

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R2000-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 10

(April 25, 2000)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 10 days.

1. In the VBL2.dat of USPS Library Reference I-6, at line 00000800 the component 907, the Computer Forwarding System distribution key, receives a direct mail volume effect. In the same VBL2.dat file component 907 receives a redistribution volume effect at lines 00034816 through 00036516, using the roll-forward distribution key components 1439 through 1453 as independent components. Please explain why component 907 receives two different mail volume effects in FY 1999, FY 2000, and the test year. If this is an error, then please specify which volume effect component 907 is to receive and what effect this correction would have on the distribution of space and space-related costs in FY 1999, FY 2000, test year before rates, and the test year after rates. Provide all Workpapers showing the computation of the correction, if needed.

2. The electronic files of Witness Kashani's Appendix A, specifically ***apa99.xls***, show the adjustment of the cost reduction and other programs distribution keys for the Standard A migration adjustment at page ***adjustedfy99dks***. That worksheet also shows that in components 1442,1445,1447,1448,1450,1451, and 1453 there are adjustments to Standard B Library Rate.

What is the reason for the adjustments to Standard B Library Rate in those aforementioned components? If this is an error please provide a corrected spreadsheet file ***apa99.xls*** and any other spreadsheet files that rely or depend on the output of a corrected ***apa99.xls***.

3. Witness Kashani's Appendix A at page 23, column 27 and page 31, column 27 shows the difference between the calculated cost reductions for component 35 in the Excel spreadsheets and what is shown in the cost roll-forward Workpapers. At page 3 of Appendix A he notes that the differences are minor and are the result of differences in the rounding process between Excel and the roll-forward model. However, for FY 2000 and the test year the differences are too large to be attributed just to rounding differences. These differences are most pronounced in First-Class Single Piece and Presort, Priority Mail, Periodicals Regular Rate, Standard A Commercial, and Standard B Library Rate. The differences for these categories of mail are substantially different in FY 2000 and the test year than they are in FY 1999. The table below shows the differences between the Excel spreadsheet calculated cost reductions and the roll-forward model calculated reductions for the aforementioned categories of mail.

**Comparison of Component 35 Cost Reductions
Differences - USPS T-14 App. A and Roll-Forward
Calculations**

(000)

	<u>FY 99</u>	<u>FY 2000</u>	<u>TYAR</u>
First-Class Mail:			
Single-Piece Letters	2	-76	32
Presort Letters	0	22	-217
Priority Mail	0	7	-249
Periodicals Regular Rate	0	44	104
Standard A Commer. ECR	1	24	33
Standard A Commer. Regular	1	123	229
Standard B Library Rate	0	-105	-223
Total Volume Variable	0	-396	-173
Total Other	0	199	175
Total Costs	0	-197	1

Please explain how the differences in the cost reductions for component 35 could be so large in FY 2000 and the test year, specifically within the above noted classes and subclasses of mail. Provide any Workpapers, either electronic or hard copy to support your explanation.

- Please confirm that in the FY 1999 roll-forward VBL2.dat file for the roll-forward for the Standard A Single Piece and International Mail volume adjustment, fy99rcc, at line 00017700 the component receiving a mail volume effect should be component 131 instead of component 331.

5. In the roll-forward for the Standard A Single Piece and International Mail volume adjustment, fy99rcc, the VBL2.DAT file does not include component 41 in the list of independent components for the mail volume effect of component 678. In the roll-forward for FY 1999 (fy99rcr), FY 2000 (fy00rcr), and the Test Year (fy01rca & fy01rcb) component 41 is included in the list of independent components for the mail volume effect of component 678. Please explain why component 41 was excluded from the list of independent components affecting component 678 in VBL2.DAT of fy99rcc.

6. In the roll-forward for the Standard A Single Piece and International Mail volume adjustment, fy99rcc, the VBL2.DAT file shows component 1453 receiving a mail volume adjustment twice at lines 00070024 and 00079125. Please confirm that this component should only be included once in the VBL2.DAT file.


Edward J. Gleiman
Presiding Officer