

DOCKET SECTION

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY OF
MCGRAW-HILL COMPANIES REDIRECTED FROM WITNESS ALEXANDROVICH
(MH/USPS-T5-1)

The United States Postal Service hereby provides a response to the following interrogatory of McGraw-Hill Companies: MH/USPS-T5-1, filed on September 17, 1997, and redirected from witness Alexandrovich. The interrogatory was the subject of an objection filed on September 29, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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October 20, 1997

Response of United States Postal Service
to Interrogatories of
McGraw-Hill Companies'
(Redirected from Witness Alexandrovich, USPS-T-5)

MH/USPS-T5-1:

(a) Please confirm that the volume variable costs calculated for Periodicals mail in this proceeding are higher than the attributable costs calculated for Periodicals mail (pursuant to section 54(a)(1) of the Commission's rules of practice) in this proceeding. See, e.g., Attachment A (attached hereto) to the Motion of the United States Postal Service for Reconsideration of Parts of Presiding Officer's Ruling No. R97-1/7 (August 15, 1997). To the extent that you are unable to confirm, please explain fully.

(b) Please explain fully (with appropriate cross-references to USPS-LR-H-196 and 215, and to any other relevant materials) each of the factors which cause the volume variable costs calculated for Periodicals Regular mail to be higher than the attributable costs calculated for Periodicals Regular mail.

MH/USPS-T5-1 Response:

(a) Part (a) is confirmed.

(b) To understand fully each of the factors which cause the volume variable cost calculated for Periodicals Regular mail to be higher than the attributable costs calculated for Periodicals Regular mail, begin with a comparison of Witness Alexandrovich's workpapers, WP-B, and the Commission's workpapers provided in Section 4 of Library Reference H-196 (revised). Next, refer to Attachment I to this response. Attachment I shows the differences in Periodicals Regular mail between the Postal Service's cost model and the Commission's cost model on a component by component basis. Columns (1), (6) and (11) are the component numbers used in the Postal Service's cost model. See the testimonies of Witnesses Alexandrovich, USPS-T-5 and Patelunas, USPS-T-15. Columns (3), (8) and (13) are the component numbers used in the Commission's cost model. See USPS Library References H-196 (revised) and H-215 (revised). Section 12 of USPS Library Reference H-196 shows: an

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MH/USPS-T5-1 Response continued:

arrangement by cost segment, a descriptive title for each of the components and a cross-walk between the Postal Service's component numbers and the Commission's component numbers. Additionally, the last column of USPS-LR-H-196, Section 12 shows that either there is no difference between the Postal Service's model and the *Commission's model or that there is a difference, and where there is a difference, the reason for the difference is provided.*

Attachment I shows the Postal Service's Base Year 1996 variable costs less PESSA costs in column (2) and the Postal Service's Base Year 1996 volume variable costs including PESSA column (7). Likewise, the Commission's Base Year 1996 attributable costs less PESSA costs appear in column (4) and the Commission's Base Year 1996 attributable costs including PESSA appear in column (9). For Test Year 1998 After Rates, the Postal Service's variable costs including PESSA appear in column (12) and the Commission's attributable costs including PESSA appear in column (14). The amounts shown in columns (5), (10) and (15) are the differences between the Postal Service's model and the Commission's model for each of the years indicated.

Attachment I is a comparison of the output of the two models. To understand the differences between the Postal Service's cost model and the Commission's cost model, please refer to the following. The Postal Service's cost model is documented in: Docket No. R94-1, USPS Library Reference G-5, Costs and Revenue/Roll Forward, Listings of Programs, Job Control Language, and Command Procedures, and Docket No. R97-1, USPS Library References H-4, Base Year/Roll Forward, Input Data Files, and H-5, Base Year/Roll Forward, Processing Documentation reports. Additionally, Attachment I and II to Witness Patelunas's response to OCA/USPS-T5-3, redirected

Response of United States Postal Service
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MH/USPS-T5-1 Response continued:

from Witness Alexandrovich might be helpful. The Commission's cost model is documented in Docket No. R97-1, USPS Library References H-196 (revised) and H-215 (revised).

USPS BY96 A File				PRC BY96 A File				USPS BY96 C File				PRC BY96 C File				USPS 98 TYAR C File				PRC 98 TYAR C File			
Component	Amount	Component	Amount	Component	Amount	Difference	Component	Amount	Difference	Component	Amount	Difference	Component	Amount	Difference	Component	Amount	Difference	Component	Amount	Difference		
(1)	(2)	(3)	(4)	(5)=(2)-(4)	(6)	(7)	(8)	(9)	(10)=(7)-(9)	(11)	(12)	(13)	(14)	(15)=(12)-(14)									
4	35,913	2:01	40,793	-4,880	4	35,913	2:01	40,793	-4,880	4	38,450	2:01	43,397	-4,947									
7	204	2:02	85	119	7	204	2:02	85	119	7	218	2:02	91	127									
9	1,526	2:03	1,529	-3	9	1,526	2:03	1,529	-3	9	1,634	2:03	1,630	4									
13	7,840	2:04	8,089	-249	13	7,840	2:04	8,089	-249	13	8,394	2:04	8,660	-266									
14	2,728	2:05	3,119	-391	14	2,728	2:05	3,119	-391	14	2,920	2:05	3,340	-420									
15	0	2:06	193	-193	15	0	2:06	193	-193	15	0	2:06	199	-199									
16	352	2:07	117	235	16	352	2:07	117	235	16	363	2:07	123	240									
17	1,755	2:08	1,545	210	17	1,755	2:08	1,545	210	17	1,879	2:08	1,649	230									
18	723	2:09	282	441	18	723	2:09	282	441	18	787	2:09	306	481									
680	0	2:10	734	-734	680	0	2:10	734	-734	680	0	2:10	755	-755									
26	1	2:12	3	-2	26	1	2:12	3	-2	26	1	2:12	3	-2									
30	2,308	2:15	2,350	-42	30	2,308	2:15	2,350	-42	30	2,469	2:15	2,379	90									
31	36	2:16	41	-5	31	36	2:16	41	-5	31	38	2:16	43	-5									
601	1,267	2:20	1,356	-89	601	1,267	2:20	1,356	-89	601	1,357	2:20	1,380	-23									
674	402	2:21	323	79	674	402	2:21	323	79	674	430	2:21	346	84									
675	3,041	2:22	1,608	1,433	675	3,041	2:22	1,608	1,433	675	3,256	2:22	1,722	1,534									
676	1,206	2:23	1,302	-96	676	1,206	2:23	1,302	-96	676	1,290	2:23	1,322	-32									
677	3,106	2:24	3,180	-74	677	3,106	2:24	3,180	-74	677	3,326	2:24	3,383	-57									
678	5,716	2:25	6,014	-298	678	5,716	2:25	6,014	-298	678	6,117	2:25	6,390	-273									
35	467,201	3:01	362,766	104,435	35	467,201	3:01	362,766	104,435	35	483,023	3:01	380,401	112,622									
36	0	3:02	114,094	-114,094	36	0	3:02	114,094	-114,094	36	0	3:02	119,697	-119,697									
40	2,186	3:04	960	1,226	40	2,186	3:04	960	1,226	40	2,389	3:04	1,047	1,342									
228	5,097	3:07	7,053	-1,956	228	5,097	3:07	7,053	-1,956	228	5,507	3:07	7,582	-2,075									
41	1,038	3:08	0	1,038	41	1,038	3:08	0	1,038	41	1,095	3:08	0	1,095									
421	2,437	3:09	3,542	-1,105	421	2,437	3:09	3,542	-1,105	421	2,633	3:09	3,611	-978									
66	0	3:10	79	-79	66	0	3:10	79	-79	66	0	3:10	84	-84									
422	14,623	3:11	27,277	-12,654	422	14,623	3:11	27,277	-12,654	422	15,804	3:11	27,962	-12,158									
423	1,063	3:12	1,608	-545	423	1,063	3:12	1,608	-545	423	1,148	3:12	1,647	-499									
467	170	3:13	298	-128	467	170	3:13	298	-128	467	183	3:13	306	-123									
468	321	3:14	446	-125	468	321	3:14	446	-125	468	347	3:14	461	-114									
469	4	3:15	7	-3	469	4	3:15	7	-3	469	4	3:15	6	-2									
470	2,663	3:16	3,697	-1,034	470	2,663	3:16	3,697	-1,034	470	2,879	3:16	3,797	-918									
42	84	4:01	83	1	42	84	4:01	83	1	42	91	4:01	90	1									
43	109,766	5:01	109,766	0	43	109,766	5:01	109,766	0	43	114,956	5:01	118,689	-3,733									
44	21,111	5:02	20,230	881	44	21,111	5:02	20,230	881	44	22,831	5:02	21,875	956									
45	10	5:03	1	9	45	10	5:03	1	9	45	10	5:03	10	0									
604	0	5:04	5,042	-5,042	604	0	5:04	5,042	-5,042	604	0	5:04	5,451	-5,451									

USPS BY96 A File	Component Amount	(1)	USPS BY96 A File	Component Amount	(2)	USPS 98 TYAR C File	Component Amount	(11)	USPS 98 TYAR C File	Component Amount	(12)	PRC 98 TYAR C File	Component Amount	(13)	USPS 98 TYAR C File	Component Amount	(14)	USPS 98 TYAR C File	Component Amount	(15)	Difference	(15)-(12)-(14)
549	178	12 17	160	178	12 17	549	178	12 17	160	178	12 17	549	171	12 17	190	171	12 17	171	628	-628	-1	1,570
550	3,120	12 20	1,650	3,120	12 20	550	1,470	12 20	1,650	1,470	12 20	550	3,332	12 20	2	1,762	12 20	1,762	314	11	14	1,570
556	66	12 21	53	66	12 21	556	70	12 21	53	70	12 21	56	56	12 21	13	1,762	12 21	56	314	11	14	1,570
100	288	12 23	100	288	12 23	100	279	12 23	100	279	12 23	325	325	12 23	9	314	12 23	314	130	-18	11	14
101	100	12 24	116	100	12 24	101	116	12 24	116	116	12 24	112	112	12 24	-16	130	12 24	130	-18	11	14	1,570
102	0	12 25	8	0	12 25	102	8	12 25	8	8	12 25	0	0	12 25	-8	8	12 25	8	-8	8	11	14
103	15	12 26	103	15	12 26	103	5	12 26	5	5	12 26	16	16	12 26	10	6	12 26	6	10	10	10	10
104	32	12 27	104	32	12 27	104	12	12 27	12	12	12 27	36	36	12 27	20	14	12 27	14	22	-33	119	
568	229	12 30	121	229	12 30	568	108	12 30	121	108	12 30	252	252	12 30	108	133	12 30	133	-33	119	119	119
127	81	13 09	80	127	13 09	127	1	13 09	80	1	13 09	92	92	13 09	1	90	13 09	90	2	-6	2	2
128	50	13 10	55	128	13 10	128	55	13 10	55	55	13 10	56	56	13 10	-5	62	13 10	62	-6	2	2	2
129	0	13 11	3	129	13 11	129	3	13 11	3	3	13 11	0	0	13 11	-3	3	13 11	3	-3	-3	-3	-3
130	3	13 12	1	130	13 12	130	1	13 12	1	1	13 12	3	3	13 12	2	1	13 12	1	2	2	2	2
131	4	13 13	1	131	13 13	131	3	13 13	1	3	13 13	4	4	13 13	3	2	13 13	2	-7	-7	-7	-7
136	72	13 17	70	136	13 17	136	70	13 17	70	70	13 17	81	81	13 17	2	79	13 17	79	2	2	2	2
137	44	13 18	48	137	13 18	137	48	13 18	48	48	13 18	49	49	13 18	-4	54	13 18	54	-5	-5	-5	-5
138	0	13 19	3	138	13 19	138	3	13 19	3	3	13 19	0	0	13 19	-3	3	13 19	3	-3	-3	-3	-3
139	3	13 20	1	139	13 20	139	1	13 20	1	1	13 20	3	3	13 20	2	1	13 20	1	2	2	2	2
140	4	13 21	1	140	13 21	140	3	13 21	1	3	13 21	4	4	13 21	-6	6	13 21	6	-6	-6	-6	-6
142	13,515	14 01	13,515	142	13,515	142	0	14 01	13,515	0	14 01	15,737	15,737	14 01	0	15,800	14 01	15,800	-63	-63	-63	-63
681	0	14 02	121	681	14 02	681	-121	14 02	121	-121	14 02	0	0	14 02	0	27	14 02	27	-27	-27	-27	-27
143	158,791	14 03	140,005	143	158,791	143	18,786	14 03	140,005	18,786	14 03	179,998	179,998	14 03	143	156,062	14 03	156,062	23,936	23,936	23,936	23,936
144	72,880	14 04	72,880	144	72,880	144	72,881	14 04	72,881	72,881	14 04	77,630	77,630	14 04	-1	77,631	14 04	77,631	-1	-1	-1	-1
145	3,108	14 05	3,091	145	3,108	145	3,091	14 05	3,091	3,091	14 05	3,382	3,382	14 05	17	3,364	14 05	3,364	18	18	18	18
165	0	15 01	0	165	15 01	165	21,501	15 01	0	21,501	15 01	24,979	24,979	15 01	0	0	15 01	0	24,979	24,979	24,979	24,979
184	10,050	16 11	11,212	184	10,050	184	-1,162	16 11	11,212	-1,162	16 11	8,269	8,269	16 11	0	9,230	16 11	9,230	-961	-961	-961	-961
1426	261	16 14	261	1426	16 14	1426	261	16 14	261	261	16 14	1426	1426	16 14	0	4	16 14	4	-4	-4	-4	-4
194	0	18 04	0	194	18 04	194	1,874	18 04	0	1,874	18 04	1,926	1,926	18 04	0	0	18 04	0	1,926	1,926	1,926	1,926
199	1,133	18 06	1,135	199	1,133	199	1,135	18 06	1,135	1,135	18 06	1,357	1,357	18 06	-2	1,353	18 06	1,353	4	4	4	4
208	0	18 08	0	208	18 08	208	12,267	18 08	0	12,267	18 08	14,804	14,804	18 08	-11	0	18 08	0	14,804	14,804	14,804	14,804
201	5,464	18 09	5,475	201	5,464	201	5,475	18 09	5,475	5,475	18 09	2,014	2,014	18 09	-1	2,009	18 09	2,009	5	5	5	5
204	15,072	18 13	15,102	204	15,072	204	15,102	18 13	15,102	15,102	18 13	14,704	14,704	18 13	-30	14,666	18 13	14,666	38	38	38	38

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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October 20, 1997