

ORIGINAL

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

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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 NEEDHAM TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T8-42-43)

The United States Postal Service hereby provides responses of witness Needham to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T8-42-43, filed on August 1, 1996. Interrogatory OCA/USPS-T8-41 was redirected to the Postal Service.

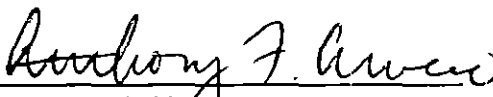
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

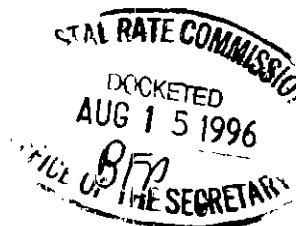
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 15, 1996



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OCA/USPS-T8-41. Library Reference SSR-104 develops the unit attributable costs for return receipts service. At page 10, it calculates a weighted average cost for non-merchandise:

Total attributable cost	Weight	
To whom and date delivered	\$0.86	97.31%
To whom, where and date delivered	<u>1.10</u>	<u>2.69%</u>
Weighted average unit cost	\$0.87	100.00%

Witness Lyons utilizes these costs in WP D, page 3, to determine Before and After Rates Costs and Cost Coverages. These costs also are shown in his Exhibit C, USPS-T-1.

- a) Does this mean that providing customers with the "address if different" option will increase the average unit cost by only one cent?
- b) If not, please provide an explanation, the appropriate unit cost, and calculations supporting this unit cost.
- c) If so, please confirm that you propose to charge customers a \$0.40 higher fee to offset a one cent cost increase.

RESPONSE:

Redirected to the Postal Service.

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OCA/USPS-T8-42. Please refer to your answer to OCA/USPS-T8-8.

- a) Please provide the calculations, with appropriate citations, to support the cost coverages from which you have "backed out the ancillary service revenues." Please include restricted delivery as a separate item, as well as return receipt.
- b) Please provide the similar cost coverages and calculations backing ancillary services from the cost coverages, costs and revenues shown in the Commission's Decisions in Docket Nos. R90-1 and R94-1. If data are missing or not available to perform these calculations, please specify what data are missing.

RESPONSE:

(a)

Certified Mail MC96-3

1. Certified Mail Revenue (\$000s) = 416,705 (USPS-T-1 WP D, page 1)
2. Certified Mail Cost (\$000s) = 285,880 (Exhibit USPS-T-5I, page 2)
3. Certified Mail Cost Coverage = 146% (1/2)

Return Receipts MC96-3

1. Return Receipt Revenue (\$000s) = 365,618 (USPS-T-1 WP D, page 2)
2. Return Receipt Cost (\$000s) = 214,021 (USPS-T-1 WP D, page 3)
3. Return Receipt Cost Coverage = 171% (1/2)

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OCA/USPS-T8-42 (continued)

b)

Certified Mail R90-1

1. Certified Mail Revenue (\$000s) = 188,404 (USPS-T-22 WP-6, page 1)
2. Certified Mail Cost (\$000s) = 147,859 (USPS-T-22 WP-6, page 2)
3. Certified Mail Cost Coverage = 127% (1/2)

Return Receipts R90-1

1. Return Receipt Revenue (\$000s) = 191,850 (USPS-T-22 WP-8, page 2)
2. Return Receipt Cost (\$000s) = 158,796 (USPS-T-22 WP-8, page 5)
3. Return Receipt Cost Coverage = 121% (1/2).

Certified Mail R94-1

1. Certified Mail Revenue (\$000s) = 293,220 (USPS-T-11 W/P VIII, page 5)
2. Certified Mail Cost (\$000s) = 305,826 (Exhibit USPS-11F, page 3)
3. Certified Mail Cost Coverage = 96% (1/2)

Return Receipts R94-1

1. Return Receipt Revenue (\$000s) = 236,805 (USPS-T-11 W/P VIII, p. 24)
2. Return Receipt Cost (\$000s) = 177,968 (Exhibit USPS-11F, page 7)
3. Return Receipt Cost Coverage = 133% (1/2)

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OCA/USPS-T8-42 (continued)

b)

Certified Mail R90-1

1. Certified Mail Revenue (\$000s) = 188,404 (USPS-T-22 WP-6, page 1)
2. Certified Mail Cost (\$000s) = 288,586 (USPS-T-22 WP-6, page 2)
3. Certified Mail Cost Coverage = 65% (1/2)

Return Receipts R90-1

1. Return Receipt Revenue (\$000s) = 191,850 (USPS-T-22 WP-8, page 2)
2. Return Receipt Cost (\$000s) = 158,796 (USPS-T-22 WP-8, page 5)
3. Return Receipt Cost Coverage = 121% (1/2).

Certified Mail R94-1

1. Certified Mail Revenue (\$000s) = 293,220 (USPS-T-11 W/P VIII, page 5)
2. Certified Mail Cost (\$000s) = 305,826 (Exhibit USPS-11F, page 3)
3. Certified Mail Cost Coverage = 96% (1/2)

Return Receipts R94-1

1. Return Receipt Revenue (\$000s) = 236,805 (USPS-T-11 W/P VIII, p. 24)
2. Return Receipt Cost (\$000s) = 177,968 (Exhibit USPS-11F, page 7)
3. Return Receipt Cost Coverage = 133% (1/2)

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OCA/USPS-T8-43. Please refer to your answer to OCA/USPS-T8-8, particularly Table 1 (Revised).

- a) Please confirm that the Postal Service's proposed fees for certified mail in the last two rate cases did not cover attributable costs.
- b) If you cannot confirm, please explain the correct interpretation of this table.
- c) If you do confirm, please explain why the Postal Service proposed fees that were substantially below attributable costs.

RESPONSE:

- a) Confirmed for R94-1. Not confirmed for R90-1, as indicated in my revised response to OCA/USPS-T-8.
- b) See response to (a).
- c) I disagree with the interrogatory's characterization that the 96 percent certified mail cost coverage proposed in Docket No. 94-1 was "substantially below attributable costs." In Docket No. R94-1 the Postal Service's certified mail cost coverage calculations included ancillary service revenue but not the ancillary service costs.

Revised September 9, 1996

RESPONSE OF U.S. POSTAL SERVICE WITNESS NEEDHAM
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T8-43. Please refer to your answer to OCA/USPS-T8-8, particularly Table 1 (Revised).

- a) Please confirm that the Postal Service's proposed fees for certified mail in the last two rate cases did not cover attributable costs.
- b) If you cannot confirm, please explain the correct interpretation of this table.
- c) If you do confirm, please explain why the Postal Service proposed fees that were substantially below attributable costs.

RESPONSE:

- a) Confirmed.
- b) Not applicable.
- c) I disagree with the interrogatory's characterization that the 96 percent certified mail cost coverage proposed in Docket No. R94-1 was "substantially below attributable costs." In Docket No. R94-1, the Postal Service's certified mail cost coverage calculations included ancillary service revenue but not the ancillary service costs.

In Docket No. R90-1, the certified mail attributable costs of \$288.6 million did not include ancillary service costs and therefore did not need to be further adjusted.

DECLARATION

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

Susan W Needham

Dated: August 15, 1996

DECLARATION

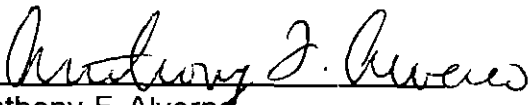
I, Susan W. Needham, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Susan W Needham

Dated: September 9, 1996

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.


Anthony F. Alverno

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August 15, 1996