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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes

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Docket No. R2000-1

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE
TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
WITNESS: MARK EWEN (USPS/OCA-T5-23-29)
(July 3, 2000)

The Office of the Consumer Advocate hereby submits the answers of Mark Ewen to interrogatories USPS/OCA-T5-23-29, dated June 19, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



TED P. GERARDEN

Director

Office of the Consumer Advocate

EMMETT RAND COSTICH
Attorney

1333 H Street, N.W.
Washington, D.C. 20268-0001
(202) 789-6830; Fax (202) 789-6819

USPS/OCA-T5-23. Please refer to your Testimony at page 13 lines 4-7. For purposes of this interrogatory, coverage-related load time based on the Commission's definition of coverage-related load time as the excess of total over elemental load time is referred to as "PRC coverage-related load time." The cost of this "PRC coverage-related load time" is referred to as "PRC coverage-related load time cost."

- (a) Do you believe that PRC coverage-related load time per stop type is fixed with respect to container type? Please explain your answer fully.
- (b) Do you believe that PRC coverage-related load time per stop is fixed with respect to receptacle type? Please explain your answer fully.
- (c) Do you believe that PRC coverage-related load time per stop varies with changes in any stop or delivery point characteristics (besides volume) other than receptacle and container type?
- (d) Are you aware of any empirical or other analyses, either conducted by the Postal Rate Commission or by witnesses involved in postal rate cases, beginning with Docket No. R87-1, that show or attempt to show that annual system-level PRC coverage-related load time or PRC coverage-related load time per stop are functions of container type, receptacle type, or any other non-volume stop or delivery point characteristic at SDR, MDR, or BAM stops? If so, please describe the results of these analyses. Please include in your description answers to the following questions:
 - (1) Do the analyses show that annual system-level PRC coverage-related load time or PRC coverage-related load time per stop are affected by receptacle type, container type, or any other non-volume stop or delivery characteristic?
 - (2) If your answer to part (d)(1) is yes, please explain exactly how these analyses demonstrate that PRC coverage-related load time is affected by whatever stop or delivery point characteristics influence this type of load time. Also, please show how the Commission's established methodology for calculating accrued coverage-related load time cost, volume-variable coverage-related load time cost, and the distribution of this volume-variable cost across mail subclasses accounts for the effects of stop and delivery point characteristics on coverage-related load time.
 - (3) If your answer to part (d)(1) is yes, please present the quantitative results of these analyses. In particular, please present estimates of changes in system-level PRC coverage-related load times or in PRC coverage related load times per stop that can be expected to result from specified changes in receptacle type, container type, or other (non-volume) stop and delivery

point characteristics. If you present such estimates, please state whether you believe these estimates are operationally sensible and, if so, why.

RESPONSE TO USPS/OCA-T5-23:

- (a)-(b) No. The LTV regressions indicate that total load time per stop varies with respect to container and receptacle type. The elemental load time analysis estimates the portion of load time that varies with volume at a stop. It follows that the influence of container and receptacle type on load time will be embedded in the excess of total stop load time over elemental load time.
- (c) The results of the load time variability analysis indicate that the variation in the independent variables specified in the load time regressions do not explain all of the variation of the dependent variable. For example, the R-squared statistics for the regressions for all three stop types are less than one. As a result, it seems likely that other variables besides those specified in the LTV regressions influence total load time, and thereby coverage-related load time as well.
- (d) No.

USPS/OCA-T5-24. Do you believe that coverage-related load time is a period of time that varies from stop to stop? Please explain your answer fully.

RESPONSE TO USPS/OCA-T5-24:

Yes.

USPS/OCA-T5-25. If your answer to USPS/OCA-T5-24 is that coverage-related load time does vary from stop to stop, please explain the relevance of this variation to the correct attribution of load time costs across mail subclasses. Specifically, please describe fully the most effective way to explicitly account for this stop-to-stop variation in coverage-related load time in the computation of annual system-level accrued and volume-variable coverage-related load time costs by stop type.

RESPONSE TO USPS/OCA-T5-25:

This question is beyond the scope of my testimony. However, I am not aware of any reason why variation in coverage-related load time by type of stop would affect the methodologies for computing system-level accrued load time. Moreover, the volume variable coverage-related load time is not used for cost attribution.

USPS/OCA-T5-26. Please answer the following:

- (a) Please refer to Table 2 on page 7 of your Testimony. Please show how the estimate of \$1,104,406,000 in aggregate annual accrued coverage-related load time cost that is computed through application of the PRC's methodology accounts for the fact that coverage-related load time varies from stop to stop.
- (b) Please show how the estimate of \$192,807,000 in aggregate annual volume-variable coverage-related load time cost that is computed through application of the PRC's methodology accounts for the fact that coverage-related load time varies f[ro]m stop to stop.

RESPONSE TO USPS/OCA-T5-26:

- (a) As an aggregate, system-wide figure derived from the stop level load time variability analysis, the variation in coverage-related load time is embedded in the total.
- (b) The figure is not volume-variable coverage-related load time cost; it is attributable coverage-related costs based on single subclass stop ratios. In effect, the PRC method assumes that average residual coverage-related costs at single subclass stops are the same as average residual coverage-related costs at all stops.

USPS/OCA-T5-27. Please refer to the Docket No. R97-1 Decision at page 179 paragraph 3283, where the Commission refers to Witness Crowder's mathematical derivation of a system-level load time model as the "mathematical derivation of the **established** system-level load time model." (Emphasis added). Please also refer to the Docket No. R97-1 Decision at page 180, paragraph 3286. The Commission states in this latter paragraph that acceptance of the "basic logic" of Witness Crowder's "load time model derivation...depends only on the validity of the assumption that a functional relationship exists between average load time per stop, $E(g(x))$, and average volume per stop $E(x)$."

- (a) Please explain fully how this "assumption that a functional relationship exists between average load time per stop, $E(g(x))$, and average volume per stop $E(x)$ " is valid.
- (b) Please specify the functional relationship assumed to exist by the Commission, and show how this functional relationship can be applied to derive the "established system-level load time model." Please show, in particular, how one could use this functional relationship to derive the Commission's measure of annual system-level accrued coverage-related load time cost and the Commission's measure of annual system-level volume-variable coverage-related load time cost.

RESPONSE TO USPS/OCA-T5-27:

- (a) I have not evaluated this as part of my testimony.
- (b) I have no knowledge of the functional relationship assumed to exist by the Commission. Please note that, for purposes of attribution, the Commission does not employ a "measure of annual system-level volume-variable coverage-related load time cost."

USPS/OCA-T5-28. Please confirm that the single subclass stop ratios that the Commission's methodology applies to accrued SDR, MDR, and BAM coverage-related load time costs in order to compute corresponding volume-variable coverage-related load time costs are the same single-subclass stop ratios that the Commission's methodology applies to accrued SDR, MDR, and BAM access costs, respectively, to compute volume-variable costs. If you do not confirm, please show how the single subclass stop ratios applied in the Commission's methodology to accrued coverage-related load time cost differ from the single subclass stop ratios applied to accrued access time cost.

RESPONSE TO USPS/OCA-T5-28:

Not confirmed; I do not agree that single subclass stop ratios are employed to compute "volume-variable" coverage-related load or access costs. The ratios are used to attribute these load and access costs to the appropriate subclasses of mail. See for example, PRC Op. R94-1, ¶'s 3095 - 3152.

USPS/OCA-T5-29. Please refer to the Commission's Docket No. R97-1 Decision at page 177, paragraph 3279, where the Commission states that witness Baron's fixed-time at stop concept "is not required to maintain a meaningful functional distinction between load time and access time."

- (a) Please fully describe the functional distinction between coverage-related load time and access time.
- (b) Please show how the Commission's cost attribution analysis as applied to load time and access time costs accounts for this functional distinction. Explain your answer fully.

RESPONSE TO USPS/OCA-T5-29:

- (a)-(b) I have not analyzed this statement, as it is not necessary for purposes of my testimony.

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.


EMMETT RAND COSTICH

Washington, DC 20268-0001
July 3, 2000