,047,100 3/ | 178,691,681 4/ | \$34,694,419 5/ | \$957,127 | 100.00% |

Computation of USPS Institutional Cost Apportionment Factors

| Subclass | USPS Attrib Costs 8 | USPS Rev Target 9 | Institutional Cost Burden 10 (Col 9 - Col 8) | USPS Institutional Cost Apportionment Factor 11 (Col 10 / 20,670,749) |
|-----------------------|---------------------------|-------------------------|---|---|
| 5 First Class Letters | \$17,515,829 1/ | \$31,788,238 1/ | \$14,272,409 | 69.05% |
| 6 Third Class BRR | \$6,317,013 1/ | \$9,739,013 1/ | \$3,422,000 | 16.55% |
| 7 All Other | \$9,904,450 1/ | \$12,880,790 1/ | \$2,976,340 | 14.40% |
| 8 Grand Total | \$33,737,292 | \$54,408,041 | \$20,670,749 | 100.00% |

1/ Docket No. R94-1, USPS-11A, reproduced as Exhibit MMA-1E of Exhibit MMA-T-1

2/ Docket No. R94-1, Appendix G, Schedule 1

3/ Docket No. R94-1, Exhibit USPS-7X, pages 8, 15 and 18

4/ Docket No. R94-1, Appendix G, Schedule 1 and Schedule 2, page 1

5/ Col 2 * (Col 4 / Col 3)

Comparison of PRC and USPS Attributable Costs from TY 1995 in Docket No. R94-1

OCA/MMA-XE-1

| | PRC R94-1 Test year | | | USPS R94-1 Test Year | | | Attributable Cost Difference 6/ |
|----------------------|----------------------|---------------------------|------------------------------|----------------------|---------------------------|------------------------------|---------------------------------------|
| | Accrued Cost 1 | Attributable Cost 2 | Percent Attributable 3 | Accrued Cost 4 | Attributable Cost 5 | Percent Attributable 6 | |
| All Cost Segments 1/ | \$52,530,344 | \$34,193,077 | 65.09% | \$52,592,438 | \$33,266,482 | 63.25% | \$926,595 |
| All Cost Segments | \$52,530,344 | \$34,193,077 | 65.09% | \$52,530,344 2/ | \$33,225,443 3/ | 63.25% | \$967,634 |
| All Cost Segments | \$52,592,438 4/ | \$34,232,418 5/ | 65.09% | \$52,530,344 | \$33,225,443 | 63.25% | \$1,006,975 |

1/ PRC Opinion, Docket No. R94-1, Appendix D, p 4

2/ Accrued Cost adjusted to PRC total

3/ 52,530,344 * .6325

4/ Accrued Cost adjusted to USPS total

5/ 52,592,438 * .6509

6/ Col 2 - Col 5

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

| Line | Methodology | First-Class | Third-Class | Other Subclasses | Total | Ratio of |
|---------------------------|------------------------------------|-------------|--------------|------------------|--------------|----------------------------|
| | | Letters | BRR | and Services | | First-Class to Third-Class |
| | | 1 | 2 | 3 | 4 | 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

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)

| Line | Methodology | First-Class | Third-Class | Other Subclasses | Total | Ratio of |
|---------------------------|------------------------------------|----------------|--------------|---------------------|--------------|-------------------------------------|
| | | <u>Letters</u> | <u>BRR</u> | <u>and Services</u> | | First-Class to |
| | | 1 | 2 | 3 | 4 | Third-Class 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

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

| | 1 | 2 | 3 | 4 | 5 |
|----------------------------|-----------------------|-----------------------|----------------------|------------------|----------------------|
| | PRC Unit | USPS Unit | Unit | Projected | Total |
| <u>Subclass or Service</u> | <u>Attrib Cost 1/</u> | <u>Attrib Cost 1/</u> | <u>Difference 2/</u> | <u>Volume 3/</u> | <u>Difference 4/</u> |
| | (\$) | (\$) | (\$) | (000) | (\$ 000) |
| 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-T1-43.

Please refer to sheet 5 of MMAUSPS.XLS, footnote 1. That footnote cites page 2, column 6 as the source for the amounts in lines 1 and 2, but the cells refer to MMA12.XLS as the source for these amounts. Please provide MMA12.XLS and all source and other materials (in both hard copy and electronic format) necessary to fully document MMAUSPS.XLS.

RESPONSE

File MMA12.XLS is included on the 3.5" diskette provided in response to your interrogatory USPS/MMA-T1-42.

Sheet1 of file MMA12.XLS is identical to Sheet5 of file MMAUSPS.XLS. Sheet2 of file MMA12.XLS is identical to Sheet2 of file MMAUSPS.XLS. Sheet3 of file MMA12.XLS is identical to Sheet3 of file MMAUSPS.XLS. Sheet6 of file MMAUSPS.XLS contains the analysis provided as Attachment 1 to your interrogatory USPS/MMA-T1-30(d).

A hard copy of file MMA12.XLS is attached. See my answer to USPS/MMA-T1-42 for the hard copy of file MMAUSPS.XLS. Note that I have added a "header" and "footer" which indicates the file and sheet number to avoid confusion.

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

| <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 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

USPS Finances For TY 1995 Using USPS and PRC Cost Methodologies at USPS Proposed Rates

OCA/MMA-XE-3

(PRC Attributable Costs Adjusted to Reflect USPS Volumes at USPS Proposed Rates)

Docket No. R94-1

(000)

Computation of Attributable Cost Difference

| Line | Subclass | USPS | | PRC | | Adjusted PRC | | Difference | PRC | | | | |
|------|---------------------|---------------------|----|------------------------|----|--------------------|----|---------------------|---------------------------|-----------------|-------------------|-----------|---------|
| | | <u>Attrib Costs</u> | | <u>Attrib Costs 2/</u> | | <u>Proj Volume</u> | | <u>Attrib Costs</u> | <u>Attrib Cost Factor</u> | | | | |
| | | 1 | | 2 | | 3 | | 4 | 5 | 6 | 7 | | |
| | | | | | | | | | | (Col 5 - Col 1) | (Col 6 / 957,127) | | |
| 1 | First Class Letters | \$17,515,829 | 1/ | \$18,045,850 | 2/ | 91,018,165 | 3/ | 91,166,641 | 4/ | \$18,075,288 | 5/ | \$559,459 | 58.45% |
| 2 | Third Class BRR | \$6,317,013 | 1/ | \$6,591,284 | 2/ | 57,119,463 | 3/ | 56,411,919 | 4/ | \$6,509,637 | 5/ | \$192,624 | 20.13% |
| 3 | All Other | \$9,904,450 | 1/ | \$10,043,323 | 2/ | 30,909,472 | 3/ | 31,113,121 | 4/ | \$10,109,494 | 5/ | \$205,044 | 21.42% |
| 4 | Grand Total | \$33,737,292 | | \$34,680,457 | | 179,047,100 | 3/ | 178,691,681 | 4/ | \$34,694,419 | 5/ | \$957,127 | 100.00% |

Computation of USPS Institutional Cost Apportionment Factors

| Subclass | USPS | | USPS | | Institutional | USPS | |
|----------|---------------------|--------------|-------------------|--------------|--------------------|--|---------|
| | <u>Attrib Costs</u> | | <u>Rev Target</u> | | <u>Cost Burden</u> | <u>Institutional Cost Apportionment Factor</u> | |
| | 8 | | 9 | | 10 | 11 | |
| | | | | | (Col 9 - Col 8) | (Col 10 / 20,670,749) | |
| 5 | First Class Letters | \$17,515,829 | 1/ | \$31,788,238 | 1/ | \$14,272,409 | 69.05% |
| 6 | Third Class BRR | \$6,317,013 | 1/ | \$9,739,013 | 1/ | \$3,422,000 | 16.55% |
| 7 | All Other | \$9,904,450 | 1/ | \$12,880,790 | 1/ | \$2,976,340 | 14.40% |
| 8 | Grand Total | \$33,737,292 | | \$54,408,041 | | \$20,670,749 | 100.00% |

1/ Docket No. R94-1, USPS-11A, reproduced as Exhibit MMA-1E of Exhibit MMA-T-1

2/ Docket No. R94-1, Appendix G, Schedule 1

3/ Docket No. R94-1, Exhibit USPS-7X, pages 8, 15 and 18

4/ Docket No. R94-1, Appendix G, Schedule 1 and Schedule 2, page 1

5/ Col 2 * (Col 4 / Col 3)

Comparison of PRC and USPS Attributable Costs from TY 1995 in Docket No. R94-1

OCA/MMA-XE-1

| | PRC R94-1 Test year | | | USPS R94-1 Test Year | | | Attributable Cost Difference 6/ |
|----------------------|----------------------|---------------------------|------------------------------|----------------------|---------------------------|------------------------------|---------------------------------------|
| | Accrued Cost 1 | Attributable Cost 2 | Percent Attributable 3 | Accrued Cost 4 | Attributable Cost 5 | Percent Attributable 6 | |
| All Cost Segments 1/ | \$52,530,344 | \$34,193,077 | 65.09% | \$52,592,438 | \$33,266,482 | 63.25% | \$926,595 |
| All Cost Segments | \$52,530,344 | \$34,193,077 | 65.09% | \$52,530,344 2/ | \$33,225,443 3/ | 63.25% | \$967,634 |
| All Cost Segments | \$52,592,438 4/ | \$34,232,418 5/ | 65.09% | \$52,530,344 | \$33,225,443 | 63.25% | \$1,006,975 |

1/ PRC Opinion, Docket No R94-1, Appendix D, p. 4

2/ Accrued Cost adjusted to PRC total

3/ 52,530,344 * .6325

4/ Accrued Cost adjusted to USPS total

5/ 52,592,438 * .6509

6/ Col 2 - Col 5

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-44.

Please refer to your response to USPS/MMA-T1-28(c), where you stated that you prepared your Docket No. R94-1 analysis the night before you were to testify.

- a. Does this mean that your Docket No. R94-1 analysis was prepared on November 18, 1996? If not, please explain on what date it was prepared.
- b. If your Docket No. R94-1 analysis was not prepared until November 18, 1996, then please explain in detail why Major Mailers Association stated in its September 24, 1996 Motion for Limited Extension of Time to File Testimony and Request for Shortened Answering Period, that the data from PRC-LR-1 and 2 "effectively supersede the data MMA used in its original prepared testimony. Now that these new data are available, it makes no sense to have MMA submit its testimony as originally prepared."
- c. If your Docket No. R94-1 analysis was not prepared until November 18, 1996, then please explain in detail why you testified: "Yes. I was basically finished with my analysis and when this updated information came on, I felt I would have been embarrassed to file my testimony by ignoring it, so I wanted to incorporate it.... Once the new data came out, I saw no need to put in the older data." Tr. 6/2044-45.
- d. If your Docket No. R94-1 analysis was not prepared until November 18, 1996, then please explain in detail why Major Mailers Association stated in its November 25, 1996 Response to United States Postal Service's "Supplemental Comments" to Motion to Strike MMA Witness Bentley's "New Analysis": "This conclusion was contained in the draft of his testimony that Mr. Bentley prepared before the Commission issued PRC-LR-1 and LR-2. At that time, Mr. Bentley illustrated his conclusion with data from Docket No. R94-1 (*Id.* at 6:2042). After the Commission issued PRC-LR-1 and LR-2 data for the R94-1 data."

RESPONSE

These interrogatories confuse two separate analyses

- 1) The analysis that I discussed in my cross-examination and in my redirect examination is the analysis that is contained at Tr. 6/2039-41 and revised (as

MMA WITNESS: RICHARD BENTLEY
USPS/MMA-T1-44(a)-(d)

attached to the letter of November 22, 1996 from Richard Littell to Susan M. Duchek). This analysis was prepared on November 18, 1996 as stated in my answer to your Interrogatory USPS/MMA-T1-28.

- 2) The analysis described in MMA's September 24, 1996 motion is the analysis that is being provided to you at your request, in response to your Interrogatory USPS/MMA-T1-44(e)

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-44.

Please refer to your response to USPS/MMA-T1-28(c), where you stated that you prepared your Docket No. R94-1 analysis the night before you were to testify.

- e. Was your testimony originally prepared using an analysis different from the one contained at Tr. 6/2039-41 and as revised (attached to letter of November 22, 1996 from Richard Littell to Susan M. Duchek)? If so, please provide all notes, spreadsheets, workpapers, electronic files, and other documentation related to that original analysis.

RESPONSE

Yes, as described in my answer to your Interrogatory USPS/MMA-T1-44(a-d). A hard copy of that analysis is attached. A computer version of the analysis is contained on the 3.5" diskette provided in response to interrogatory USPS/MMA-T1-42. The file is called MMA3.XLS.

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

| <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 | \$671,625 1/ | \$556,609 1/ | \$153,274 1/ | \$1,381,508 | 1.21 |
| <u>USPS Method:</u> | | | | | |
| 2 Apportioned As Institutional Costs | \$953,882 2/ | \$228,706 2/ | \$198,921 2/ | \$1,381,508 | 4.17 |
| 3 Difference Due To Method | (\$282,257) 3/ | \$327,903 3/ | (\$45,647) 3/ | \$0 | |
| 4 % Difference Due To Method | 142% 4/ | 41% 4/ | 130% 4/ | 100% | |

Conclusions. For every additional dollar of cost that the PRC's methodology attributes to First Class, the USPS assigns \$1.42 of institutional cost to First Class. For every additional dollar of cost that the PRC's methodology attributes to third class, the USPS assigns \$.41 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 \$1.30 of institutional cost to those subclasses and services.

- 1/ Page 2, Col 3
- 2/ Apportionment Factor from Page 2, Col 8 * \$1,381,508
- 3/ Line 1 - Line 2
- 4/ Line 2 / Line 1

Projected Finances Using USPS and PRC Cost Methodologies at USPS Proposed Rates
In Docket No. R94-1
(\$000)

MMA-LR-1

Page 2 of 2

Computation of Attributable Cost Difference

| <u>Subclass</u> | <u>USPS Attrib Costs</u> 1 | | <u>PRC Attrib Costs2/</u> 2 | | <u>Difference Attrib Costs</u> 3 (Col 2 - Col 1) | <u>PRC Attrib Cost Factor</u> 4 (Col 3 / 1,381,508) |
|-----------------------|-----------------------------------|----|------------------------------------|----|--|---|
| 1 First Class Letters | \$17,515,829 | 1/ | \$18,187,454 | 2/ | \$671,625 | 48.62% |
| 2 Third Class BRR | \$6,317,013 | 1/ | \$6,873,622 | 2/ | \$556,609 | 40.29% |
| 3 All Other | \$9,904,450 | 1/ | \$10,057,724 | 2/ | \$153,274 | 11.09% |
| 4 Grand Total | \$33,737,292 | | \$35,118,800 | | \$1,381,508 | |

Computation of USPS Institutional Cost Apportionment Factors

| <u>Subclass</u> | <u>USPS Attrib Costs</u> 5 | | <u>USPS Revenues</u> 6 | | <u>Difference (Net Revenues)</u> 7 (Col 6 - Col 5) | <u>USPS Institutional Cost Apportionment Factor</u> 8 (Col 7 / 20,670,749) |
|-----------------------|-----------------------------------|----|-------------------------------|----|--|--|
| 5 First Class Letters | \$17,515,829 | 1/ | \$31,788,238 | 1/ | \$14,272,409 | 69.05% |
| 6 Third Class BRR | \$6,317,013 | 1/ | \$9,739,013 | 1/ | \$3,422,000 | 16.55% |
| 7 All Other | \$9,904,450 | 1/ | \$12,880,790 | 1/ | \$2,976,340 | 14.40% |
| 8 Grand Total | \$33,737,292 | | \$54,408,041 | | \$20,670,749 | 100.00% |

1/ Docket No. R94-1, USPS-11A, reproduced as Exhibit MMA-1E of Exhibit MMA-T-1

2/ Docket No. R94-1, Exhibit MMA-1G of Exhibit MMA-T-1

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-45.

Please refer to your response to USPS/MMA-T1-30(a) where you state that the cost figure of \$52,530,344 appearing in row 2, column 4 represents "an estimate" of Postal Service *accrued costs under the Commission's rates and projected volumes.*

- a. Please explain in detail how this estimate was calculated.
- b. Please explain how this calculation was implemented in your spreadsheet MMAUSPS.XLS.

RESPONSE

The estimated USPS total accrued cost (\$52,530,344) under the Commission's Docket No. R94-1 recommended rates was not calculated. It was assumed to be equal to the Commission's total accrued cost (\$52,530,344) reflecting the Commission's recommended rates. In the spreadsheet, this cost figure is set equal to the Commission's total accrued cost provided in column 1, row 2, which is set equal to the Commission's total accrued cost provided in column 1, row 1.

Please see also my answer to interrogatory USPS/MMA-T1-50(a).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-46.

Please refer to your response to USPS/MMA-T1-31(a) where you state that the cost figure of \$52,592,438 appearing in row 3, column 1 represents "an estimate" of Commission accrued costs under the Postal Service's rates.

- a. Please explain in detail how this estimate was calculated
- b. Please explain how this calculation was implemented in your spreadsheet MMAUSPS.XLS.

RESPONSE

The estimated PRC total accrued cost (\$52,592,438) under the USPS Docket No. R94-1 proposed rates was not calculated. It was assumed to be equal to the Postal Service's total accrued cost (\$52,592,438) reflecting the Postal Service's proposed rates. In the spreadsheet, this cost figure is set equal to the Postal Service's total accrued cost provided in column 4, row 1.

Please also see my answer to interrogatory USPS/MMA-T1-50(b).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-47.

Please refer to your responses to USPS/MMA-T1-30(c) and 31(c) where you state that "In row 2, I have adjusted the Postal Service's total accrued costs to be exactly equal to the Commission's total accrued costs" and "In row 3 I have adjusted the Commission's total accrued costs to be exactly equal to the Postal Service's total accrued costs." Please show all calculations underlying these adjustments. Please provide all notes, spreadsheets, workpapers, electronic files, and other documentation underlying these adjustments.

RESPONSE

Please see my interrogatory answers to USPS/MMA-T1-30(c), 31(c), 45(a,b), 46(a,b) and 50(a,b).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-48.

Please refer to your response to USPS/MMA-T1-34 in the final sentence where you state that the Appendix D attributable cost, after addition of the contingency and subtraction of the final adjustments, "is just about the same as" the Appendix G attributable cost. Why are the Appendix D "adjusted" attributable costs not exactly the same as the Appendix G attributable costs? Please explain in detail.

RESPONSE

I have not attempted to ascertain why the dollar figures are not "exactly the same." Replication of the Commission's Initial Opinion in Docket No. R94-1 was certainly beyond the scope of my testimony. See my answer to Interrogatory USPS/MMA-T1-35 where I explain why I used the data from each of the two data sources.

In any event, it is not significant for my analysis that the dollar figures are not "exactly the same." The difference is \$35 million, or .0001%. Such a small difference has no bearing on my conclusion that the difference in the amount of costs attributed between the Commission and Postal Service cost methodologies is about \$1 billion.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-49.

Please refer to your response to USPS/MMA-T1-38 referring to a correction made on the diskette provided in response to USPS/MMA-T1-27. Were there any other corrections or revisions made on the diskette? If so, please explain each such correction or revision in detail.

RESPONSE

No.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-50.

Please refer to your response to USPS/MMA-T1-39(g) where you state, "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."

- a. Is it your testimony that if the Postal Service's total accrued costs were calculated using Commission recommended rates and volumes, then the Postal Service's total accrued costs would equal the Commission's total accrued costs? Please explain in detail.

RESPONSE

Although I have not made such a calculation, I believe it is reasonable to assume that total accrued costs under each of the two methodologies could be and should be very close. There is no logical reason to expect that total accrued costs would be different under each of the two methodologies, as long as the rates and volumes were identical.

Once the total accrued costs were determined, then I would expect the total amount of costs deemed to be attributable under the Commission's methodology to be about \$1 billion higher than under the Postal Service's methodology.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-50.

Please refer to your response to USPS/MMA-T1-39(g) where you state, "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."

- b. Is it your testimony that if the Commission's total accrued costs were calculated using Postal Service proposed rates and volumes, then the Commission's total accrued costs would equal the Postal Service's total accrued costs? Please explain in detail.

RESPONSE

Yes. See my answer to Interrogatory USPS/MMA-T1-50(a).

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-50.

Please refer to your response to USPS/MMA-T1-39(g) where you state, "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."

- c. Is it your testimony that if you used the Commission's projected volumes in the Postal Service's cost model, then the level of attributable costs as a percent of total accrued costs would be the same as if you had used the Postal Service's projected volumes? Please explain in detail

- d. Is it your testimony that if you used the Postal Service's projected volumes in the Commission's cost models, then the level of attributable costs as a percent of total accrued costs would be the same as if you had used the Commission's projected volumes? Please explain in detail.

RESPONSE

Generally, yes. Small changes in volumes will probably have a small impact on the percentage of costs deemed attributable. I have not made the calculations, so I do not know whether this percentage would go up or down. In either case I expect the change would be rather modest.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-51.

Please refer to your response to USPS/MMA-T1-39(g) where you state, "In order for the totals of each to be directly comparable, one of the sets of figures should be adjusted." Is this the adjustment you are referring to in your responses to USPS/MMA-T1-30(c) and 31(c)? If not, please explain in detail what adjustment you are referring to in your response to USPS/MMA-T1-39(g).

RESPONSE

Yes. See also the analysis provided in response to interrogatory USPS/MMA-T1-30(d). Since this analysis utilizes unit attributable costs, then the adjustments discussed in my answers to USPS/MMA-T1-30(c) and 31(c) are not necessary.

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-52.

Please refer to your response to USPS/MMA-T1-40. Please specify the date on which Attachment II was prepared.

RESPONSE

November 18, 1996. This workpaper was available to me during cross-examination but was not relevant to the questions that were posed to me at that time

**MMA WITNESS: RICHARD BENTLEY
USPS**

USPS/MMA-T1-53.

Please refer to your response to USPS/MMA-T1-41. Please specify the date on which Attachment III was prepared.

RESPONSE

November 18, 1996. This workpaper was available to me during cross-examination but was not relevant to the questions that were posed to me at that time.

AFFIRMATION

I, Richard E. Bentley, affirm that my Responses to Interrogatories USPS/MMA-42 through 53 are true and correct to the best of my knowledge and belief.

12/12/96
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 13, 1996