

ORIGINAL

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

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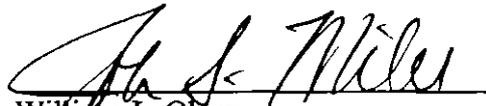
SPECIAL SERVICES FEES AND CLASSIFICATIONS, 1996)

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. MC96-3

NASHUA PHOTO, INC., MYSTIC COLOR LAB, AND SEATTLE FILMWORKS INC.  
FOLLOW-UP INTERROGATORIES  
AND REQUESTS FOR PRODUCTION OF DOCUMENTS  
TO UNITED STATES POSTAL SERVICE  
WITNESS PATELUNAS (NMS/USPS-73-76)  
(September 13, 1996)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice,  
Nashua Photo Inc., Mystic Color Lab, and Seattle FilmWorks, Inc.<sup>1</sup> hereby submit follow-up  
interrogatories and document production requests. If necessary, please redirect  
interrogatories and/or requests to a more appropriate Postal Service witness.

Respectfully submitted,



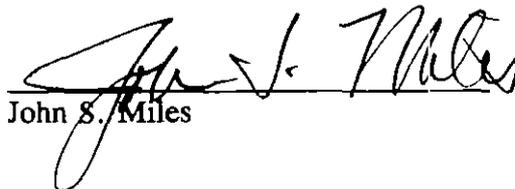
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John S. Miles  
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POSTAL RATE COMMISSION  
DOCKETED  
SEP 13 1996  
OFFICE OF THE SECRETARY

Counsel for Nashua Photo Inc., Mystic Color Lab,  
and Seattle FilmWorks, Inc.

CERTIFICATE OF SERVICE

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

  
John S. Miles

September 13, 1996

<sup>1</sup> Seattle's motion for leave to intervene out of time is pending before the Commission.

**NMS/USPS-73.**

Your response to POIR No. 3, Question 7, states:

the level of detail in this special study is meant to capture costs that may not be captured in the CRA as return receipt costs. For example, cost segments 8 and 14 capture no special service costs and segments 9,10, 12 and 13 capture few special service, particularly "other" special service, costs. Such costs are not missing from the CRA, although they appear somewhere else, rather than as "other" special service.

- a. Please consider the costs of return receipt that have been captured by the special study. Should all of these costs be considered or treated as **attributable** to return receipt? Please explain any answer that is not an unqualified affirmative, and identify in the special study of return receipt costs, any costs that are not considered to be attributable.
- b. For all costs of return receipt that are included in the special study and specified as attributable in response to preceding part a, please indicate the portion of those costs that are (i) volume variable, and (ii) specific fixed.
- c. As noted in your response, the CRA identifies certain costs as attributable to return receipt, while the special study identifies a larger amount that is attributable to return receipt. Please consider all costs that the special study attributes to return receipt, but which are not attributed to return receipt in the CRA; *i.e.*, costs which "are not missing from the CRA" but "appear somewhere elsewhere" in the CRA (for purposes of this interrogatory, these extra costs attributed to return receipt by the special study will be referred to here as "excluded" attributable costs).

- i. For all of the "excluded" attributable costs of return receipt (it is understood that such "excluded" costs may reside in a number of different cost segments), please indicate whether the CRA now treats those excluded costs as institutional costs or as costs attributed to some other product or service (unless your answer is the same for all cost segments, please give a segment by segment analysis). In your response, please indicate whether the special study has identified any costs heretofore treated as institutional that should be reclassified as attributable.
  
- ii. To the extent that the "excluded" attributable costs are already being treated in the CRA as attributable, but are being attributed to other products or services, what reduction should be made to the attributable costs of those other products and services if the excluded costs should properly be regarded as attributable to return receipt?

#### **NMS/USPS-74**

Your response to POIR No. 3, Question 7, also states:

Furthermore, additional CRA data collection efforts would be required to capture some of the costs reflected in the special study. For example, the additional carrier time used to receive mail pieces bearing return receipts and to obtain addressee signatures on those return receipts is not collected in the city carrier data system. Capturing this additional cost resulting from the return receipt service is the function of the special study.

- a. In the particular instance cited here of capturing additional carrier costs associated with return receipts, does the CRA now treat all of the carrier costs identified in the

above quotation as attributable (to some postal product)? If not, please identify the portion that the CRA attributes and the portion of carrier costs that the CRA does not attribute.

- b. Following are a general premise and a conclusion derived from that premise. As a hypothetical, please accept the premise and state whether you agree with the conclusion. If you do not agree, please explain why.
- **Premise:** In the CRA, a certain percentage of the costs in each cost segment is determined to be attributable, and some of those costs should properly be attributed to special service A, but for various reasons those costs actually are distributed to some other product(s) and are **not** attributed to special service A; *i.e.*, the attributable costs of special service A are revealed to be understated (*e.g.*, as a result of a special study).
  - **Conclusion:** To the extent that the attributable costs of special service A are understated, the attributable costs of other product(s) must necessarily be overstated.
- c. To the extent that certain attributable carrier costs as assigned by the CRA properly should be reassigned to return receipt service (as revealed by a special study), please identify the product(s) from which they should be reassigned.

**NMS/USPS-75.**

Your response to POIR No. 3, Question 8, states:

The Postal Service uses special studies, rather than CRA costs, to identify costs at a more detailed level needed for pricing particular special services. This level of detail is beyond that required for CRA reporting and is often used for purposes beyond the scope of the CRA.

- a. Is it your position that when pricing special services the Commission (i) should adopt the costs of the product studied as revealed by Postal Service special studies, but at the same time (ii) should ignore all implications that the special study has regarding the attributable cost of other Postal Service product(s)?
  
- b. If your response to preceding part a is affirmative, please provide your rationale for ignoring all cost implications for any other product(s) that flow from the special study, and explain how double-counting and over-attribution would be avoided by this approach.
  
- c. If your response to preceding part a is negative, then please respond to the following. When a special study identifies certain costs not heretofore attributed to a particular special service, such as return receipt, should the special study provide any information as regards the cost implications for any other product(s) and, if so, what type of information on such other product(s) should the special study provide? *E.g.*, should the special study identify the product(s) for which attributable costs are likely to be overstated, or should the special study be accepted to increase cost attributions

for the studied product even if no effort is made to identify such product(s) or determine where the CRA now attributes those costs?

- d. In a limited classification or rate case, such as this docket, should the Commission make any effort (such as by adjusting rates for any other product(s) downward) to take into account ramifications regarding overstated CRA attributable costs of any other product(s) as revealed by the understatement of attributable costs of the studied product?

**NMS/USPS-76.**

Your response to POIR No. 3, Question 8, states:

Cost Segment 7 would require additional data collection to account for the additional carrier time of receiving pieces of mail bearing return receipts and of obtaining addressee signatures for those return receipts. For CRA reporting purposes, the present format is adequate.

For purposes of this interrogatory, assume that (i) the Postal Service has conducted a special cost study of a special service, such as return receipt or business reply mail, and (ii) the special cost study is accepted and used by the Commission as the basis for its recommendation in the context of a limited classification or rate case, such as Docket No. MC96-3. Assume further that no changes are made to CRA attributable costs due to the special cost study, and in the next omnibus rate case the only costs available for all special services are CRA costs, including LIOCATT Workpapers.

- a. In the omnibus rate case, (i) should the Commission base its recommended decision with respect to fees and markups for special services, such as return receipt and

business reply mail, on CRA costs, or (ii) should it use the results of the most recent special cost study to adjust CRA costs for special services such as return receipt and business reply mail?

- b. If you advise that the Commission should base its recommended decision in the next omnibus rate case only on CRA costs, why should it deviate from that practice in this docket?
- c. If you advise that the Commission should use the most recent special cost study to adjust CRA costs for special services such as return receipt and business reply mail, for every adjustment (increment) above CRA costs, should it not make an offsetting adjustment to avoid double counting of attributable costs?
- If your answer is that costs of the special service should be incremented but no other adjustment is in order, please explain why no such adjustment should be made.
  - If your answer is that offsetting adjustments to attributable costs should be made, please explain why the Commission should not make such offsetting adjustments in the limited classification or rate case in which the special cost study is introduced.