

ORIGINAL

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0000

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS LYONS TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-20-22)

The United States Postal Service hereby provides responses of witness Lyons to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-20-22, filed on July 23, 1996.

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

Respectfully submitted,

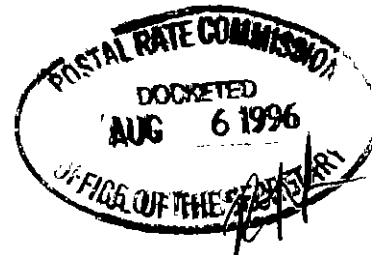
UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin
David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -5402
August 6, 1996



**RESPONSE OF POSTAL SERVICE WITNESS LYONS TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-20. Your testimony at 2 states,

We have reviewed the service offerings themselves to see what improvements could be made to make them more useful to the customer, and both easier to administer and understand. For example, the Postal Service has clarified the customers' choices for postal cards by creating a special fee that separates the cost of the mailpiece from the postage.

- a. Please explain how the special fee for postal cards makes the service offering more useful to the customer.
- b. Please explain for whom the special service fee for a postal card makes the service offering easier to administer.
- c. Please explain how the special service fee for a postal card makes the service offering easier to administer.

RESPONSE:

The statement to which you have referred was not intended to apply solely or totally to the special fee for postal cards. Rather, it was intended to describe generally all of the changes proposed in this filing that fall into the categories of "more useful to the customer, and easier to administer and understand". As explained in my response to OCA/USPS-T1-19, the separate card fee together with the change in the product name make the product easier to understand. The remaining portions of this statement apply primarily to the other reforms proposed in this filing.

**RESPONSE OF POSTAL SERVICE WITNESS LYONS TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T1-21. Your testimony at 6 states,

In the interest of mitigating the impact of general increases on its customers, the Postal Service would like to moderate the pace toward the eventual need to increase overall revenues as a result of rising cost levels.

Your testimony at 7 states,

The Postal has chosen to base its proposals on estimates for an FY 1996 test period projected by rolling forward a FY 1995 base year. In electing FY 1996 as its test period, the Postal Service has, as in Docket No. R94-1, chosen a moderate basis that conforms to the Commission's rules requiring a fiscal test year beginning no more than 24 months after the filing.

Your testimony at 20 states,

In my opinion, given the new information we are providing in this docket, including the analysis of the rate and classification criteria by witness Needham, the new cost coverages are reasonable, and consistent with the systemwide Docket No. R94-1 cost coverage of 157 percent.

- a. Do you believe that the R94-1 systemwide cost coverage of 157 percent is something that all future rate and classification cases should meet?
- b. Given that the Postal Service chose to update the Docket No. R94-1, FY 1996 test year data, please explain why you believe it is still appropriate to assume that the R94-1 systemwide cost coverage of 157 percent remains appropriate.

RESPONSE:

- a. No. The appropriateness of cost coverages must be evaluated at the time each rate and classification case is prepared. I would note, however, that the 157 percent systemwide cost coverage is relatively close to the systemwide cost coverages established in the last few omnibus rate cases.

**RESPONSE OF POSTAL SERVICE WITNESS LYONS TO
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b. Please note that the Docket No. R94-1 test year was Fiscal Year 1995, not FY 1996 as your question implies. Also note that the Postal Service chose to use FY 1996 as the test year for the Docket No. MC96-3 filing and did not, as your question suggests, use updated Docket No. R94-1 FY 1995 test year data for the Docket No. MC96-3 test year. A systemwide cost coverage of 157 percent remains appropriate as a basis of comparison because it is the most recent systemwide cost coverage arrived at as a result of an omnibus rate case.

**RESPONSE OF POSTAL SERVICE WITNESS LYONS TO
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OCA/USPS-T1-22. The following interrogatory refers to exhibit A, of your testimony. Each special service initiative except stamped cards has had "Total Operating Revenues" and "Total Expenses" identified.

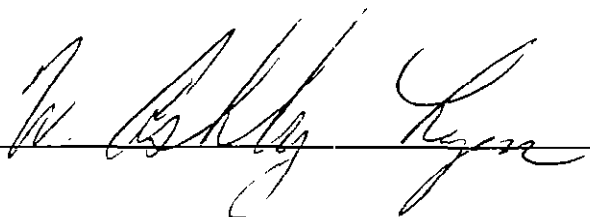
- a. Please identify the "Total Expenses" associated with the \$8.426 million stamped card revenue shown. If no before rate expenses are identified, please explain.
- b. If the stamped card expenses referenced in part a of this interrogatory are included elsewhere, please separately identify those costs. Include in your response cites for all numbers referenced, the derivation of each number, and copies of all source documents not previously provided.

RESPONSE:

a. & b. The "Total Expenses" associated with the \$8.426 million stamped card revenue shown in Exhibit A are a decline of \$65,000 in the printing costs of postal cards in the test year after rates (see the postal card lines under First Class Mail in Exhibits USPS-T-5E, page 49 and USPS-T-5H, page 49). This amount is included in my Workpaper F as part of the change in First Class attributable cost and in my Exhibit A as part of the change reflected under Mail & Other.

DECLARATION

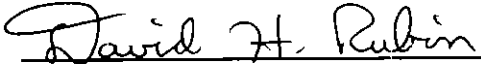
I, W. Ashley Lyons, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: 8-5-96

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


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