

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SCHENK TO INTERROGATORIES OF MAGAZINE
PUBLISHERS OF AMERICA
(MPA/USPS-T43-6-7)

The United States Postal Service hereby provides the responses of witness Schenk to the following interrogatories of Magazine Publishers of America: MPA/USPS-T43-6-7, filed on October 30, 2001.

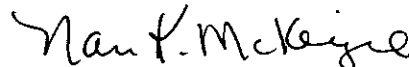
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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November 15, 2001

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MPA/USPS-T43-6. Please refer to your response to MPA/USPS-T43-2, Table 1 below, USPS-LR-J-118, and USPS-LR-J-61, Period.xls.

Table 1. Unit Costs Without Piggyback Factors Using Current Breakage Rates

Rate Category	Model Unit Costs (in cents) ¹	Total Mail Processing Unit Costs (in cents) ²	Unit Costs (current breakage rates; in cents) ³
Basic Nonautomation (Nonauto) Presort	11.116	24.904	16.3434
3-Digit Nonauto Presort	8.494	20.178	13.2125
5-Digit Nonauto Presort	4.874	13.655	8.8912
Carrier Route Nonauto Presort	1.102	6.858	4.3886
Basic Automation (Auto) Presort	8.489	20.168	13.2063
3-Digit Auto Presort	6.855	17.224	11.2559
5-Digit Auto Presort	4.298	12.617	8.2034

¹source: USPS-LR-J-61, Period.xls, CRA ADJ UNIT COSTS worksheet, cells D36:D48

²source: USPS-LR-J-61, Period.xls, CRA ADJ UNIT COSTS worksheet, cells G36:G48

³source: USPS-LR-J-118, Table 2 worksheet, cells C8:C20

- (a) Please confirm that setting the piggyback factors given in cells B5:B11 equal to 1.000 in the worksheet Piggybacks in Period.xls develops the Model Unit Costs and Total Mail Processing Unit Costs presented in Table 1. If you do not confirm, please explain fully.
- (b) Please confirm that the Unit Costs (current breakage rates; in cents) presented in Table 1 are the unit mail processing costs (without piggybacks) presented in USPS-LR-J-118, Table 2 worksheet, cells C8:C20. If you do not confirm, please explain fully.
- (c) Please confirm that neither the Model Unit Costs nor the Total Mail Processing Unit Costs equal the Unit Costs (current breakage rates; in cents) by rate category presented in Table 1. If you do not confirm, please explain fully.
- (d) Please confirm that "[r]unning the models in USPS-LR-J-61 (in workbooks FCM.xls, Period.xls, and Standard.xls) without piggyback factors" does not produce the corresponding Test Year unit costs in USPS-LR-J-118. If you do not confirm, please explain.
- (e) Please describe all the steps necessary to modify USPS-LR-J-61 to develop the Test Year unit costs in USPS-LR-J-118. If your explanation includes incorporating Cost and Revenue Analysis (CRA) flats mail processing unit costs that exclude piggyback costs, please provide a cite to the CRA flats mail

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processing unit costs that exclude piggyback costs for First-Class Mail, Periodicals, and Standard Mail.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) Not confirmed. Running the models in USPS-LR-J-61 (in workbooks FCM.xls, Period.xls, and Standard.xls) without piggyback factors, as fully described in the revised response to MPA/USPS-T43-2b, does produce the corresponding Test Year unit costs in USPS-LR-J-118.
- (e) See MPA/USPS-T43-2b (Revised November 15, 2001).

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MPA/USPS-T43-7. Please refer to your response to MPA/USPS-T43-2, Table 2 below, USPS-LR-J-118, and USPS-LR-J-61, Period.xls.

Table 2. Unit Costs Without Piggyback Factors Using 25% Reduction in Breakage Rates

Rate Category	Model Unit Costs (in cents) ¹	Total Mail Processing Unit Costs (in cents) ²	Unit Costs (25% reduction in breakage rates; in cents) ³
Basic Nonautomation (Nonauto) Presort	11.026	25.082	16.2352
3-Digit Nonauto Presort	8.453	20.366	13.1639
5-Digit Nonauto Presort	4.866	13.791	8.8819
Carrier Route Nonauto Presort	0.983	6.673	4.2461
Basic Automation (Auto) Presort	8.458	20.375	13.1699
3-Digit Auto Presort	6.849	17.427	11.2494
5-Digit Auto Presort	4.277	12.713	8.1793

¹source: USPS-LR-J-61, Period.xls, CRA ADJ UNIT COSTS worksheet, cells D36:D48

²source: USPS-LR-J-61, Period.xls, CRA ADJ UNIT COSTS worksheet, cells G36:G48

³source: USPS-LR-J-118, Table 2 worksheet, cells D8:D20

- (a) Please confirm that setting “the piggyback factors given in cells B5:B11 equal to 1.000 in the sheet Piggybacks” and “multiplying the current rates by 0.75 in cells C8, C10, C12, C14, D8, D10, D12, and D14 of sheet Package Data” in Period.xls in USPS-LR-J-61 develops the Model Unit Costs and Total Mail Processing Unit Costs presented in Table 2. If you do not confirm, please explain fully.
- (b) Please confirm that the Unit Costs (25% reduction in breakage rates; in cents) presented in Table 2 are the unit mail processing costs (without piggybacks) presented in USPS-LR-J-118, Table 2 worksheet, cells D8:D20. If you do not confirm, please explain fully.
- (c) Please confirm that neither the Model Unit Costs nor the Total Mail Processing Unit Costs equal the Unit Costs (25% reduction in breakage rates; in cents) by rate category presented in Table 2. If you do not confirm, please explain fully.
- (d) Please confirm that “[r]unning the models in USPS-LR-J-61 (in workbooks FCM.xls, Period.xls, and Standard.xls) without piggyback factors” and “multiplying the current rates by 0.75 in cells C8, C10, C12, C14, D8, D10, D12, and D14 of sheet Package Data” does not produce the applicable Test Year unit costs in USPS-LR-J-118. If you do not confirm, please explain.

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- (e) Please describe all the steps necessary to modify USPS-LR-J-61 to develop the Test Year unit costs in USPS-LR-J-118. If your explanation includes incorporating Cost and Revenue Analysis (CRA) flats mail processing unit costs that exclude piggyback costs, please provide a cite to the CRA flats mail processing unit costs that exclude piggyback costs for First-Class Mail, Periodicals, and Standard Mail.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) Not confirmed. Running the models in USPS-LR-J-61 (in workbooks FCM.xls, Period.xls, and Standard.xls) without piggyback factors and with test year bundle breakage rates, as fully described in the revised response to MPA/USPS-T43-2b and c, does produce the corresponding Test Year unit costs in USPS-LR-J-118.
- (e) See MPA/USPS-T43-2b and c (Revised November 15, 2001).

DECLARATION

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

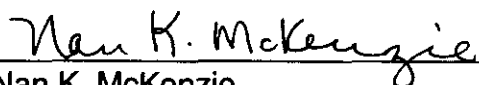


Leslie M. Schenk

Dated: 11/15/01

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.


Nan K. McKenzie

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November 15, 2001