

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

RATE AND SERVICE CHANGES TO IMPLEMENT
FUNCTIONALLY EQUIVALENT NEGOTIATED
SERVICE AGREEMENT WITH BRADFORD GROUP

Docket No. MC2007-4

RESPONSES OF POSTAL SERVICE WITNESS PARR
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-29-33)
(September 24, 2007)

The United States Postal Service hereby provides the responses of witness Parr to the following interrogatories of the Office of the Consumer Advocate, filed on September 10, 2007: OCA/USPS-T1-29-33.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 24, 2007

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PARR
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-29. Please refer to your testimony at page 13, lines 1-3, which references the risk that the Bradford Group's actual volumes deviate from the forecast volumes. Assume there are risk factors that cause the Bradford Group's actual volumes to exceed its *after-rates* forecast volumes.

- a. Under the NSA, please confirm that the Bradford Group will earn discounts on volumes exceeding the *after-rates* forecast volumes up to the volume cap (see Request, Appendix F, Article III.F.2). If you do not confirm, please explain.
- b. Under the NSA, please confirm that the Postal Service is obligated to provide the Bradford Group discounts on volumes exceeding the *after-rates* forecast volumes up to the volume cap (see Request, Appendix F, Article III.F.2). If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.

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OCA/USPS-T1-30. Please refer to your testimony at page 13, lines 1-3, which references the risk that the Bradford Group's actual volumes deviate from the forecast volumes. Assume there are risk factors that cause the Bradford Group's actual volumes to fall below its *after-rates* forecast volumes.

- a. Under the NSA, if the Bradford Group's actual volumes are less than its *after-rates* forecast volumes and more than the volume commitment, please confirm that the Bradford Group will earn discounts. If you do not confirm, please explain.
- b. Under the NSA, if the Bradford Group's actual volumes are less than its *after-rates* forecast volumes and less than the volume commitment, but more than the lowest discount threshold, please confirm that the Bradford Group will not earn discounts. If you do not confirm, please explain.
- c. Under the NSA, if the Bradford Group's actual volumes are less than its *after-rates* forecast volumes *and* less than the lowest discount threshold, please confirm that the Bradford Group will not earn discounts. If you do not confirm, please explain.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

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OCA/USPS-T1-31. Please refer to your response to OCA/USPS-T1-6(d), which identified NSA provisions that would permit risk mitigation, assuming the NSA is implemented as proposed. Part d. asked “how you controlled for uncertainty with respect to the risk factors . . . *when estimating* the Bradford Group’s forecast volumes.” (Emphasis added) Please respond to Part d. as asked, focusing exclusively on controlling for risk factors when estimating the Bradford Group’s forecast volumes, rather than NSA provisions.

RESPONSE:

Due to the fact that a complete list of risk factors is impossible to compile and probably unknowable, the risk mitigating features of the NSA were designed to address the presence of these risk factors instead of controlling for them in a precise manner when estimating Bradford Group’s forecast volumes.

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OCA/USPS-T1-32. Please refer to your response to OCA/USPS-T1-7(b). If the Postal Service “will not be able to distinguish volume changes caused by the other factors from those generated in response to the discounts,” as stated in response to Part a., please explain how the Postal Service will know, at the conclusion of the three-year period of the NSA, that any net contribution received is the result of volume generated solely in response to the discounted rates.

RESPONSE:

The Postal Service throughout the life of the NSA will be able to track actual volume. It is likely that the Postal Service will not be able to distinguish net contribution received as the result of volume generated solely in response to the discounted rates. The Postal Service generally does not possess the data needed to quantify the uncertainty and variability of other non-price outside events for individual mailers (assuming the data for such an analysis exists).

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OCA/USPS-T1-33. Please refer to your response to OCA/USPS-T1-10, concerning Appendix C, Table 1, the Value To Volume Sensitivity Matrix Based on Year 1.

- a. With respect to your response to Part b., assume the following: In the row, “%Change,” the total percentage change in actual After Rates Letter Volume, i.e., (8.3%), (4.0%), (2.0%), **0.0%**, 5.0%, 10.0%, and 17.3%, remains the same. However, assume one-half of the total percentage change is caused by non-price factors, and the other half is caused by the discounts. Also, assume there is no change in the percentages shown in the “%Change” column for Before Rates Letter Volume. Please complete the cells in Appendix C, Table 1, and provide an electronic version of Appendix A identifying any changes to Appendix A that were used to complete Table 1.
- b. With respect to your response to Part b., assume the following: In the row, “%Change,” the total percentage change in actual After Rates Letter Volume, i.e., (8.3%), (4.0%), (2.0%), **0.0%**, 5.0%, 10.0%, and 17.3%, remains the same. However, assume that all of the total percentage change is caused by non-price factors. Also, assume there is no change in the percentages shown in the “%Change” column for Before Rates Letter Volume. Please complete the cells in Appendix C, Table 1, and provide an electronic version of Appendix A identifying any changes to Appendix A that were used to complete Table 1.

RESPONSE:

- a-b. The cited scenarios for changes in the percentages caused by price and non-price factors will not affect the outcomes in Appendix C, Table 1 nor Appendix A. Variation from the after-rates volume forecast can result from non-price risk factors and discounts.