

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 DAVIS
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS MAYO
(OCA/USPS-T39-3, 4(A))

The United States Postal Service hereby provides the response of witness Davis to the following interrogatories of the Office of the Consumer Advocate:

OCA/USPS-T39-3 and 4(a), filed on March 16, 2000, and redirected from witness Mayo.

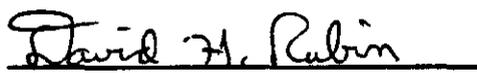
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



David H. Rubin

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March 30, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DAVIS
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE
(Redirected From Witness Mayo, USPS-T-39)**

OCA/USPS-T39-3. Please refer to your workpaper InsuredMail.xls. Total test year CRA costs are reported as \$76,594. The stated source, USPS-T-14, WP H, contains the figure \$76,613. Please explain the apparent discrepancy.

RESPONSE:

InsuredMail.xls is in library reference I-108, providing my supporting materials, rather than in witness Mayo's workpapers. It is my understanding that the discrepancy is due to an update by witness Kashani to C/S-20, Other Accrued Expenses, for Insurance. While this update was performed prior to filing Docket No. R2000-1, there was not time to update my cost study, which uses as an input the total test year CRA costs for Insurance. Because it amounts to only 0.02 percent of total test year CRA costs for Insurance, this discrepancy has no material effect on either the costs or proposed fees for the Insurance special service.

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(Redirected From Witness Mayo, USPS-T-39)**

OCA/USPS-T39-4. Please refer to your testimony at page 60.

- a. Please explain the reason for the large increase in costs for insurance which caused you to propose a 59% increase in the rate for Unnumbered Insurance up to \$50.

RESPONSE:

The increase in costs for insurance is due to several factors. First, I understand that the costs in C/S-3 and C/S-7 have increased due in part to methodological changes resulting in higher variability factors for insurance (please refer to USPS-T-12, USPS-T-15 and USPS-T-17). Second, there was an apparent error in the Docket No. R97-1 cost study for insurance, which was presented in USPS-LR-H-107, p.22. This study understated the total test year CRA costs for insurance by approximately 35 percent. Third, it may be that the decentralization of claims processing has resulted in higher volume variable costs for insurance.

DECLARATION

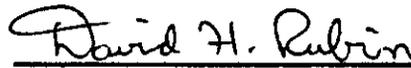
I, Scott J. Davis, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Scott J Davis

Dated: MARCH 30, 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.



David H. Rubin
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March 30, 2000