

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

Postal Rate and Fee Changes, 2006)

Docket No. R2006-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS DREW MITCHUM (OCA/USPS-T40-1-12)
(June 2, 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-T32-1-7, dated June 2, 2006, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T40-1. The following group of interrogatories relates to the proposed rate increase in this docket averaging 50 percent for Registered Mail based upon Postal Service costs. In the previous rate case, Docket No. R2005-1, a large cost increase estimated by the Postal Service was reduced significantly when the Commission applied the PRC's costing methodology to Registered Mail. Thus, the rate increase recommended by the Commission for Registered Mail of 5.6 percent (Opinion at page 177), based upon the PRC costing methodology, was consistent with the increases for other classes of mail. The following interrogatories explore the reasons why again applying the PRC costing methodology to estimated Registered Mail costs to reduce the rate increase of Registered Mail may not be feasible in this docket because registry costs using the PRC methodology appear to be higher than the registry costs using the Postal Service methodology. The interrogatories also seek to determine why unusually large cost increases appear in the library reference for Registered Mail using the PRC costing methodology.

Please confirm the following regarding Registered Mail in Docket No. R2005-1. If you do not confirm, please explain.

- a. In Docket No. R2005-1, the Postal Service using its own methodology estimated TY2006BR Registered Mail attributable costs of \$66,657,000. (OCA/USPS-T10-7, Tr. 8D/5014)
- b. In Docket No. R2005-1, the Postal Service using the PRC methodology estimated TY2006BR Registered Mail attributable costs of \$42,070,000 (OCA/USPS-T10-7, Tr. 8D/5014)

- c. In Docket No. R2005-1, the attributable costs estimated by the Postal Service for Registered Mail using the PRC methodology were lower than the attributable costs using the Postal Service methodology in the amount of \$24,587,000 (\$66,657,000 less \$42,070,000).
- d. In the Opinion in Docket No. R2005-1, the Commission estimated test year 2006 attributable costs of \$41,382,000 and revenue of \$43,684,684 for a contribution to institutional cost of \$2,302,000 and a cost coverage of 105.6 percent as shown on Appendix G, Schedule 1 of the Opinion.

OCA/USPS-T40-2. Please confirm the following regarding Registered Mail in this docket. If you do not confirm, please explain.

- a. The estimated attributable cost using the Postal Service methodology for base year 2006 is \$75,108,000 in witness Waterbury's Exhibit USPS-T10E, page D-1.
- b. The estimated attributable cost using the PRC methodology for base year 2006 is \$88,188,000 in LR-L-96, Part 2, vol. A, "D" Report, page D-1.
- c. The attributable costs estimated for the base year 2006 by the Postal Service for Registered Mail using the PRC methodology are higher than the attributable costs using the Postal Service methodology by the amount of \$13,080,000 (\$88,188,000 less \$75,108,000).
- d. The estimated before rates attributable cost for test year 2008 using the Postal Service costing methodology is \$64,262,000 as determined by witness Waterbury (T-10), Exhibit USPS-T10K, page D-1.

- e. The estimated before rates attributable cost for test year 2008 using the PRC costing methodology is \$75,419,000 as determined in LR-L-96, Part 2, vol. D, "D" Report, at D-1.

OCA/USPS-T40-3. Please explain why in this docket the base year 2006 costs using the PRC methodology are higher than the costs estimated using the Postal Service methodology whereas in Docket No. R 2005-1, the test year 2006 before rates costs using the PRC methodology were much lower than the costs estimated using the Postal Service methodology?

OCA/USPS-T40-4. Please explain why in this docket the test year 2008 before rates costs using the PRC methodology are higher than the costs estimated using the Postal Service methodology whereas in Docket No. R 2005-1 the test year 2006 before rates costs using the PRC methodology were much lower than the costs estimated using the Postal Service methodology?

OCA/USPS-T40-5. Please explain the basis for the large increase in the estimated before rates test year costs for registry using the PRC methodology between the test years 2006 to 2008 of from \$42,070,000 to \$75,419,000.

OCA/USPS-T40-6. Please explain the basis for the decrease in before rates test year costs for registry using the Postal Service methodology between test years 2006 to 2008 from \$66,657,000 to \$64,262,000, or a reduction of \$2,395,000.

OCA/USPS-T40-7. Please explain the apparent inconsistency between the large increase in the estimated before rates test year costs for registry using the PRC methodology between test years 2006 to 2008 of from \$42,070,000 to \$75,419,000 as compared to the decrease in before rates test year costs for registry using the Postal Service methodology for the same period from \$66,657,000 to \$64,262,000, or a reduction of \$2,395,000.

OCA/USPS-T40-8. Please confirm that the estimated Registered Mail before rates revenue for the test year 2008 is \$43,606,295 as shown in your Library reference LR-L-124, WP-8. If you do not confirm, please explain.

OCA/USPS-T40-9. Please confirm that a comparison of the Postal Service's base year before rates Registered Mail revenue to the base year before rates cost is a part of the basis for your conclusion in your testimony at page 41 that Registered Mail has been priced below its costs for the past few years. If you do not confirm, please explain.

OCA/USPS-T40-10. Please confirm that for the test year 2008, Registered Mail after rates costs are estimated at \$59,696,000. If you do not confirm, please explain.

OCA/USPS-T40-11. Please confirm that for the test year 2008, you estimate Registered Mail after rates revenues of \$60,606,732 as shown in your Library reference LR-L-124, WP-8. If you do not confirm, please explain.

OCA/USPS-T40-12. Please confirm that, for registry, the ratio of the estimated test year after rates revenue of \$60,606,732 to the estimated test year after rates costs of \$59,696,000 as indicated by witness Waterbury (T-10), Exhibit No. USPS-T10M, page D-1, (101.526 percent) reflects the application of your proposal for 102 percent cost coverage for Registered Mail. If you do not confirm, please explain.