

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

RECEIVED
JUN 15 4 45 PM '00
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-T3-32 - 44)

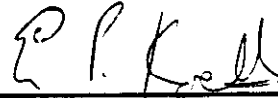
Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to MPA witness Nelson: USPS/MPA-T3-32 - 44.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
June 15, 2000

USPS/MPA-T3-32. Please refer to Table 7 in Workpaper WP-4.

- a. Confirm that the estimated variability for Inter-BMC is listed as 0.193. If you do not confirm, please present the correct "estimated variability."
- b. Confirm that the source of the variability is the estimate coefficient on the variable entitled "LTRC_RL" in the regression presented in Workpaper WP-3, the "Inter-BMC Output Listing." If you do not confirm, please present the source of the variability.
- c. Confirm that the t-statistic on that coefficient is 1.21. If you do not confirm, please provide the correct t-statistic for that coefficient.

USPS/MPA-T3-33. Please refer to Workpaper WP-3.

- a. Confirm that the weighted mean value among the observations used to estimate the regression equation for the variable RL is 159.21 in the intra-BMC category. If you do not confirm, please provide the corrected weighted mean value.
- b. Confirm that the weighted mean value among the observations used to estimate the regression equation for the variable TRCUBE is 2743.74 in the intra-BMC category. If you do not confirm, please provide the corrected weighted mean value.
- c. Confirm that the weighted mean value among the observations used to estimate the regression equation for the variable RL is 260.77 in the inter-Area/tractor trailer category. If you do not confirm, please provide the corrected weighted mean value.
- d. Confirm that the weighted mean value among the observations used to estimate the regression equation for the variable TRCUBE is 2735.50 in the inter-Area/tractor trailer category. If you do not confirm, please provide the corrected weighted mean value

USPS/MPA-T3-34. Please refer to Workpaper WP-3.

- a. Confirm that the form of the regression equation estimated in this workpaper is given by:

$$\ln\left(\frac{\text{Cost}}{\text{\#ofRuns}}\right) = \sum \alpha_i D_i + \beta_1 \ln\left(\frac{\text{Truck} \cdot \text{Route}}{\text{Cube Length}}\right) + \beta_2 \ln\left(\frac{\text{Route}}{\text{Length}}\right)$$

where the D_i represent the intercept and dummy variables. If you do not confirm, please provide the correct form of the regression equation estimated in Workpaper WP-3.

- b. Confirm that your recommended variability (except in those cases in which you choose to abandon your regression results) is given by the coefficient β_1 . If you do not confirm, please provide the correct formula for your recommended variability.
- c. Provide an economic interpretation for the coefficient β_2 .

USPS/MPA-T3-35. Please refer to Workpaper WP-3

- a. Confirm that the estimated coefficient for the variable LTRC_RL in the INTRA-CSD, intra-city equation is equal to -0.0909 . If you do not confirm, provide the correct coefficient.
- b. Confirm that the estimated coefficient for the variable LTRC_RL in the INTRA-CSD, tractor trailer equation is equal to 5.403 . If you do not confirm, provide the correct coefficient
- c. Confirm that the t-statistic on the estimated coefficient for the variable LTRC_RL in the INTRA-CSD, tractor trailer equation is equal to 4.90 . If you do not confirm, please provide the correct t-statistic.
- d. Confirm that the estimated coefficient for the variable LTRC_RL in the INTER-P&DC, tractor trailer equation is equal to 1.235 . If you do not confirm, provide the correct coefficient.
- e. Confirm that the t-statistic on the estimated coefficient for the variable LTRC_RL in the INTER-P&DC, tractor trailer equation is equal to 6.66 . If you do not confirm, please provide the correct t-statistic.

USPS/MPA-T3-36. Please refer to your WP-5 where you create field Ctype. Please provide the list of accounts that are included in each of the following Ctypes:

- Inter-BMC
- Intra-BMC
- Inter-SCF
- Intra-SCF
- Other High
- Water

USPS/MPA-T3-37. In your WP-5 where you create subset table HCSS.BIN, please explain what "water outlier" means.

USPS/MPA-T3-38. In your WP-5 where you create subset table HCSS.BIN, please confirm that your procedure "number of boxes is 0" is intended to remove all box routes from the HCSS dataset. If confirmed, please confirm that this is the only way to remove box routes. If not confirmed, please explain how else to remove box contracts.

USPS/MPA-T3-39. In your WP-5 where you create subset table HCSS.BIN, please confirm that "VEHGRP=12 (Power)" is intended to retain all power-only contracts. If confirmed, please confirm that many power only records have cube=0 and will get dropped in your analysis when you remove records where CFM=0. If not confirmed, please explain.

USPS/MPA-T3-40. In your WP-5 where you create subset table HCSS.BIN, please explain the meaning of

- i. $RL \neq 0$, and
- ii. $COST \neq 0$.

USPS/MPA-T3-41. Please refer to Table 2 from your testimony on page 21. Please provide:

- For each Ctype, the contract numbers (HCRIDs) used to produce your results for Cost, Cost/CFM, and Non-renewal cost/CFM.
- The Non-renewal costs for each Ctype and mileage.
- The Renewal and non-renewal CFMs for each Ctype and mileage.
- The formula used to produce the savings figures.
- The number of observations for each Ctype and mileage for renewal and non-renewal.

USPS/MPA-T3-42. Please refer to Table 2 on page 21 of your testimony. Suppose the renewal cost was actually less than the non-renewal costs, for a particular Ctype. In your analysis, which cost did you include in your savings estimate, the renewal cost or non-renewal cost? Please explain.

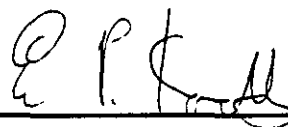
USPS/MPA-T3-43 Please refer to footnote 11 on page 21.

- i. Please explain why Inter-SCF types are good proxies for the missing non-renewed cost/CFMs.
- ii. Did you consider any other proxies? Please explain.
- iii. If you considered any other proxies, please provide all workpapers, programs, and analyses which used these other proxies .

USPS/MPA-T3-44. Please refer to Table 2 on page 21 of your testimony . Please explain the rationale for the Length breakout (0-250, 251-500, 500+). Did you consider any other breakouts for Length? If so, please provide all workpapers, programs, and analyses which used these other proxies .

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 "Eric P. Koetting", is written over a solid horizontal line.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992 Fax -5402
June 15, 2000