

UNITED STATES OF AMERICA  
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

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE  
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE  
WITNESS: SHERYDA C. COLLINS (USPS/OCA-T8-10-17)  
(June 29, 2000)

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The Office of the Consumer Advocate hereby submits the answers of Sheryda C. Collins to interrogatories of United States Postal Service, dated June 15, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

OFFICE OF THE CONSUMER ADVOCATE

  
TED P. GERARDEN

Director  
Office of the Consumer Advocate

SHELLEY DREIFUSS  
Attorney

1333 H Street, N.W.  
Washington, D.C. 20268-0001  
(202) 789-6859; Fax (202) 789-6819

ANSWERS OF OCA WITNESS SHERYDA C. COLLINS  
TO INTERROGATORIES USPS/OCA-T8-10-17

USPS/OCA-T8-10. Please refer to your testimony on insurance fees, at page 13, lines 17 to 19, where you state that "[t]he Postal Service provided no cost justification in Docket No. MC96-3; neither was there cost justification in Docket No. R97-1; and there is no cost justification in Docket No. R2000-1." Also, please refer to your response to USPS/OCA-T8-4, where you state that "there has been no demonstration of a cost basis for any of the fees."

- (a) Please confirm that in Docket No. R97-1, witness Plunkett (USPS-T-40, page 6) provided a table labeled "Table 1, 1996 Indemnity Costs" which provided data on the number and amount of claims by value increment for insured mail. If you do not confirm, please explain why not.
- (b) Was this table, and the other insurance-related information provided in Docket No. R97-1, an adequate cost basis for the Commission's recommendation to increase the incremental fee from 90 cents to 95 cents in Docket No. R97-1? If not, please explain why not.
- (c) Please confirm that in Docket No. R2000-1 witness Davis provides a cost basis for the unnumbered and numbered (\$50-100) fees in USPS-LR-I-108, page 43, as revised April 17, 2000. If you do not confirm, please explain.
- (d) Please confirm that in Docket No. R2000-1, the attachment to witness Mayo's response to OCA/USPS-T39-5 provides a table, "FY 1998 Insurance Indemnity Costs," which presents data on the number and amount of claims by value increment for insured mail. If you do not confirm, please explain why not.
- (e) Please describe any raw data, other than the data described in parts (c) and (d), that are needed as a basis to design insurance fees.
- (f) Other than your discussion of claims processing costs at page 14 of your testimony, do you have any cost basis to believe that the incremental indemnity cost per \$100 of value is less for items valued above \$1000 than for items valued up to \$1000? If so, please provide this cost basis.

RESPONSE TO USPS/OCA-T8-10

- a. Confirmed.
- b. Please see my testimony at pages 13 and 14. In Docket No. R97-1 the Commission stated "The Commission recommends an increase of 10 percent for retail insurance, which is more consistent with the overall rate increase in this

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TO INTERROGATORIES USPS/OCA-T8-10-17

case than the Service's proposed 17 percent increase. This moderates the impact on consumers and produces a cost coverage of 145 percent, the second highest cost coverage among the special services." PRC Op. ¶ 5935. On its own initiative, the Commission recommended a decrease of five cents from the proposed incremental fee which still produced a high cost coverage. No parties addressed the issue of the appropriate level of the incremental fee in Docket No. R97-1. Had parties focused attention on the issue, as some had in Docket No. MC96-3, the Commission might well have recommended no increase in the incremental fee and have renewed its request for cost information regarding the incremental fee.

The important matter at hand is not that the Commission's Docket No. R97-1 insurance fees covered costs (i.e., that there was a cost basis), it is that at least 43 of the 50 increments for insured mail have no empirical justification. This is especially disconcerting when the Postal Service can not give reasonable explanations for large increases in the attributable costs for insured mail.

- c. Confirmed that witness Davis provides a workpaper that allocates costs for insured mail between numbered and unnumbered transactions.
- d. Confirmed.
- e. See answer to (b) above.
- f. The whole point of this part of my testimony is that there is no cost basis for the incremental fee, so how could I provide it.

ANSWERS OF OCA WITNESS SHERYDA C. COLLINS  
TO INTERROGATORIES USPS/OCA-T8-10-17

USPS/OCA-T8-11. Please refer to USPS-LR-I-168, WP-32, which shows witness Mayo's proposed insurance fees of \$1.35 (unnumbered), \$2.10 (\$50-100) and a \$1.00 incremental fee per \$100 generating \$106,070,000 of test year revenue (including the international revenues at the bottom of column (4)). Assume that the revenue target for insurance remains at \$106,070,000. Also assume that the unnumbered insurance fee cannot exceed \$1.35, and that the fee for the \$50-\$100 level cannot exceed \$2.10. Please confirm that the average incremental fee must be more than \$0.95 per \$100 in order to generate the target revenue. If you do not confirm, please explain why.

RESPONSE TO USPS/OCA-T8-11

Confirmed, if the correct reference is to WP13. However, my point is not that the math is incorrect. It is that the incremental fee has not been studied and that the costs for insurance seem to be out of whack.

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TO INTERROGATORIES USPS/OCA-T8-10-17

USPS/OCA-T8-12. Please refer to your response to USPS/OCA-T8-2, where you state that "the Commission uses non-fee revenues when calculating the cost coverage of money orders. Based on the most recent rate case (Docket No. R97-1), what non-fee revenues does the Commission use when calculating the cost coverage for money orders?

RESPONSE TO USPS/OCA-T8-12

Please see my testimony at page 3, footnote 1 and page 4, lines 10-13.

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TO INTERROGATORIES USPS/OCA-T8-10-17

OCA/USPS-T8-13. Please explain the derivation of the number 224,831 in the last line of your exhibit OCA-8A.

RESPONSE TO USPS/OCA-T8-13

I did not derive this number. As stated in the exhibit, the source is USPS-T23, p. 22, Table 1A, revised.

ANSWERS OF OCA WITNESS SHERYDA C. COLLINS  
TO INTERROGATORIES USPS/OCA-T8-10-17

USPS/OCA-T8-14. Please refer to page 2, lines 13 to 15, where you state the purpose of your testimony is to demonstrate why money order fees should be decreased five cents from the current fees. Does this statement apply to the money order inquiry fee? Please explain.

RESPONSE TO USPS/OCA-T8-14

No. The proposed money order inquiry fee is \$2.75 as shown in Exhibit 8B.

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TO INTERROGATORIES USPS/OCA-T8-10-17

USPS/OCA-T8-15. Please refer to page 7 of your testimony, where you offer examples of money order providers and corresponding fees. Did you check the money order fees charged by any banks? If so, please provide your knowledge of the fees charged by banks. If not, why did you not check on fees charged by banks?

RESPONSE TO USPS/OCA-T8-15

No. I have no knowledge as to whether banks sell money orders and I did not inquire.



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TO INTERROGATORIES USPS/OCA-T8-10-17

USPS/OCA-T8-16. Please refer to your exhibit OCA-8D.

- (a) Please provide the fee paid for each of the three \$1.00 money orders.
- (b) What would the fee be for a money order valued at \$700 at each of these three establishments?

RESPONSE TO USPS/OCA-T8-16

- a. The fees paid were 59¢, 75¢, and 49¢
- b. Two money orders would have to be purchased. The fees would be \$1.18, \$1.50, and \$0.98.

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TO INTERROGATORIES USPS/OCA-T8-10-17

USPS/OCA-T8-17. Please refer to your response to USPS/OCA-T8-5. Would it be accurate to rephrase your testimony at page 17, lines 31 to 33, as asking the Commission to "recommend that the no-charge status for provision of electronic Delivery Confirmation service to bulk Priority Mail users be applied to individuals who access the service from the Postal Service's web site, just as electronic Delivery Confirmation service is currently applied to individuals who access the service from the websites of certified vendors?" If you do not agree that this phrase accurately summarizes your proposal, please explain why not.

RESPONSE TO USPS/OCA-T8-17

I do not believe that I would use the word "applied". "Available at no charge" would be preferable language.

## DECLARATION

I, Sheryda C. Collins, declare under penalty of perjury that the answers to interrogatories USPS/OCA-T8-10-17 of the United States Postal Service are true and correct, to the best of my knowledge, information and belief.

Executed

June 29, 2020

Sheryda C. Collins

# 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 12 of the Rules of Practice.

  
SHELLEY DREIFUSS

Washington, D.C. 20268-0001  
June 29, 2000