

ORIGINAL

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

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Special Services Fees and Classifications      Docket No. MC96-3

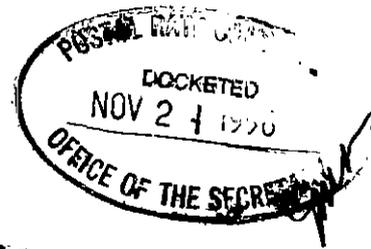
ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES USPS/OCA-T200-18-32,34-37  
REDIRECTED FROM WITNESS THOMPSON  
(NOVEMBER 21, 1996)

The Office of the Consumer Advocate hereby submits the answers to interrogatories USPS/OCA-T200-18-32, 34-37, dated November 7, 1996, redirected from Pamela A. Thompson. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

*Emmett Rand Costich*

EMMETT RAND COSTICH  
Assistant Director  
Office of the Consumer Advocate



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USPS/OCA-T200-18. Please refer to OCA-LR-5.

- a. Will an OCA witness sponsor this library reference?
- b. If so, please identify the witness.
- c. Who prepared this library reference? Please identify all persons who assisted in the preparation.
- d. If a contractor had any role in preparing this library reference, please provide copies of the contract, the statement of work, all task orders, and all other related documents.

A.

- a. No. This library reference, like numerous Postal Service library references, neither requires (nor has) a sponsoring witness. For example, library reference SSR-90, documenting statistical data collection systems, such as the IOCS, has no sponsoring witness. The Postal Service has responded as an institution to interrogatories concerning that library reference, and the OCA will do likewise.
- b. Not applicable.
- c. OCA-LR-5 was prepared by an OCA rate and classification specialist.
- d. No contractors were used.

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USPS/OCA-T200-19. Please refer to OCA-LR-6.

- a. Will an OCA witness sponsor this library reference?
- b. If so, please identify the witness.
- c. Who prepared this library reference? Please identify all persons who assisted in the preparation.
- d. If a contractor had any role in preparing this library reference, please provide copies of the contract, the statement of work, all task orders, and all other related documents.

A.

- a. No. See the response to USPS/OCA-T200-18.
- b. Not applicable.
- c. OCA-LR-6 was prepared by an OCA rate and classification specialist.
- d. No contractors were used.

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USPS/OCA-T200-20. Please refer to OCA-LR-5 and 6.

- a. Is the OCA now in a position to replicate the Commission's cost model? If not, please explain in detail why not.
- b. Is the OCA now in a position to produce a witness to attest to the validity of any replication of the Commission's cost model? If not, please explain in detail why not.
- c. Is the OCA now in a position to modify the Commission's cost model? If not, please explain in detail why not.
- d. Is the OCA now is a position to produce a witness to explain any OCA modifications to the Commission's cost model?

A.

a-d. No. See the response to USPS/OCA-T200-18. Since the filing of PRC-LR-2, the OCA has not had the resources to replicate the Commission's cost model. Library reference OCA-LR-5 simply executes unmodified Commission cost model programs on unmodified "before rates" factor files already included in PRC-LR-2 as if it were a "turn-key" cost model. The changes made to the batch file that executes the unmodified Commission cost programs are detailed in OCA-LR-5.

In addition to the factor files that the Commission's PRC-LR-2 used to produce the after rates costs, the Commission included other similarly named factor files in the library reference. To produce its final test year after rates costs, the library reference used factor files named "tyar96p.fac" and

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"ty96mixp.fac." Also included in the library reference were files named "tybr96p.fac" and "br96mixp.fac." The OCA inferred that the purpose of including these "br" factor files in the Commission's library reference was to provide users with a turn-key system to produce test year before rates costs. Witness Thompson relies on OCA-LR-5, which accepts the model as provided by the Commission (much as Postal Service witness Patelunas accepts the results of the Postal Service's statistical data collection systems).

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USPS/OCA-T200-21. Please refer to OCA-LR-6, worksheet  
PRCTYAR95.

- a. Please confirm that the R94-1 TYAR 95 cost coverages contained on pages 3 and 5 are based on the Commission cost model used in its initial recommended decision in Docket No. R94-1. If you do not confirm, please explain in detail.
- b. Should the same cost model be used to develop the attributable costs for both the R94-1 and MC96-3 cost coverages on pages 3 and 5? If not, please explain in detail.
- c. If different models produce different attributable costs, how valid is any comparison of the cost coverages produced by each? Please explain in detail.

A.

- a. The cost coverages contained on pages 3 and 5 are based on the costs and revenues as reported in Appendix G, Schedule 1, of the initial recommended decision in Docket No. R94-1.
- b. No. The OCA understands that no party uses identical cost distribution and forecasting models from case to case. The Commission's cost models have consistently replicated the Postal Service's distribution and projection of costs from case to case. There is thus no reason to believe that one case's model differs significantly from another (unless the Postal Service's models also differ). Certainly, the

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differences in attributable cost between the Commission's two R94-1 cost models are trivial in the extreme. See the response to USPS/OCA-T200-35.

- c. See the response to part b., above.

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USPS/OCA-T200-22. Please refer to PRC-LR-2 and PRC-LR-17 from Docket No. R94-1, and PRC-LR-2 from this docket.

- a. What is the Commission-approved cost attribution methodology? Please explain in detail.
- b. Is it the cost methodology used by the Commission in its recommended decision in Docket No. R94-1 on Reconsideration? Please explain in detail.
- c. Is it the cost methodology used by the Commission in its initial recommended decision in Docket No. R94-1? Please explain in detail.
- d. Is it the cost methodology used by the Commission in this docket? Please explain in detail.
- e. Is the cost methodology used by the Commission in some other docket? Please explain in detail.

A.

a-e. The Commission has stated in Order No. 1134 and in its library references PRC-LR-1 and PRC-LR-2 that the methodology is basically the same as in the R94-1 Further Recommended Decision. Consequently, the OCA interprets PRC-LR-2 as Commission-approved cost methodology applied to docket MC96-3.

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USPS/OCA-T200-23. Have you or any other OCA personnel or contractors performed any analysis of the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket? If so, please provide that analysis, including all notes, spreadsheets, workpapers, electronic files, and other related documentation. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

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USPS/OCA-T200-24. Have you or any other OCA personnel or contractors replicated or attempted to replicate the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket? If so, please provide any and all notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

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USPS/OCA-T200-25. Have you or any other OCA personnel or contractors compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 with the Commission's costing methodology from its Docket No. R94-1 recommended decision on reconsideration? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

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USPS/OCA-T200-26. Have you or any other OCA personnel or contractors compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket with the Commission's costing methodology from its initial Docket No. R94-1 recommended decision? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20. However, the OCA has filed library reference OCA-LR-7, which compares cost coverages from the initial and further recommended R94-1 decisions. The sole purpose of OCA-LR-6 was to summarize cost coverages. Reliance on the further recommended R94-1 decision would have little, if any, effect on those coverages, as demonstrated in sheet "R941\_rec" of OCA-LR-7.

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USPS/OCA-T200-27. Have you or any other OCA personnel or contractors compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket with the Commission's costing methodology from its Docket No. R90-1 recommended decision on remand? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

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USPS/OCA-T200-28. Have you or any other OCA personnel or contractors compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 in this docket with the Commission's costing methodology from its initial Docket No. R90-1 recommended decision? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

A. No. See the response to USPS/OCA-T200-20.

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USPS/OCA-T200-29. Please refer to PRC-LR-2 in this docket.

- a. Please confirm that the cost model documented in this library reference differs from prior Commission cost models (specifically Docket No. R94-1 upon reconsideration, PRC LR-17) in at least the following respects:
  - i. PRC Component Numbers 309 through 316 (see page 2 of 13 of PRC LR-2, Component Titles and Numbers) formerly received a redistribution mail volume effect, but now receive a direct mail volume effect. If you do not confirm, please explain in detail.
  - ii. PRC Component Number 1002 formerly received a non-volume workload effect, but no longer receives such an effect. If you do not confirm, please explain fully.
- b. Do you believe that the changes noted in subpart (a) above are errors or intentional changes? Please explain in detail.
- c. If you believe that the changes noted in subpart (a) above are errors, did you correct them? If not, please explain in detail why not.
- d. If you believe that the changes noted in subpart (a) above are intentional changes, then what are the bases for these changes? Please explain in detail.

A.

a-d. The OCA has not performed the requested analyses. See the response to USPS/OCA-T200-20.

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USPS/OCA-T200-30. Please refer to OCA-LR-6, worksheet BY95.

- a. Please confirm that in footnote 1, "by95lp.lr" should be "by95lp.lr."
- b. Please confirm that the revenue for Priority Mail should be 3,074.7 million rather than 3,074.4 million. If you do not confirm, please explain in detail.
- c. There is a Final Adjustment for Insurance of 6,716 million. What is the source of this adjustment? Why was this adjustment made? Please explain in detail. Please provide any notes, results, spreadsheets, workpapers, electronic files and other related documentation.

A.

a. Confirmed.

b. Confirmed.

c. The figure you refer to should be zero. See revised OCA-LR-6, filed November 14, 1996. This adjustment is intended to reflect additional insurance costs under the Postal Service's proposal in this docket. Since worksheet BY95 does not reflect the Postal Service's insurance proposal, there should not be an adjustment. See USPS-T-5B, page 2, and USPS-T-5, page 23.

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USPS/OCA-T200-31. Please refer to OCA-LR-6, worksheet PRCTYAR96.

- a. Footnote 1 states in part, "Special Delivery cost is set to zero at the first page of the 'Test Year (AR 1996)' section of PRC-LR-2." Page 50 of "tyar96.p.l4" of PRC-LR-2 shows total attributable costs for Special Delivery of \$5 (thousand). Which Special Delivery cost figure is correct -- zero or \$5 (thousand)? Please explain in detail, including an explanation of all calculations by which \$5 (thousand) becomes zero. Please provide any notes, results, spreadsheets, workpapers, electronic files and other related documentation.
- b. There is a Final Adjustment for Insurance of 6,716 million. What is the source of this adjustment? Why was this adjustment made? Please explain in detail.

A.

- a. As noted in the referenced Footnote 1, there is a discrepancy between the special delivery cost reported at page 50 of tyar96p.l4 of PRC-LR-2 and the cost reported on the first page of 'Test Year (AR 1996)' of PRC-LR-2. The value of zero was used in OCA-LR-6. The value of \$5 (thousand) on page 50 appears to be a rounding artifact.
- b. The source of the 6,716 (thousand) figure is the first page of 'Test Year (AR 1996)' of PRC-LR-2. This figure is consistent with the figure used at page 2 of Exhibit USPS-T-5I and calculated in witness Lyons' Workpaper WP-A.

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At page 23 of his testimony, witness Patelunas has testified:

The third change is an additional \$6.7 million cost for insurance. This amount was claculated [sic] in witness Lyons, USPS-T-1, Workpaper WP-A, and it appears in both my Exhibit USPS-T-5J and Workpaper WP-G, Table E.

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USPS/OCA-T200-32. Please refer to OCA-LR-6, worksheet PRCTYBR96. There is a Final Adjustment for Insurance of 6,716 million. What is the source of this adjustment? Why was this adjustment made? Please explain in detail.

A. The figure you refer to should be zero. See revised OCA-LR-6 filed November 14, 1996. This adjustment reflects additional insurance costs under the Postal Service's proposal. Since worksheet PRCBR96 does not reflect the Postal Service's insurance proposal, there should not be an adjustment. See USPS-T-5F, page 2, and USPS-T-5, page 23.

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USPS/OCA-T200-34. Please refer to your response to redirected interrogatory USPS/OCA-T400-21, where you cite to the R94-1 TYAR "cost coverage for total mail and services" of 156.8 percent.

- a. Would this cost coverage change if calculated using the Commission's cost model from R94-1 on Reconsideration?
- b. If so, why does the cost coverage change? Is it as a result of different attributable cost levels? Is it a result of using different cost models? Please explain in detail.

A.

- a. The R94-1 TYAR cost coverage for total mail and services using the Commission's methodology from R94-1 on Reconsideration is 156.9 percent, compared to the 156.8 percent reported in the initial opinion. See Appendix G, Schedule 1 of the R94-1 Opinion and Further Recommended Decision. These figures are summarized in OCA-LR-7.
- b. Changes implemented by the Commission in issuing its Further Recommended Decision are detailed in that decision and its supporting library references. Both the total revenue and total attributable cost figures of Appendix G of the Further Recommended Decision differ slightly from those presented in the initial opinion. As a result, the ratio of these two numbers differs by an insignificant amount.

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USPS/OCA-T200-35. Please refer to your response to redirected interrogatory USPS/OCA-T400-21, where you discuss "cost coverage variances" that you argue could require a rate decrease.

- a. Would these "cost coverage variances" change if calculated using the Commission's cost model from R94-1 on Reconsideration?
- b. If so, why do the "cost coverage variances" change? Is it as a result of different attributable cost levels? Is it a result of using different cost models?

A.

- a. The R94-1 TYAR cost coverages for mail and services using the Commission's methodology from R94-1 on Reconsideration differ in a few cases by an insignificant amount from the analogous figures reported in the initial opinion. The largest difference is only 0.2 percent. These figures are summarized in OCA-LR-7.
- b. See the response to USPS/OCA-T200-34b.

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USPS/OCA-T200-36. Please refer to your response to redirected interrogatory USPS/OCA-T400-21, where you discuss "cost coverage variances" that you argue could require a rate increase.

- a. Would these "cost coverage variances" change if calculated using the Commission's cost model from R94-1 on Reconsideration?
- b. If so, why do the "cost coverage variances" change? Is it as a result of different attributable cost levels? Is it a result of using different cost models? Please explain in detail.

A. Please see the responses to USPS/OCA-T200-34-35.

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USPS/OCA-T200-37. Please refer to your response to redirected interrogatory USPS/OCA-T400-21, where you cite to "projected total attributable costs for special services for FY 95" of \$1,366.7 million.

- a. Would these total attributable costs change if calculated using the Commission's cost model from R94-1 on Reconsideration?
- b. If so, why do the total attributable costs change? Is it a result of using different cost models? Please explain in detail.

A.

- a. See the responses to USPS/OCA-T200-34-35. The projected total attributable cost for special services for FY 95 based on the Commission's cost model from R94-1 on Reconsideration was \$1,366,876 (thousand).<sup>1</sup> The analogous figure based on the initial R94-1 opinion was \$1,366,729 (thousand).<sup>2</sup> The total attributable cost for special services based on R94-1 on Reconsideration is thus 0.0108 percent larger than the analogous sum based on the initial opinion.
- b. See the response to USPS/OCA-T200-34b.

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<sup>1</sup> This is the sum of the special services costs from Appendix G, Schedule 1, of the Further Recommended Decision, Docket No. R94-1.

<sup>2</sup> This is the sum of the special services costs from Appendix G, Schedule 1, of initial Recommended Decision, Docket No. R94-1.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 3.B(3) of the special rules of practice.

  
EMMETT RAND COSTICH  
Attorney

Washington, DC 20268-0001  
November 21, 1996