

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

RECEIVED
JUN 16 4 40 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
OFFICE OF THE CONSUMER ADVOCATE WITNESS CALLOW
(USPS/OCA-T6-22-27)

Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Office of the Consumer Advocate witness Callow: USPS/OCA-T6-22-27.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999; Fax -5402
June 16, 2000

USPS/OCA-T6-22. Please refer to page 4, lines 8-13, of your testimony, where you state:

Under my proposal, the single-piece First-Class ("SPFC") rate would be determined without regard to the "integer constraint." The rate paid by households, by contrast, would be set at a whole cent, as in the past. The SPFC integer rate would be set so that sufficient revenues would accumulate in a "reserve account" to permit the single-piece rate to remain the same for a period of two rate proceedings, a duration of approximately four years. In effect, the SPFC rate would be changed every other rate proceeding, with revenue generated during the first rate period covering any revenue deficiency in the second rate period.

- (a) Please explain how you would determine how much above the "unconstrained" rate the whole cent rate would be set in order to be "sufficient," and how much of a reserve would be appropriate to generate over the period of the first rate case. For example if the unconstrained rate were 33.8 cents, would the whole cent rate be set at 34 cents, 35 cents, or some other amount, and how much of a reserve should be generated? Please explain your answer fully.
- (b) Please confirm that the amount of difference between the unconstrained rate and the integer rate is limited to amounts equal to the difference between the unconstrained rate and the next higher cent and amounts equal to that difference plus some number of whole cents (for example if the unconstrained rate is 33.8 cents the difference between it and the actual rate paid by users would be limited to 0.2 cent, 1.2 cents, 2.2 cents and so on). If you do not confirm, please explain fully.

USPS/OCA-T6-23. Please refer to Exhibit USPS-9A.

- (a) What would be the impact on the after rates test year statement of revenue and expense under your proposal where the single-piece First-Class ("SPFC") rate is determined without regard to the "integer constraint? Please explain your answer.
- (b) Would the after rates net surplus (deficiency) increase by the amount of additional revenue generated by the difference between the unconstrained rate and the whole cent rate (i.e. the amount described by you as the "reserve account")? Please explain your answer.
- (c) If your answer to part (b) is yes, please confirm that the whole cent SPFC rate and the rates for all other classes of mail would result in revenues sufficient cover total accrued costs and a reasonable contingency, and would generate a net income equal to the prior year loss recovery plus an amount equal to the additional revenue that would result from the difference between the unconstrained rate and the whole cent rate. If your answer to part (b) is no, please explain how a reserve would be created without the generation of additional net income in the test year of the first rate case.

USPS/OCA-T6-24. Please confirm that under your proposal, where the single-piece First-Class ("SPFC") rate is determined without regard to the "integer constraint," the rates of all other categories of mail would be higher by that amount required to make up the difference between the unconstrained SPFC rate and the rounded SPFC rate. If you do not confirm, please explain your answer.

USPS/OCA-T6-25. Please refer to the Postal Service's response to USPS/OCA-136 and confirm that the Postal Service indicated that its objective "is to extend the rate cycle for as long as possible in concert with the Board's policy on equity restoration." If you do not confirm please explain.

USPS/OCA-T6-26. Please refer to page 46, lines 17-19, of your testimony, where you state: "I propose that in circumstances where the calculated single-piece rate in the second rate case is expected to increase by more than 1.5 cents above the existing SPFC integer rate, a change in SPFC rate would be warranted."

- (a) Please confirm that if the calculated single-piece rate in the second rate case is expected to increase by 1.4 cents or less, the existing SPFC integer rate would not be changed. If you do not confirm please explain.
- (b) If the calculated rate is 1.4 cents greater than the existing SPFC integer rate, how much revenue and net income would the Postal Service lose over the course of the second rate case period versus the amount that would be realized if the SPFC rate were increased by the indicated amount? If you are unable to quantify the amount of loss, please provide your best rough approximation and explain how it was calculated.
- (c) Would the pursuit of the Board's policy on equity restoration and the statute's breakeven requirement remain viable under such a scenario? Please explain your answer fully

USPS/OCA-T6-27. Under your proposal, would the indicated SPFC rate for the second rate case be determined based on estimated test year costs only or would it be based on test year costs less the amount of reserve calculated from the first rate case period? Please explain your answer.

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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", written over a horizontal line.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
June 16, 2000