

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
MAGAZINE PUBLISHERS ASSOCIATION WITNESS NELSON
(USPS/MPA-T3-18 - 31)

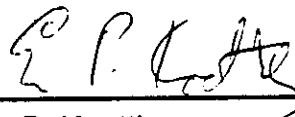
Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to MPA witness Nelson: USPS/MPA-T3-18 - 31.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Eric P. Koetting

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June 14, 2000

USPS/MPA-T3-18. Please confirm that the following header appears on the all of the SAS logs and listings in Workpaper WP-1, Workpaper WP-2 and Workpaper WP-3. If you do not confirm, please provide the corrected version of the header.

DISCLAIMER – THESE RESULTS WERE DEVELOPED THROUGH ADAPTATION OF THE PROGRAMS SUPPLIED IN USPS-LR-1-84. THOSE PROGRAMS CONTAIN COMMENTS AND LABELS THAT APPEAR HEREIN, BUT MAY NOT ACCURATELY DESCRIBE THE MODELS CONTAINED IN THIS WORKPAPER.

USPS/MPA-T3-19. Confirm that the Postal Service generally pays for service on a regular purchased highway contract according to an annual rate. If you do not confirm, please explain your use of the HCCS variable "ANNUAL COST."

USPS/MPA-T3-20. Refer to Workpaper WP-4, page 1. There you state that the "cost per run" outlier cutoffs "reflect a priori bounds on plausible unit pricing levels." Confirm that these cutoffs were selected before review of the individual data points. If you do not confirm, please provide your meaning for the term, "a priori."

USPS/MPA-T3-21. Please confirm the you did not test for the presence of heteroskedasticity in any of your estimated regressions. If you do not confirm, please indicate the location in your workpapers where the tests were performed.

USPS/MPA-T3-22. Confirm that you have presented all regressions that you estimated (or had estimated under your supervision) on the HCSS data. If you do not confirm:

- a. Provide SAS logs and listings for all equations that you did not present in your workpapers.
- b. For each regression, provide a justification why that regression was not presented.

USPS/MPA-T3-23. Workpaper WP-4, page 1, provides a list of the criteria used to identify "outliers."

- a. Please provide a listing (including an electronic spreadsheet version) of all observations omitted from subsequent regressions because they were identified by you as an "outlier." For each observation, include the HCRID, the cost segment (route part) and the values for cost, cost per cubic foot-mile, cost per mile, route length, and cubic foot-miles.
- b. For each regression that you estimated, please provide the number of observations that were omitted due to elimination of outliers.

- c. Confirm that you did not run the regressions with the "outliers" included. If you do not confirm, please provide specific citations to the locations in your workpapers of where the regressions with outliers included appear.
- d. Confirm that you have presented no empirical evidence of the effect on the regression results of eliminating the outliers. If you do not confirm, please provide the location in your workpapers where the evidence appears.

USPS/MPA-T3-24. Please provide a definition of the term "outlier" as you use it in Workpaper WP-4.

USPS/MPA-T3-25. Please confirm that you did not adjust any of your regression equations for heteroskedasticity. If you do not confirm, please indicate the location in your workpaper that the adjustments are made.

USPS/MPA-T3-26. Please confirm that you did not perform any F-tests for the statistical significance of higher order terms in your "log-log" regressions. If you do not confirm please provide the location in your workpapers where those statistical tests are performed.

USPS/MPA-T3-27. Please refer to line 132 of the SAS log entitled "Plant Load Equation – SAS LOG" in Workpaper WP-3.

- a. Confirm that there is a syntax error in line 132 and that SAS printed out the following error message: "The SAS system stopped processing this step because of errors." If you do not confirm, please provide the correct version of the error message.
- b. Please confirm that this part of the SAS program was potentially eliminating observations to create two data sets, one entitled "PLANT2" and one entitled "MISS." If you do not confirm, please explain the purpose of the SAS data step.
- c. Please confirm that following line 136 the SAS log contains the following error message:

The data set "WORK.PLANT2 may be incomplete."

If you do not confirm, please provide the correct error message.

USPS/MPA-T3-28. Please refer to line 131 of the SAS log entitled "Plant Load Equation – SAS LOG" in Workpaper WP-3.

Explain the meaning of the following comment statement:

"NOTE: SCL source line."

USPS/MPA-T3-29. Please refer to page 2 of Workpaper WP-4. Please provide a definition of the term "run" as it is used in the expressions "number of runs" and "per run."

USPS/MPA-T3-30. Refer to Workpaper WP-2.

a. Confirm that the dependent variable used in the regressions is found by dividing the variable "COST" by the variables "NUMRUNS" and "RL" and then taking the log of that ratio. If you do not confirm, please provide the correct formula for the dependent variable in the regression.

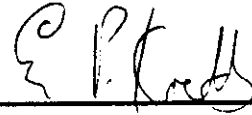
b. Confirm that the variable "NUMRUNS" is the sum of the variable "NUMRUNS" for each observation on a contract cost segment (e.g. see lines 353-357 of the INTRA-CSD equations SAS log.) If you do not confirm, please explain the construction of the variable "NUMRUNS" for the regression analysis.

c. Please provide the mathematical formulas for the following variables that appear in Workpaper WP-2: NUMRUNS, CUBECLAS, C_PER_N, TRC_RL, C_PER_NRL.

USPS/MPA-T3-31. For each regression presented Table 1 in Workpaper WP-4, please provide the number of observations used to estimate the regression.

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.



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