

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

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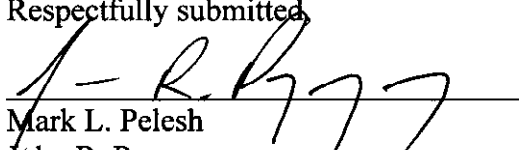
POSTAL RATE AND FEE CHANGES, 2000 )

Docket No. R2000-1

**FIRST SET OF INTERROGATORIES OF  
ASSOCIATION OF AMERICAN PUBLISHERS  
TO USPS WITNESS KASHANI AAP/USPS-T14-1-5**

Pursuant to Section 25 and 26 of the Commission's Rules of Practice and Procedure, the Association of American Publishers (AAP), hereby submits the following interrogatories and request for production of documents to USPS witness Kashani (USPS-T-14). AAP incorporates by reference the instructions in OCA interrogatories OCA/USPS-1-14 (filed January 24, 2000). If the designated witness is unable to respond to any interrogatory, or any part therein, we request a response by some other qualified witness.

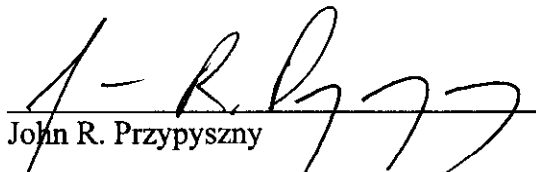
Respectfully submitted,

  
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**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document, by First-Class Mail, upon the participants in this proceeding.

  
John R. Przepyszny

Date: March 10, 2000

**FIRST SET OF INTERROGATORIES OF  
ASSOCIATION OF AMERICAN PUBLISHERS  
TO UNITED STATES POSTAL SERVICE WITNESS KASHANI**

**AAP/USPS-T14-1** On page 3 (lines 3-10) of your testimony, you discuss the process used to project Base Year 1998 costs to FY 1999 and to project costs in later years up through the test year at both current (TYBR) and proposed (TYAR) rates. With respect to this process:

- (a) Please state whether this process is sufficiently automated so that the cost effect on a subclass of a change in the assumed volume variability of a cost pool in C/S 03 in Base Year 1998 would be captured automatically in TYBR and TYAR costs for that subclass without any manual adjustments.
- (b) If your answer is no, please provide a specific example and a step-by-step explanation as to how such a change would be inputted or reflected in the Postal Service's electronic files pertaining to TYBR and TYAR costs for a subclass.
- (c) If your answer is yes, please describe each manual adjustment that would be required to derive TYBR and TYAR costs at the subclass level from BY 1998 cost pool data.

**AAP/USPS-T14-2** Has the Postal Service compared or evaluated in any way the cost levels predicted in R97-1 with actual cost levels that ensued taking into account such factors as variances in volume and cost level? If your answer is yes, please provide any such “back-cast” or related analyses of the accuracy of the Postal Service's roll-forward procedures as applied in R97-1.

**AAP/USPS-T14-3** On page 4 (line 4) of your testimony, you state that test year estimates of volume variable costs are developed by adjusting base year volume variable costs for “changes in cost level.” In footnote 1 of your testimony, you also explain that cost level changes refer to the price levels of inputs to the Postal Service. With respect to these statements:

- (a) Please provide a list of all expected changes in cost levels that you relied upon in developing test year volume variable costs.
- (b) Please explain how the Postal Service verifies or validates specific changes in cost levels for volume variable costs that are expected to occur by the test year. Please provide any reports

or data references from sources other than the Postal Service used to verify or validate expected “changes in cost level.”

(c) Please describe the manner in which the Postal Service accounts for changes in postal productivity between TYBR costs and TYAR costs and provide any definition of productivity relied upon to develop the roll forward models.

**AAP/USPS-T14-4** On pages 10-13 of your testimony, you describe the five types of volume variable costs that receive different treatment relative to the determination of the effect of mail-volume changes. With respect to these five types of volume variable costs:

(a) Please indicate, by individual cost segment and cost components, the respective volume variable costs that fall into each of the five types of volume variable costs.

(b) Please provide mathematical examples of “costs that vary directly with volume” and of a “cost distribution that varies directly by volume.” Please explain the extent to which “costs that vary directly with volume” differs from a “cost distribution that varies directly by volume” and whether the two types of costs are independent of each other or related..

**AAP/USPS-T14-5** On page 34 of Appendix A to your testimony, you provide TY 2001 AR Distribution Keys. Footnote 1 states that “[e]ach distribution on pages 32-33 cols (3)-(26) is multiplied by the mail volume effect for each class of mail from Exhibit USPS-14A.” Please provide a mathematical example using numbers from these exhibits that explain or demonstrate how this calculation is made.