

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  
INTERROGATORY TO UNITED STATES POSTAL SERVICE  
(OCA/USPS-62)  
August 11, 2006

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Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits an interrogatory and request 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-62. Please refer to the response to OCA/USPS-34. In the answer to part (d) (Tr. 3/1047-48), it was mentioned that the linear approximations match the productivities implied by the Postal Service's cost equations for large, medium, and small operations. It was also stated that the linear approximations, like the cost equations, are characterized by marginal cost decreases as volume (TPH) increases. Please also refer to the response to VP/USPS-T1-5(b) (Tr. 2/130), which indicates that the optimization model will maximize the utilization of larger facilities given the incremental cost of adding volume to a large operation is less than a small and medium operation.

- a. Suppose that the volume variability of a particular operation is 100%. Please confirm that, in such case, marginal costs from the nonlinear cost function would not decline as volume increases for that operation but would, instead, be constant over all volumes. If you do not confirm, please explain.
- b. Please confirm that in the 100% volume variability case described in part (a), the linear approximation cost functions used in the optimization model for large, medium, and small operations would have the same intercept (at the origin) and the same slope (marginal cost). If you do not confirm, please explain.
- c. For the 100% volume variability case described in part (b), please confirm that since marginal costs from the linear cost functions for large, medium, and small operations would be the same, and since there would be additional costs required to relocate existing operations to different facilities, the optimization model would not maximize the utilization of operations in larger facilities, but would instead maintain the

existing utilization of operations in large, medium, and small facilities. If you do not confirm, please explain.