

Before the
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Evolutionary Network Development)
Service Changes, 2006)

Docket No. N2006-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
(OCA/USPS-34-35)
May 8, 2006

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-1-5, dated March 3, 2006, are hereby incorporated by reference.

Respectfully submitted,

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Officer of the Commission

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OCA/USPS-34. Please refer to the slide numbered 41 in USPS-LR-N2006-1/9, Evolutionary Network Development Technical Conference Presentation Slides. This slide, labeled "Using Size to Capture Non-Linearity," shows both nonlinear and linear forms of the cost functions used to estimate workhours as a function of pieces handled for large, medium, and small operations.

- a. Please provide the mathematical equations that describe the nonlinear cost functions for each type of processing operation, operation size and shape type.
- b. Please provide the mathematical equations that describe the linear cost functions for each type of processing operation, operation size and shape type (e.g., the slope and intercept values for each cost function).
- c. Please confirm that only the linear cost functions are used in the optimization model.
- d. Based on the linear cost functions shown in Slide 41, it appears that at low volumes, small-sized operations would be more productive than medium-sized operations, and that medium-sized operations would be more productive than large-sized ones. However, the ordering of productivities by size would be reversed for larger volumes. Please confirm that these results are due to the following characteristics of the linear cost functions used in the optimization model:
 - Large-sized operations have relatively high fixed costs and relatively low variable costs;

- Small-sized operations have relatively low fixed costs and relatively high variable costs; and
 - Medium-sized operations have levels of fixed and variable costs lying between those for large and small sized operations.
- e. Were these cost functions developed using the Postal Service's methods for determining mail processing cost variabilities rather than the methods used by the Postal Rate Commission in several past rate cases?

OCA/USPS-35. As mentioned during the April 28, 2006 technical conference, parcel-shaped items with different service standards, such as Priority Mail and Parcel Post, often are processed in different facilities and use different modes of transportation in the current network. Under the END distribution concept, which involves considerable consolidation of processing and transportation, these parcel classes could be processed in the same operations in the same facilities and transported in the same containers. How would the current class-based service distinctions be maintained in the new network environment?