

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

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS LION TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T24-60-64)

The United States Postal Service hereby provides responses of witness Lion to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T24-60-64, filed on August 19, 1997.


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

  
\_\_\_\_\_  
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September 2, 1997

**OCA/USPS-T24-60.** Please refer to your testimony at page 20, lines 5-7, concerning the total cost for each of the three cost categories of Space Support, Space Provision and All Other.

- a. Please confirm that you assumed there would be no change in total Space Support and total Space Provision costs in the test year associated with the decrease in the total number of post office boxes. If you do not confirm, please explain.
- b. Please confirm that only the total of All Other costs will vary with the decrease in the number of post office boxes in the test year. If you do not confirm, please explain.

**RESPONSE:**

- a. Not confirmed. I made no assumptions as to TYAR costs.
- b. Redirected to witness Patelunas.

**OCA/USPS-T24-61.** Please refer to your testimony at pages 26 and 27, Tables 12 and 13, as revised August 11, 1997. Please provide electronic files of the spreadsheets underlying Tables 12 and 13, as revised.

**RESPONSE:**

Diskettes incorporating the change are being filed as a supplement to LR-H-188.

The change required is in a single cell of Workbook "Cost98.XLS," Sheet "Space Provision." Cell J2 now reads

$$=1000*I34 / (H9*F9+H15*F15+H21*F21+H27*F27)$$

It should read

$$=1000*I34 / (H9*F9+H15*F15+H21*F21+H27*F27+H33*F33)$$

The first expression spreads space provision costs only over Fee Groups A, B, C, and D. The correction spreads space provision costs over Fee Groups A, B, C, D, and E.

**OCA/USPS-T24-62.** Please refer to your response to OCA/USPS-T24-10.

- a. Please confirm that the total number of boxes installed (e.g., 14,290,298) is the **same** in Docket No R97-1 as in Docket No. MC96-3. If you do not confirm, please explain.
- b. For purposes of your testimony in Docket No. R97-1, please confirm that you could have defined delivery groups in terms of 5-digit ZIP Codes. If you do not confirm, please explain.
- c. Please explain the advantages and disadvantages of defining delivery groups in terms of finance number instead of in terms of 5-digit ZIP Codes.
- d. Table X in OCA/USPS-T24-10 shows the "Change in the Number of Post Office Boxes Installed by Box Size and Delivery Group." Are delivery groups defined in terms of finance number "more correct" than delivery groups defined in terms of 5-digit ZIP Codes? Please explain your answer in full.
- e. Please refer to Table X. Please confirm that more post office box customers are paying Group B fees because delivery groups are defined in terms of finance number. If you do not confirm, please explain your answer in full.
- f. Please refer to Table X. Please confirm that more post office box customers are paying Group C fees because delivery groups are defined in terms of finance number. If you do not confirm, please explain your answer in full.
- g. Do costs change for post office boxes because delivery groups are defined in terms of finance number? Please explain your answer in full.

**RESPONSE:**

Since Docket No. R90-1, the Postal Service has applied post office box fees to groups consisting in part of post offices that are themselves defined by finance numbers. See, e.g., Docket No. MC96-3, Reply Brief of United States Postal Service at 65, note 48 (the term "post office" corresponds to "finance number"); and at 30 (sampling unit of "finance number" is generally referred to as "office"). This is true of new delivery groups City-other and Non-city, as it was of former delivery groups I-C and II. Due to a misunderstanding of the old version of the DMM and the fact that former delivery groups I-A and I-B are defined in terms of

specific ZIP Codes (as are new Delivery Groups City-A and City-B), we used 5-digit ZIP Codes as the basic unit of analysis in Docket No. MC96-3. The DMM (§ D910) was revised as of July 1, 1997 to make the fee group definitions more explicit and, accordingly, we used these definitions (which correspond to finance numbers) in the analysis for Docket No. R97-1.

Accordingly, the premise behind this interrogatory -- that the definition of fee groups changed thus increasing the number of customers paying Group B fees -- is incorrect. No actual customers experienced such increases, but the estimates of customers in the respective groups did change. This constitutes an improvement of (or correction to) our previous analysis. Any "movement" of post office box customers from one group to another is only an improved estimate of the correct numbers.

- a. Confirmed. This is the total number of boxes installed from the PO Box Survey. It includes no boxes from former Delivery Group III, which was not included in the survey.
- b. Not confirmed. The application of Fee Groups A and B (which apply to Delivery Groups A and B and to former Delivery Groups I-A and I-B) is defined in terms of specific 5-digit ZIP Codes in the Domestic Mail Manual. The application of Fee Groups C and D is defined in the Domestic Mail Manual (DMM § D910, July 1, 1997) in terms that correspond to finance numbers.

- c. The advantage of defining delivery groups as we did is that the definition complies with the definitions in the Domestic Mail Manual.
- d. Yes (for Delivery Groups C and D), in the sense that they accurately reflect the definitions in the Domestic Mail Manual.
- e. Not confirmed. As stated above, no post office box customers are paying different fees "because delivery groups are defined in terms of finance number."

In any case, the numbers of post office box customers cannot be determined from Table X because it is the difference between two tables that show boxes installed, as opposed to boxes in use.

Finally, as explained in the response to OCA/USPS-T24-10b, the definition of Delivery Group B is the same as the definition of the former Delivery Group I-B. The difference shown in Table X is due to the correction of coding errors in Docket No. MC96-3 (See response to OCA/USPS-T24-10b). Thus, the number of post office box customers would be the same (at the same point in time).

- f. Not confirmed. As stated above, no post office box customers are paying different fees "because delivery groups are defined in terms of finance number."

In any case, the numbers of post office box customers cannot be determined from Table X because it is the difference between two tables that show boxes installed, as opposed to boxes in use.

- g. The total attributable costs do not change. The allocation of those costs to different fee groups may change, because the numbers of boxes (in some groups) change.

**OCA/USPS-T24-63.** Please refer to Table X in OCA/USPS-T24-10, and your response to that interrogatory.

- a. Please confirm that column [2] shows the net increase in the number of post office boxes in Group B paying higher fees. If you do not confirm, please explain.
- b. Please confirm that column [3] shows the net increase in the number of post office boxes in Group C paying higher fees. If you do not confirm, please explain.
- c. Please provide a list of 5-digit ZIP Codes where post office boxes changed from one fee group to another.
- d. Please complete the table below so as to show box movement from delivery groups defined in terms of 5-digit ZIP Code to delivery groups defined in terms of finance numbers. [Example: an entry of 5 in row 3, column 1 means that 5 boxes moved from group "1-A" to group "City-other."]

**DELIVERY GROUPS**

Finance Number	ZIP Code				
	I-A	I-B	I-C	II	III
City-A					
City-B					
City-other					
Noncity					
Nondelivery					

**RESPONSE:**

- a. Not confirmed. Table X is constructed as the difference between boxes installed, not boxes in use.
- b. Not confirmed. Table X is constructed as the difference between boxes installed, not boxes in use.



- c. Groups I-A, I-B, I-C, II and III have been replaced by Fee Groups A through E, so all ZIP Codes have "changed from one fee group to another." As stated in the response to OCA/USPS-T24-62, no post office box customers are paying different fees than previously because of the analytical change.
- d. The term "movement" in this question should be understood to mean the boxes that were reclassified from one group to another for purposes of analysis. No post office box customer pays a different fee as a result of the definitional changes in the analysis.

New Delivery Groups City-A and City-B are defined the same as former Delivery Groups I-A and I-B. The definition of the other delivery groups in terms of finance numbers means that some box customers are reclassified from former Group II to new Group City-other, but none will be reclassified from former Group I-C to new Groups Non-city or Nondelivery. Therefore, the table can be filled by requiring that row totals and column totals in the matrix below match their known values from Table 3, USPS-T-4, Docket No. MC96-3 and Table 1, USPS-T-24, Docket No. R97-1. Group III is omitted, because it was not included in the PO Box Survey.

	Boxes Installed				
	Former Delivery Groups				
	I-A	I-B	I-C	II	Total
City-A	38,353				38,353
City-B		82,404			82,404
City-other			6,940,147	233,324	7,173,471
Non-city				5,561,064	5,561,064
Nondelivery				1,434,506	1,434,506
Total	38,353	82,404	6,940,147	7,228,894	14,290,298

Note: 4,113 boxes are shifted from former Group I-C to former Group I-B, as explained in the response to OCA/USPS-T24-10b.

An analogous table can be constructed for boxes in use from Table 4, USPS-T-4, Docket No. MC96-3 and Table 2, USPS-T-24, Docket No. R97-1.

	Boxes in Use				
	Former Delivery Groups				
New Delivery Groups	I-A	I-B	I-C	II	Total
City-A	29,040				29,040
City-B		67,456			67,456
City-other			5,425,882	183,287	5,609,169
Non-city				4,480,578	4,480,578
Nondelivery				1,133,693	1,133,693
Total	29,040	67,456	5,425,882	5,797,558	11,319,936

Note: 3,860 boxes are shifted from former Group I-C to former Group I-B, in conformance with the shift explained in the response to OCA/USPS-T24-10b.

**OCA/USPS-T24-64.** Please refer to Table X in OCA/USPS-T24-10, and your response to that interrogatory. Please confirm that defining delivery groups in terms of finance number as opposed to 5-digit ZIP Code results in more post office boxes experiencing fee increases than intended by the Commission in its opinion and recommended decision in Docket No. MC96-3. If you do not confirm, please explain your answer in full.

**RESPONSE:**

Unable to confirm. I am unable to comment on the results "intended by the Commission", beyond what is explicitly stated in PRC Op. Docket No. MC96-3. However, as stated in the response to OCA/USPA-T24-62, no post office box customer pays a different fee as a result of the definitional changes in the analysis.

# DECLARATION

I, Paul M. Lion, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul M. Lion

Dated: 9/2/97

## 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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September 2, 1997