

ORIGINAL

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Docket No. MC96-3

SPECIAL SERVICES REFORM, 1996

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS CALLOW
(USPS/OCA-T300-30-39)

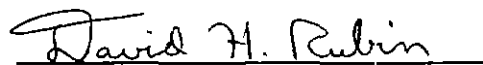
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate's witness Callow: (USPS/OCA-T300-30-39).

Respectfully submitted,

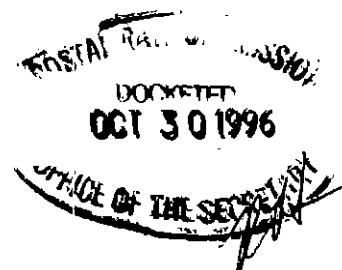
UNITED STATES POSTAL SERVICE

By its attorneys:

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October 30, 1996



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USPS/OCA-T300-30. Please refer to your testimony at page 14, lines 9-12, and witness Needham's discussion with Chairman Gleiman at Tr. 3/857-60. Please confirm that witness Needham stated that she was not able to determine residency for purposes of the non-resident fee because she did not have adequate information about where the migrant workers and their families lived. Tr. 3/860. If you do not confirm, please explain.

USPS/OCA-T300-31. Please refer to the last sentence of your responses to USPS/OCA-T300-8, 13, and 15, where you mention that "a real solution to this problem [of Group I and II fee disparities, and Group II fees failing to cover costs] would require redefinition of groups." Please elaborate on how post office box service groups could be redefined to solve the problems you mention.

USPS/OCA-T300-32. Please refer to your response to USPS/OCA-T300-1.

- (a) Assuming there are greater administrative burdens associated with non-resident box service, do you believe that those burdens would not increase Postal Service costs above what costs would be if there were no such administrative burdens?
- (b) Do you disagree with witness Landwehr's conclusion that "the high number of non-resident customers increases the workload and consequent demand for

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resources" in Middleburg, Blaine, San Luis, and similar offices? USPS-T-3 at

10. Please explain your response fully.

- (c) Please confirm that unless costs are quantified you do not believe they can be used to support a proposal for an additional fee that would cover such costs. If you do not confirm, please explain.

USPS/OCA-T300-33. Please refer to your response to USPS/OCA-T300-5.

- (a) Please confirm that witness Lion's 38-percent figure does not "grossly exaggerate" the proportion of offices in which all boxes of at least one size are in use? If you do not confirm, please explain.
- (b) In part (b) of your response, you state that "the probability that any one resident would face this situation [the absences of any boxes available] is about 5 percent." Are you assuming that the 5 percent of offices at which all boxes are in use account for 5 percent of all Postal Service boxes? Please explain your response.
- (c) What proportion of total Postal Service boxes do these offices represent? Please explain the derivation of your response.

USPS/OCA-T300-34. Please refer to your response to USPS/OCA-T300-10, where you state that:

The combination of the fee increases and decreases I propose produces a test year cost coverage that is equal to the cost coverage in the test

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year under the current fee schedule; i.e., that recommended by the Commission and approved by the Governors in Docket No. R94-1.

- (a) Please confirm that the phrase "that recommended by the Commission and approved by the Governors in Docket No. R94-1" refers to the current post office box and caller service fee schedule, rather than the projected before rates "cost coverage in the test year" (100 percent). If you do not confirm, please explain fully.
- (b) Did the Commission in its Docket No. R94-1 Opinion and Recommended Decision endorse in any way a 100 percent cost coverage for post office box and caller service? Please explain your answer fully.
- (c) Please confirm that the 100 percent cost coverage resulting from the fees you propose for post office box and caller service was pre-determined to match the before rates cost coverage, independent of any analysis of the pricing criteria in 39 U.S.C. §3622(b). If you do not confirm, please explain fully.
- (d) If Docket No. MC96-3 were an omnibus rate case, would you support a 100 percent cost coverage for post office box and caller service based on the pricing criteria in 39 U.S.C. §3622(b)? Please explain your response fully.

USPS/OCA-T300-35. If, hypothetically, post office box and caller service had a before rates cost coverage of 90 percent in the Docket No. MC96-3 test year, would you recommend fees that would increase that cost coverage to 100 percent? If not, how would you show your proposal's consistency with 39 U.S.C. §3622(b)(3)? If so,

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would you offset the net revenue increase for post office box and caller service with a revenue loss from some other subclass or special service to maintain contribution neutrality? Please explain your response fully.

USPS/OCA-T300-36. Please refer to your response to USPS/OCA-T300-16, where you state that your proposed fees “are in keeping with the contribution neutral premise of classification reform....”, and “produce a cost coverage of 100 percent that is equal to the test year cost coverage at the Commission’s R94-1 recommended fees.”

- (a) Please confirm that, if the underlying costs change for a hypothetical service with an initial target cost coverage of other than 100 percent, a contribution neutral premise would lead to a different cost coverage than the initial target cost coverage for that service at the Commission’s R94-1 recommended fees. If you do not confirm, please explain fully.
- (b) Please confirm that the Commission recommended fees for post office box and caller service in Docket No. R94-1 that were projected to produce a \$75,091,000 contribution to institutional cost in the FY 1995 test year in that docket. See PRC Op., App. G, Sch. 1. If you do not confirm, please explain fully.
- (c) Suppose the Postal Service had used FY 1995 as its test year in Docket No. MC96-3, instead of FY 1996. Under your view of the “contribution neutral

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premise of classification reform”, should proposed post office box and caller service fees then have been designed to produce the \$75,091,000 contribution for post office box and caller service recommended by the Commission for FY 1995? Please explain your answer fully.

USPS/OCA-T300-37. Please refer to your response to USPS/OCA-T300-16. Please reconcile your statement that “[t]his is clearly not a case in which FY 96 cost coverages are being equated with R94-1 cost coverages”, with witness Lyons’ comparison of Docket No. MC96-3 cost coverages with the systemwide Docket No. R94-1 cost coverage.

USPS/OCA-T300-38. Please refer to your response to USPS/OCA-T300-17.

- (a) Please confirm that, to the extent the Commission took into account the level of CMRA fees in Docket No. R94-1, that consideration is reflected in the Commission's recommendation of a cost coverage for post office box and caller service of 115.4 percent, not 100 percent, in that docket. If you do not confirm, please explain fully.
- (b) How can the 100 percent cost coverage resulting from your fee proposal reflect the level of CMRA fees to the same extent as the 115.4 percent cost coverage associated with the post office box and caller service fees recommended in Docket No. R94-1?

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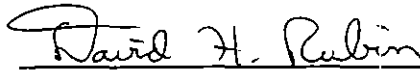
- (c) Please confirm that the higher level of CMRA fees compared to Postal Service box fees would justify a higher cost coverage for post office box and caller service, than if CMRA fees were not higher than Postal Service box fees. If you do not confirm, please explain.
- (d) If the Postal Service has obtained new information about CMRA fees following Docket No. R94-1, can that information be reflected in the cost coverage for post office box and caller service through an interim Commission case before the next omnibus rate case? Please explain your answer fully.

USPS/OCA-T300-39. Please refer to OCA-LR-3 (Revised) at page 5.

- (a) Please confirm that the USPS Accept Rates in column (d) were based on responses to a survey by existing post office box service customers only (as modified in the Appendix to USPS-T-1). See, e.g., USPS-T-6 at 1, lines 12-13. If you do not confirm, please explain.
- (b) Please confirm that the elasticities you derived in column (g) are thus based on the response of current boxholders to the increased fees in the Postal Service's proposal. If you do not confirm, please explain.
- (c) Please confirm that you applied the elasticities in column (g) to calculate in column (k) the increase in the number of boxes resulting from decreased fees for Group IA, box sizes 2 and 3; Group IB, box sizes 2 and 3; and Group IC, all box sizes. If you do not confirm, please explain.

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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