

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC.
(MPA/USPS-T35-23-24)

The United States Postal Service hereby files the responses of witness Tang to the above listed interrogatories, filed on July 20, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.

MPA/USPS-T35-23. Please refer to USPS-LR-L-126, REV 7-13-2006 LR 126 Outside County Revised.xls, worksheet "Pound Data_Ed."

(a) Please confirm that the SOA leakages calculated in cells C19 and C20 of this worksheet should be calculated relative to Zones 1&2, rather than relative to the next higher level (e.g., DDU relative to DSCF). If not confirmed, please explain fully.

(b) Please confirm that you calculated the SOA leakages in cells C19 and C20 relative to the next higher level. If not confirmed, please explain fully.

(c) Please confirm that the formula in cell C19 should be "=(Pound Data_Adv!D92-'Pound Data_Adv'!D89)/1.25." If not confirmed, please explain fully.

(d) Please confirm that the formula in cell C20 should be "=(Pound Data_Adv!D92-'Pound Data_Adv'!D90)/1.25." If not confirmed, please explain fully.

(e) Please confirm that, to produce the proposed rates, correcting the formulae in cells C19 and C20 requires changing the formula in cell C34 to "=ROUND(C37-C19,3)" and the formula in cell 35 to "=ROUND(C37-C20,3)." If not confirmed, please explain fully.

RESPONSE:

(a-d) Confirmed that, when estimating revenue leakages caused by the editorial pound dropship rates, my workpapers calculate the SOA leakage in cells C19 and C20 relative to the next higher level. My workpapers calculate the editorial pound revenue leakages for Regular Outside County relative to Zones 1&2. One way to make these methodologies consistent with each other would be to calculate the SOA revenue leakage calculation as suggested in parts c-d.

(e) Confirmed. Given the fact that the same passthrough, 80 percent, has been applied to cells C19, C20, and C21, changing the formulae does not seem to cause material change to the proposed rates.

RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.

MPA/USPS-T35-24. Please refer to USPS-LR-L-126, REV 7-13-2006 LR 126 Outside County Revised.xls, worksheet "Pound Data_Ed." Please also refer to page 8, lines 20 through 24, of your testimony (USPS-T-35), where you state:

In order to make sure that the ECSI value from editorial pounds is recognized and reflected in rate design, an adjustment of \$0.013 is applied to the average editorial pound rate. The revenue leakage cause by this adjustment is added back to the total revenue required from the pound side and allocated to both the editorial and advertising sides.

(a) Please confirm that the revenue leakage that you "add back" to the total revenue required from the pound side is equal to the unzoned editorial pounds times \$.013. If not confirmed, please provide what you believe to be the correct value, and explain fully.

(b) Please confirm that, in addition to the revenue leakage from the unzoned editorial pounds, the \$.013 adjustment you made will also result in a \$.013 per editorial pound revenue leakage for the DDU, DSCF and DADC editorial pounds in cells D28-D30. If not confirmed, please explain fully.

(c) Please confirm that the \$.013 adjustment you made will also result in a revenue leakage for SOA editorial pounds in cells D34-D37 of \$.01 per SOA editorial pound. If not confirmed, please explain fully.

(d) Please confirm that the total revenue leakage from the \$.013 adjustment you made is equal to $$.013 * \text{sum}(D28:D31) + $.01 * \text{sum}(D34:D37)$ and that this formula results in a total leakage estimate of \$28,249,721. If not confirmed, please provide what you believe to be the correct values, and explain fully.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.