

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

RECEIVED

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS KASHANI TO INTERROGATORY OF  
MAGAZINE PUBLISHERS OF AMERICA  
(MPA/USPS-T14-3)

The United States Postal Service hereby provides the response of witness Kashani to the following interrogatory of Magazine Publishers of America: MPA/USPS-T14-3, filed on March 23, 2000.

The 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



Susan M. Duchek

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April 6, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KASHANI  
TO INTERROGATORIES OF  
MAGAZINE PUBLISHERS OF AMERICA**

**MPA/USPS-T14-3** Please refer to your Workpapers WP-B through WP-J, inclusive. For FY99, FY00 and FY01, please provide documentation for the following:

- (a) Derivation of the amounts shown as "Cost Level" changes for highway and railroad transportation.
- (b) Derivation of the amounts shown as "Cost Reductions" and "Other Programs" for highway and railroad transportation, and their distribution to classes and subclasses.
- (c) Any and all USPS programs and initiatives underlying the cost changes referenced in (a) and (b), above.

**RESPONSE**

- a) The "Cost Level" changes displayed in my Workpapers WP-B through WP-J are developed by applying cost level change factors to Base Year 1998, FY 1999, FY 2000, and Test Year 2001. All cost level change factors appear in the "Cost Level" column of Exhibit 14A of my testimony and in Chapter III of USPS LR-I-127. The following example illustrates the steps involved in calculating "Cost Level" changes for FY 1999 highway and railroad transportation:

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KASHANI  
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**MPA/USPS-T14-3, RESPONSE – CONTINUED**

	Highway Transportation			Railroad Transportation		
	Base Year 1998 (1)	Cost Level Factor for Component 143 (2)	Cost Level Change (3)	Base Year 1998 (4)	Cost Level Factor for Component 144 (5)	Cost Level Change (6)
<b>First-Class Mail:</b>						
Single-Piece Letters	240,346	0.035800	8,604	2,834	-0.002400	-7
Presort Letters	92,149	0.035800	3,299	4,400	-0.002400	-11
Single Piece Cards	4,034	0.035800	144	110	-0.002400	0
Presort Prvt P Cs	2,346	0.035800	84	134	-0.002400	0
<b>Total First</b>	<b>338,875</b>		<b>12,132</b>	<b>7,478</b>		<b>-16</b>
<b>Priority Mail</b>	<b>213,914</b>	<b>0.035800</b>	<b>7,658</b>	<b>2,421</b>	<b>-0.002400</b>	<b>-6</b>
<b>Express Mail</b>	<b>39,392</b>	<b>0.035800</b>	<b>1,410</b>		<b>-0.002400</b>	<b>0</b>
<b>Periodicals:</b>						
In-County	64	0.035800	2		-0.002400	0
Outside County:						
Regular	176,707	0.035800	6,326	79,306	-0.002400	-190
Nonprofit	37,616	0.035800	1,354	17,167	-0.002400	-41
Classroom	1,446	0.035800	52	623	-0.002400	-1
<b>Total Second</b>	<b>216,033</b>		<b>7,734</b>	<b>97,116</b>		<b>-233</b>
<b>Standard Mail (A):</b>						
Single Piece Rate	23,966	0.035800	859	6,494	-0.002400	-16
Commercial Standard						
Enhanced Carr Rte	46,707	0.035800	1,672	9,995	-0.002400	-24
Regular	210,499	0.035800	7,536	69,128	-0.002400	-166
<b>Total Commercial</b>	<b>257,206</b>		<b>9,208</b>	<b>79,123</b>		<b>-190</b>
Aggregate Nonprofit:						
Nonprofit Enh Carr Rte	5,097	0.035800	182	1,262	-0.002400	-3
Nonprofit	35,199	0.035800	1,260	11,167	-0.002400	-27
<b>Total Aggreg Nonprofit</b>	<b>40,296</b>		<b>1,443</b>	<b>12,449</b>		<b>-30</b>
<b>Total Standard (A)</b>	<b>321,490</b>		<b>11,509</b>	<b>98,066</b>		<b>-235</b>
<b>Standard Mail (B)</b>						
Parcels Zone Rate	241,516	0.035800	8,646	32,375	-0.002400	-78
Bound Prnt Matter	51,661	0.035800	1,850	9,922	-0.002400	-24
Special Standard	46,625	0.035800	1,669	13,444	-0.002400	-32
Library Rate	9,724	0.035800	348	2,227	-0.002400	-5
<b>Total Standard (B)</b>	<b>349,546</b>		<b>12,514</b>	<b>57,968</b>		<b>-139</b>
<b>U S Postal Service</b>	<b>3,409</b>	<b>0.035800</b>	<b>122</b>	<b>2,131</b>	<b>-0.002400</b>	<b>-5</b>
<b>Free Mail--Blind &amp; Hndc &amp; Servicemen</b>	<b>3,906</b>	<b>0.035800</b>	<b>140</b>	<b>76</b>	<b>-0.002400</b>	<b>0</b>
<b>International Mail</b>	<b>13,966</b>	<b>0.035800</b>	<b>500</b>	<b>5,403</b>	<b>-0.002400</b>	<b>-13</b>
<b>Volume Variable</b>	<b>1,500,533</b>		<b>53,716</b>	<b>270,658</b>		<b>-650</b>
<b>Other</b>	<b>338,168</b>	<b>0.035800</b>	<b>12,106</b>	<b>1,936</b>	<b>-0.002400</b>	<b>-5</b>
<b>Total Costs</b>	<b>1,838,701</b>		<b>65,825</b>	<b>272,594</b>		<b>-654</b>

1&4/ Workpaper WP-B, Pages 497-498  
2&5/ USPS-T-14, Exhibit 14A, Page 1  
3&6/ Base Year X Cost Level Change Factor.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KASHANI  
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**MPA/USPS-T14-3, RESPONSE – CONTINUED**

The same procedure is applied to FY 2000 and TY 2001 for all components receiving a multiplicative cost level change effect.

- b) All "Cost Reductions" and "Other Programs" for highway and railroad transportation are obtained from LR-I-127, Chapter III. The amounts can be found in the "Cost Reductions" and "Other Programs" columns of my Exhibit 14A. Please see my response to MAP/USPS-T14-1&2, for the source of "Cost Reductions" and "Other Programs" amounts and their relevant distribution keys as used in the rollforward. The following examples show how Cost Reductions and Other Programs for FY 1999 highway and railroad transportation are distributed to classes and subclasses:

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KASHANI  
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**MPA/USPS-T14-3, RESPONSE – CONTINUED**

Development of Cost Reductions and Other Programs for Highway Transportation

	Base Year 1998 (1)	Cost Level Change (2)	Mail Volume Level Change (3)	Total Cost (4) = (1+2+3)	Distribution Key for Cost Reductions (5)	Cost Reductions (6) = (4) X (-\$2,487)	Total Cost (7) = (4)+6	Distribution Key for Other Programs (8)	Cost Reductions (9) = (8) X \$36,371	Total Cost (10) = (7)+9
<b>First-Class Mail:</b>										
Single-Piece Letters	240,346	8,004	-2,246	246,706	0.128182	-319	246,386	0.128182	4,634	250,020
Presort Letters	92,149	3,299	8,228	100,674	0.082308	-130	100,544	0.082308	1,890	102,304
Single Piece Cards	4,034	144	-170	4,008	0.002082	-5	4,003	0.002082	74	4,076
Presort Pmt P Cs	2,348	64	-107	2,323	0.001207	-3	2,320	0.001207	43	2,363
<b>Total First</b>	<b>338,875</b>	<b>12,131</b>	<b>2,704</b>	<b>363,710</b>		<b>-457</b>	<b>363,253</b>		<b>6,500</b>	<b>369,753</b>
<b>Priority Mail</b>	<b>213,914</b>	<b>7,668</b>	<b>2,838</b>	<b>224,410</b>	<b>0.118698</b>	<b>-290</b>	<b>224,120</b>	<b>0.118698</b>	<b>4,124</b>	<b>228,244</b>
<b>Express Mail</b>	<b>39,392</b>	<b>1,410</b>	<b>1,498</b>	<b>42,298</b>	<b>0.021977</b>	<b>-66</b>	<b>42,243</b>	<b>0.021977</b>	<b>777</b>	<b>43,021</b>
<b>Periodicals:</b>										
In-County	64	2	-2	64	0.000033	0	64	0.000033	1	65
<b>Outside County:</b>										
Regular	176,707	8,326	3,815	186,848	0.097082	-241	186,607	0.097082	3,434	190,040
Nonprofit	37,818	1,354	-2,980	36,220	0.018819	-47	36,173	0.018819	666	36,839
Classroom	1,446	52	-38	1,460	0.000769	-2	1,458	0.000769	27	1,485
<b>Total Second</b>	<b>218,033</b>	<b>7,734</b>	<b>825</b>	<b>224,592</b>		<b>-290</b>	<b>224,302</b>		<b>4,128</b>	<b>228,429</b>
<b>Standard Mail (A):</b>										
Single Piece Rate	23,968	869	-17,968	6,961	0.003612	-9	6,942	0.003612	128	7,070
<b>Commercial Standard</b>										
Enhanced Carr Rte	46,707	1,672	-1,851	46,528	0.024175	-60	46,468	0.024175	855	47,323
Regular	210,499	7,836	24,293	242,328	0.126908	-313	242,015	0.126908	4,463	246,488
<b>Total Commercial</b>	<b>267,206</b>	<b>9,208</b>	<b>22,442</b>	<b>288,856</b>		<b>-373</b>	<b>288,483</b>		<b>5,306</b>	<b>293,791</b>
<b>Aggregate Nonprofit:</b>										
Nonprofit Enh Carr Rte	5,097	182	540	5,819	0.003023	-8	5,811	0.003023	107	5,918
Nonprofit	36,199	1,260	1,329	37,788	0.019834	-49	37,739	0.019834	694	38,434
<b>Total Aggreg Nonprofit</b>	<b>40,296</b>	<b>1,442</b>	<b>1,869</b>	<b>43,607</b>		<b>-56</b>	<b>43,551</b>		<b>801</b>	<b>44,352</b>
<b>Total Standard (A)</b>	<b>321,490</b>	<b>11,509</b>	<b>6,415</b>	<b>339,414</b>		<b>-439</b>	<b>338,975</b>		<b>6,236</b>	<b>345,213</b>
<b>Standard Mail (B)</b>										
Parcels Zone Rate	241,516	8,646	2,242	252,404	0.131143	-328	252,076	0.131143	4,839	256,717
Bound Pmt Matter	51,681	1,850	795	54,326	0.028227	-70	54,256	0.028227	998	55,254
Special Standard	46,825	1,869	2,363	50,647	0.026316	-65	50,582	0.026316	931	51,512
Library Rate	9,724	348	127	10,199	0.005299	-13	10,186	0.005299	187	10,373
<b>Total Standard (B)</b>	<b>349,746</b>	<b>12,613</b>	<b>6,517</b>	<b>367,876</b>		<b>-475</b>	<b>367,401</b>		<b>6,765</b>	<b>373,866</b>
<b>U S Postal Service</b>	<b>3,409</b>	<b>122</b>	<b>20</b>	<b>3,551</b>	<b>0.001845</b>	<b>-8</b>	<b>3,546</b>	<b>0.001845</b>	<b>65</b>	<b>3,612</b>
<b>Free Mail-Blind &amp; Hndc &amp; Servicemen</b>	<b>3,908</b>	<b>140</b>	<b>4</b>	<b>4,052</b>	<b>0.002105</b>	<b>-6</b>	<b>4,047</b>	<b>0.002105</b>	<b>74</b>	<b>4,121</b>
<b>International Mail</b>	<b>13,968</b>	<b>600</b>	<b>297</b>	<b>14,763</b>	<b>0.007671</b>	<b>-19</b>	<b>14,744</b>	<b>0.007671</b>	<b>271</b>	<b>15,015</b>
<b>Volume Variable</b>	<b>1,800,633</b>	<b>63,717</b>	<b>20,116</b>	<b>1,874,366</b>		<b>-2,034</b>	<b>1,872,332</b>		<b>26,634</b>	<b>1,901,266</b>
<b>Other</b>	<b>338,168</b>	<b>12,106</b>		<b>360,274</b>	<b>0.181995</b>	<b>-453</b>	<b>349,821</b>	<b>0.181995</b>	<b>6,437</b>	<b>366,259</b>
<b>Total Costs</b>	<b>1,838,701</b>	<b>66,823</b>	<b>20,116</b>	<b>1,924,840</b>		<b>-2,487</b>	<b>1,922,353</b>		<b>36,371</b>	<b>1,967,624</b>

1,2, & 3/ Workpaper WP-B, pages 497-603

5/ Each mail category in column 4 is divided by "Total Costs" in column 4  
6/ Each mail category in column 7 is divided by "Total Costs" in column 7

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**MPA/USPS-T14-3, RESPONSE - CONTINUED**

Development of Cost Reductions and Other Programs for Railroad Transportation

	Base Year 1998 (1)	Cost Level Change (2)	Mail Volume Level Change (3)	Total Cost (4) = (1+2+3)	Distribution Key for Cost Reductions (5)	Cost Reductions (6) = (4) X (-\$11,328)	Total Cost (7) = (4+6)	Distribution Key for Other Programs (8)	Cost Reductions (9) = (8) X \$11,218	Total Cost (10) = (7+9)
<b>First-Class Mail:</b>										
Single-Piece Letters	2,834	-7	-25	2,802	0.010118	-116	2,687	0.010118	114	2,801
Presort Letters	4,400	-11	240	4,629	0.016716	-189	4,440	0.016716	188	4,627
Single Piece Cards	110		-4	106	0.000383	-4	102	0.000383	4	106
Presort Prvt P Cs	134		-8	126	0.000482	-6	123	0.000482	5	128
<b>Total First</b>	<b>7,478</b>	<b>-18</b>	<b>206</b>	<b>7,666</b>		<b>-314</b>	<b>7,351</b>		<b>310</b>	<b>7,662</b>
Priority Mail	2,421	-8	31	2,448	0.008833	-100	2,348	0.008833	99	2,445
Express Mail				0	0.000000	0	0	0.000000	0	0
<b>Periodicals:</b>										
<b>In-County</b>										
Outside County:				0	0.000000	0	0	0.000000	0	0
Regular	79,306	-180	1,649	80,785	0.291644	-3,304	77,481	0.291644	3,272	80,733
Nonprofit	17,187	-41	-1,291	15,856	0.057253	-849	15,208	0.057253	642	15,849
Classroom	623	-1	-16	606	0.002188	-25	581	0.002188	25	606
<b>Total Second</b>	<b>97,116</b>	<b>-232</b>	<b>342</b>	<b>97,226</b>		<b>-3,977</b>	<b>93,249</b>		<b>3,938</b>	<b>97,187</b>
<b>Standard Mail (A):</b>										
Single Piece Rate	6,494	-18	-4,866	1,612	0.006643	-74	1,738	0.006643	73	1,811
Commercial Standard										
Enhanced Car Rate	9,995	-24	-382	9,589	0.034626	-362	9,197	0.034626	388	9,585
Regular	69,128	-166	7,683	76,645	0.276767	-3,135	73,510	0.276767	3,105	76,615
<b>Total Commercial</b>	<b>79,123</b>	<b>-190</b>	<b>7,301</b>	<b>86,234</b>		<b>-3,627</b>	<b>82,707</b>		<b>3,493</b>	<b>86,200</b>
Aggregate Nonprofit:										
Nonprofit Enh Car Rate	1,262	-3	129	1,388	0.005012	-57	1,331	0.005012	56	1,387
Nonprofit	11,187	-27	407	11,567	0.041789	-473	11,094	0.041789	469	11,562
<b>Total Aggreg Nonprofit</b>	<b>12,449</b>	<b>-30</b>	<b>536</b>	<b>12,955</b>		<b>-530</b>	<b>12,425</b>		<b>525</b>	<b>12,950</b>
<b>Total Standard (A)</b>	<b>98,066</b>	<b>-236</b>	<b>3,171</b>	<b>101,001</b>		<b>-4,132</b>	<b>96,869</b>		<b>4,091</b>	<b>100,961</b>
<b>Standard Mail (B)</b>										
Parcels Zone Rate	32,375	-78	290	32,587	0.117672	-1,333	31,254	0.117672	1,320	32,574
Bound Print Matter	9,922	-24	147	10,045	0.036273	-411	9,634	0.036273	407	10,041
Special Standard	13,444	-32	653	14,065	0.050789	-575	13,490	0.050789	570	14,059
Library Rate	2,227	-5	28	2,250	0.008125	-92	2,158	0.008125	91	2,249
<b>Total Standard (B)</b>	<b>57,968</b>	<b>-139</b>	<b>1,118</b>	<b>58,847</b>		<b>-2,411</b>	<b>56,436</b>		<b>2,388</b>	<b>58,824</b>
U S Postal Service	2,131	-5	12	2,138	0.007720	-87	2,051	0.007720	87	2,137
Free Mail-Blind & Hndc & Servicemen	75			75	0.000271	-3	72	0.000271	3	75
International Mail	5,403	-13	111	5,501	0.019864	-225	5,276	0.019864	223	5,499
Volume Variable	270,858	-849	4,960	274,969		-11,249	263,750		11,140	274,860
Other	1,636	-5		1,631	0.006673	-79	1,552	0.006673	78	1,630
<b>Total Costs</b>	<b>272,594</b>	<b>-854</b>	<b>4,960</b>	<b>276,690</b>		<b>-11,328</b>	<b>265,362</b>		<b>11,218</b>	<b>276,820</b>

1,2, & 3/ Worksheet WP-B, pages 497-503

4/ Each mail category in column 4 is divided by "Total Costs" in column 4

5/ Each mail category in column 7 is divided by "Total Costs" in column 7

The same procedure is repeated for FY 2000 and TY 2001.

## DECLARATION

I, Cameron Kashani, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Cameron Kashani

Dated: 4-6-00

## 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.

A handwritten signature in black ink, appearing to read "Susan M. Duchek", is written over a solid horizontal line.

Susan M. Duchek

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April 6, 2000