

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MAYO TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T39-1-2)

The United States Postal Service hereby provides the responses of witness Mayo to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T39-1-2, filed on March 14, 2000.

Each interrogatory is stated verbatim and is followed by the response.1

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

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March 28, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MAYO
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T39-1-2)**

OCA/USPS-T39-1. Please refer to your testimony, pages 15 and 16, in which you utilize a test year cost for Bulk Parcel Return Service of \$1.13 per piece derived from the cost determined by USPS witness Eggleston in USPS-T-26, plus contingency.

- (a) Please confirm that your reference on page 15, footnote 5, to pages 41-44 of USPS-T-26 should be to pages 30-40. If not, please explain.
- (b) Please provide your calculations for adjusting witness Eggleston's test year BPRS cost of \$1.105 at USPS-T-26, page 40, to arrive at the \$1.13 test year BPRS cost to which you apply a cost coverage. Please provide all supporting documentation.
- (c) Please indicate your basis for the contingency amount you applied to witness Eggleston's BPRS cost.
- (d) Please explain your basis for selecting a nickel rounding constraint rather than, for instance, a penny rounding constraint.
- (e) If witness Eggleston revised the total BPRS test year volume variable unit cost shown on USPS-T-26, page 40, either up or down, would you adjust your BPRS rate recommendation accordingly, by recalculating the BPRS cost using witness Eggleston's revised test year cost (to which you apply the contingency and add the cost coverage)? If not, please explain.

RESPONSE:

- a. Confirmed only that the footnote reference should be to page 40. Errata will be filed later.
- b. I multiplied witness Eggleston's cost per piece of \$1.105 by 1.025 (the contingency of 2.5 percent). The calculation is in the after rates cost per piece column (Column 2) of my W/P 32 of LR-I-168 on page 1 of 7.
- c. The basis for the 2.5 percent contingency used as the standard contingency in this rate case can be found in witness Tayman's testimony (USPS-T-9, pp. 43-46).

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OCA/USPS-T39-1. CONTINUED

- d. I used a nickel rounding constraint versus a penny rounding constraint for purposes of fee simplification. The current fee was designed using a nickel rounding constraint and I felt that was a reasonable constraint to use in my fee proposal.
- e. I might propose a different fee for BPRS if I were to receive a revised cost from witness Eggleston that was significantly different from the one she provided. I might not propose a different fee if a revised cost from witness Eggleston resulted in a cost coverage close to the target.

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OCA/USPS-T39-2. On page 17 of your testimony, you state that "the major consideration in developing the proposed BPRS per piece fee was maintaining a cost coverage close to the systemwide average." With a cost of \$1.13 per piece and a proposed rate of \$1.65 your proposed cost coverage is 146 percent.

- (a) What systemwide average cost coverage did you assume when you prepared your testimony?
- (b) If the systemwide average cost coverage were altered significantly in this proceeding, would your recommendation be altered to conform to the new systemwide average, as adjusted by the nickel rounding constraint?

RESPONSE:

- a. As the systemwide cost coverage was not finalized when I developed this proposed fee, I reviewed past omnibus case systemwide average cost coverages, while keeping in mind the recommend cost coverage from the establishment of the BPRS service.
- b. I would probably revise my proposed fee if the systemwide average cost coverage were altered significantly.

DECLARATION

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

Susan W Mayo

Dated: March 28, 2000

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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