

# DOCKET SECTION

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

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POSTAL RATE  
OFFICE OF THE CLERK  
Docket No. R97-4

POSTAL RATE AND FEE CHANGES, 1997

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
THE MAJOR MAILERS ASSOCIATION WITNESS BENTLEY  
(USPS/MMA-T1-1-6)

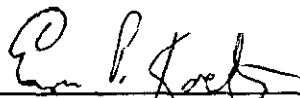
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Major Mailers Association witness Bentley: USPS/MMA-T1-1-6.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:


Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
Eric P. Koetting

## 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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January 12, 1998

  
Eric P. Koetting

## POSTAL SERVICE INTERROGATORIES TO MMA WITNESS BENTLEY

USPS/MMA-T1-1. Please refer to page 4 of your testimony, lines 20 and 24, where, among many other places in your testimony, you discuss the Postal Service's proposed new "costing methodology." By "costing methodology," are you referring to the proposed new treatment of mail processing costs, or the combined effect of all proposed costing changes in all cost segments, or something else? Does it mean the same thing throughout your testimony? Please explain fully.

USPS/MMA-T1-2. Please refer to the statement on page 4 of your testimony that "*The Service's Methodology is Designed to Mask the Service's Failure to Relieve First-Class Mail of an Excessive Share of the Service's Institutional Costs.*" Please confirm that you have no direct and objective information to refute the fact that each costing change proposed by the Postal Service in this case was designed to improve the accuracy of the cost information available for ratemaking. If you cannot confirm, please provide all direct and objective information necessary to support your statement, and explain fully.

USPS/MMA-T1-3. Please refer to your statement on page 4 of your testimony that the "Postal Service's costing methodology tends to hinder monitoring of the Service's continued overburdening of First-Class Mail," and your statement on page 6 that "the Service's new methodology would obscure use of the Commission's yardsticks to measure how the Service's current proposal compares with past cases -- resulting in a comparison of apples to oranges."

a. Please confirm that it is no more difficult to compute cost coverages, markups, unit contributions, or total dollar contributions under the Postal Service's proposals in this case than it would be under any other costing methodologies, including those employed by the Commission in Docket No. R94-1. If you cannot confirm, please explain fully.

b. Please confirm that, as explained by Dr. O'Hara in the testimony you cite, it is inherent limitations in the markup index concept itself (when applied in the instance of material costing changes) that can create difficulties in making valid comparisons between present and past cases, and that there is nothing specific to the Postal Service's new costing methodologies which creates these difficulties (other than that their combined effects constitute material costing changes). If you cannot confirm, please explain fully.

USPS/MMA-T1-4. Please refer to your statement on page 7 of your testimony that the "Service's Methodology Would Decrease Objective Cost-Based Ratemaking in Favor of Subjective Demand-Oriented Judgments," and your statement on page 8 that the "history of subsequent regulation has been dictated by the Commission's struggle to increase the percentage of costs deemed attributable and subject to apportionment by objective costing criteria."

a. Please confirm that the costing process cannot be truly "objective" if any empirical analysis that shows costs to be less volume-variable (and hence less "attributable") than previously assumed is automatically rejected for that reason alone. If you cannot confirm, please explain fully.

b. Please confirm that an a priori desire to either increase or decrease "the percentage of costs deemed attributable" would constitute a bias that is inconsistent with objective ratemaking. If you cannot confirm, please explain fully.

USPS/MMA-T1-5. Please refer to your statement on page 9 of your testimony that "[g]iven the Service's propensity to overload First-Class Mail with an excessive share of institutional costs, the Commission should be wary of increasing the Service's discretionary powers."

a. In the context of the allocation of shares of institutional costs, please identify the "discretionary powers" of the Postal Service that are not subject to the Commission's review.

b. In your opinion, are the current (i.e., Docket No. R94-1) shares of institutional costs the product of the Postal Service's exercise of discretion, or the Commission's exercise of discretion? Please explain fully.

c. Is it your testimony that the Commission would be justified in employing something other than the very best available measures of subclass costs in order to further particular pricing (i.e., the allocation of institutional costs) objectives? Please explain your answer fully.

USPS/MMA-T1-6. Please refer to Section III.C on pages 9-10 of your testimony, where you state that:

Another flaw in the Service's methodology is that it produces mistaken judgments about costs. . . . As compared with the Commission's methodology, the Service's methodology understates the costs that are avoided when First-Class mailers presort and prebarcode their mail .... . . . When a methodology like the Service's leads to such misleading results, its reliability is questionable for any purpose.

a. Please confirm that the only alleged "flaw" you identify in that section relating to the Postal Service's methodology is that the results it produces are different from those produced by what you refer to as the "Commission's methodology." (In other words, you focus exclusively on the results of the methodology, rather than the actual content of the methodology.) If you cannot confirm, please explain fully.

b. Please confirm that if one knew with certainty that the Postal Service's proposed methodology produced more accurate cost estimates than the "Commission's methodology," it would follow that it is the "Commission's methodology" that produces mistaken judgments about costs, that overstates the avoided costs, and that leads to misleading results. If you cannot confirm, please explain fully.

c. Please confirm that you have not presented in your testimony the results of any empirical analysis to counter the empirical analysis offered by the Postal Service's witnesses to support their assertion that the new costing methodologies do present more accurate cost estimates than any previous methodology. If you cannot confirm, please explain fully.