

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001**

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000


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Docket No. R2000-1

**RESPONSE OF MAGAZINE PUBLISHERS OF AMERICA, INC.
WITNESS COHEN TO FIRST SET OF INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE
(USPS/MPA-T1-1-8)**

(JUNE 26, 2000)

Magazine Publishers of America, Inc. hereby provides the response of witness Cohen to the following interrogatories of the United States Postal Service: USPS/MPA-T1-1-8, filed on June 12, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,


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UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
MAGAZINE PUBLISHERS OF AMERICA WITNESS COHEN
(USPS/MPA-T1-1-8)

USPS/MPA-T1-1. Please refer to Exhibit 5-1, footnote [2] that accompanies your testimony. Please provide the source in DMA, et al.-T-1 where these amounts appear. If these amounts do not appear in DMA, et al.-T-1, please provide the proper source or provide all calculations you relied upon to produce the results.

Response:

Witness Buc's correction to the Postal Service's estimate of Test Year cost savings related to the installation of AFSM 100s increases savings by approximately \$200 million for all mail classes. This figure can be found in column [3] of Attachment C to DMA, et al.-T-1. As stated in Exhibit 5-1, footnote [2], I determined the Periodicals share of these savings using mail processing cost distribution keys from Table 3 of witness Van-Ty-Smith's testimony (USPS-T-17). Consistent with witness Buc's cost savings analysis, which estimates that half of the savings is from replacing manual sorts and the other half is from replacing machine sorts, I distributed half of the cost savings using Van-Ty-Smith's key for manual flat sorting costs and the other half using the FSM distribution key.

USPS/MPA-T1-2. Please refer to Exhibit 4-1 that accompanies your testimony.

- a) Please confirm that the TYAR Cost amounts shown in Column [2] do not include any Final Adjustments. If you do not confirm, please explain fully.
- b) Please confirm that the TYAR Cost amounts shown in Column [2] do not include any Contingency amount. If you do not confirm, please explain fully.
- c) Please confirm that Exhibit 4-1 does not reflect "Other" or "Institutional" costs. If you do not confirm, please explain fully how "Other" costs are included in your analysis and provide all calculations showing their inclusion.

Response:

- a. Confirmed, but note that there are no final adjustments for Periodicals.
- b. Confirmed. Note that contingency is added in Exhibit 3-1.
- c. Confirmed.

USPS/MPA-T1-3. Please refer to Exhibit 4-2 that accompanies your testimony.

- a) Please confirm that the TYAR Cost amounts shown in Column [2] do not include any Final Adjustments. If you do not confirm, please explain fully.
- b) Please confirm that the TYAR Cost amounts shown in Column [2] do not include any Contingency amount. If you do not confirm, please explain fully.
- c) Please confirm that the Base Year Cost amounts shown in Column [1] would be different if the Commission's cost methodology had been used. If you do not confirm, please explain fully.
- d) Please confirm that the TYAR Cost amounts shown in Column [2] would be different if the Commission's cost methodology had been used. If you do not confirm, please explain fully.
- e) Please confirm that the Rollforward Ratio amounts shown in Column [3] would be different if the Commission's cost methodology had been used to determine the amounts in either Column [1] or Column [2]. If you do not confirm, please explain fully.
- f) Please confirm that Exhibit 4-1 does not reflect "Other" or "Institutional" costs. If you do not confirm, please fully explain how "Other" costs are included in your analysis and provide all calculations showing their inclusion.

Response:

- a. Confirmed, but note that there are no final adjustments for Periodicals.
- b. Confirmed. Note that contingency is added in Exhibit 3-2.
- c. Assuming that you are referring to the cost methodology that the Commission used in Docket No. R97-1, I confirm.
- d. Confirmed.
- e. Confirmed. Note that because the Commission's roll forward method is similar to the Postal Service's method, the Commission and Postal Service Rollforward Ratios should be similar. For this reason, either ratio would provide a good approximation of the impact of MPA-proposed changes in cost attribution and distribution on Test Year After Rates costs. Given that the Commission will run its own rollforward model to develop TYAR costs based upon all changes that it makes to the Postal Service's proposed costing methods, my goal was simply to approximate Test Year After Rates costs under the MPA proposal.

f. Confirmed.

USPS/MPA-T1-4. Please refer to Exhibit 4-3 that accompanies your testimony.

- a) Please confirm that the TYAR Cost amounts in Column [2] do not include any Final Adjustments. If you do not confirm, please explain fully.
- b) Please confirm that the TYAR Cost amounts in Column [2] do not include any Contingency amount. If you do not confirm, please explain fully.
- c) Please confirm that Exhibit 4-1 does not reflect "Other" or "Institutional" costs. If you do not confirm, please fully explain how "Other" costs are included in your analysis and provide all calculation showing their inclusion.

Response:

- a. Confirmed, but note that there are no final adjustments for Periodicals.
- b. Confirmed. Note that contingency is added in Exhibit 3-3.
- c. Confirmed.

USPS/MPA-T1-5. Please refer to Exhibit 4-4 that accompanies your testimony.

- a) Please confirm that the TYAR Cost amounts in Column [2] do not include any Final Adjustments. If you do not confirm, please explain fully.
- b) Please confirm that the TYAR Cost amounts in Column [2] do not include any Contingency amount. If you do not confirm, please explain fully.
- c) Please confirm that the Base Year Cost amounts shown in Column [1] would be different if the Commission's cost methodology had been used. If you do not confirm, please explain fully.
- d) Please confirm that the TYAR Cost amounts shown in Column [2] would be different if the Commission's cost methodology had been used. If you do not confirm, please explain fully.
- e) Please confirm that the Rollforward Ratio amounts shown in Column [3] would be different if the Commission's cost methodology had been used to determine the amounts in either Column [1] or Column [2]. If you do not confirm, please explain fully.
- f) Please confirm that Exhibit 4-1 does not reflect "Other" or "Institutional" costs. If you do not confirm, please fully explain how "Other" costs are included in your analysis and provide all calculations showing their inclusion.

Response:

- a. Confirmed, but note that there are no final adjustments for Periodicals.
- b. Confirmed. Note that contingency is added in Exhibit 3-4.
- c. Again assuming that you are referring to the cost methodology that the Commission used in Docket No. R97-1, I confirm.
- d. Confirmed.
- e. Confirmed. Also, see my response to USPS/MPA-T1-3(e).
- f. Confirmed.

USPS/MPA-T1-6. Please refer to Exhibit 3-2 that accompanies your testimony.

- a) Please confirm that the USPS methodology Rollforward Ratio in Column [2] is applied to Commission methodology Base Year differences in Column [1]. If you do not confirm, please explain fully.
- b) Please confirm that the USPS methodology Piggyback Factor in Column [4] is applied to rolled-forward Commission methodology Base Year differences in Column [3]. If you do not confirm, please explain fully.

Response:

a. Confirmed that the Base Year cost difference in column [1a] of Exhibit 3-2 is based upon comparing costs from two PRC Version Cost Segments and Components reports. I calculated this cost difference using the Commission methodology because these two reports allowed me to isolate the impact of using the Engineering Standards study on City Carrier Cost attribution. Also, confirmed that the Rollforward Ratio in Column [2] is based upon the USPS methodology.

b. Confirmed that column [4] contains the USPS methodology piggyback factor.

USPS/MPA-T1-7. Please refer to Exhibit 3-1 that accompanies your testimony.

- a) Please confirm that the Rollforward Ratio in Column [2] is the result of running the Postal Service's rollforward model. If you do not confirm, please explain fully.
- b) If the Base Year amounts in Column [1] change, would the Rollforward Ratio in Column [2] change? If amounts in Column [2] would change, please explain conceptually how they would change. If the amounts in Column [2] would not change, please explain why not.
- c) Please confirm that the Piggyback Factors in Column [4] are the result of running the Postal Service's rollforward model. If you do not confirm, please explain fully.
- d) If the Base Year amounts in Column [1] change, would the Piggyback Factors in Column [4] change? If amounts in Column [4] would change, please explain conceptually how they would change. If the amounts in Column [4] would not change, please explain why not.

Response:

- a. Confirmed that the Rollforward Ratio I used is the ratio of Test Year After Rates costs using the USPS method to Base Year costs using the USPS method. Note, however, that I did not run the rollforward model.
- b. While it certainly could have an impact, I believe the impact would be small. Also, please see my response to MPA/USPS-T1-3(e).
- c. Confirmed that Test Year Piggyback Factors are developed using Test Year costs, which are developed by rolling forward Base Year costs.
- d. While it certainly could have an impact, I believe the impact would be small.

USPS/MPA-T1-8. Please refer to Exhibit 1 that accompanies your testimony.

- a) Please confirm that the USPS amounts shown in Column [1] include Final Adjustments. If you do not confirm, please explain fully.
- b) Please confirm that the Final Adjustment amounts provided in USPS-LR-1-131, Volume J, Fiscal Year 2001 After Rates After Workyear Mix Adjustment, Table E, "D" Report (With Final Adjustments), pages 1-2, which uses the Commission's methodology, are different than the amounts shown in Column [1]. If you do not confirm, please explain fully
- c) Please confirm that the Difference amounts shown in Column [2] do not include Final Adjustments. If you do not confirm, please explain fully how the Final Adjustments are included and provide all calculations showing their inclusion.

Response:

a. Confirmed.

b. Exhibit 1, Column [1] does not contain final adjustments. Rather, it shows Test Year After Rates costs (with final adjustments) under the USPS method. I can confirm that the Test Year After Rates costs (USPS Method) in Exhibit 1, Column [1] are different than Test Year After Rates costs using the Commission methodology. Also, note that there are no final adjustments for Periodicals.

c. Confirmed.

DECLARATION


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

Rita D. Cohen

Date: 6/26/00

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing Erratum upon all participants of record in this proceeding in accordance with the Commission's Rules of Practice.


Anne R. Noble

Washington, D.C.
June 26, 2000