

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ALEXANDROVICH
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM THE POSTAL SERVICE
(OCA/USPS-42)

The United States Postal Service hereby provides the response of witness Alexandrovich to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-42, filed on September 5, 1997 and redirected from the Postal Service.

The 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



Susan M. Duchek

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September 19, 1997

Response of United States Postal Service Witness Alexandrovich
to
Interrogatories of OCA
(Redirected from the United States Postal Service)

OCA/USPS-42. Please refer to the description and development of the 519-percent ratio in interrogatory OCA/USPS-13. Explain why a ratio calculated in similar fashion from the following cost component varies so markedly from the overall 519-percent ratio.

C/S 7.1 (City Delivery Carriers, Street Activity, Route).

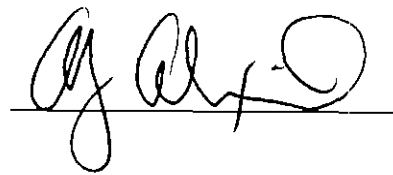
- a. SFCR cost difference from CRA to 5A of \$3.5 million, calculated as follows:
 $\$3.5 \text{ million (5A)} - \$0 \text{ (CRA)} = 3.5$; this represents an *increase* for SFCR of \$3.5 million.
- b. LR cost difference from CRA to 5A to of \$1 million, calculated as follows:
 $\$1 \text{ million (5A)} - \$0 \text{ (CRA)} = 1 \text{ million}$; this represents an *increase* for LR of \$1 million.
- c. ratio of SFCR to LR change: $3.5 \div 1 = 350\%$
- d. explain why SFCR's component 7.1 cost increased so modestly compared to LR's increased cost; i.e., why isn't the ratio of increase close to 519% which is the overall cost change ratio? (Another way of putting it is to ask: Why didn't SFCR's component 7.1 costs increase roughly 5 times as much as LR's?)

Response to OCA/USPS-42

- a. Confirmed.
- b. Confirmed.
- c. The arithmetic is confirmed.
- d. The derivation and distribution of base year volume variable costs for component 7.1 is presented in the testimony and workpapers of witness Nelson, USPS-T19. See Exhibit 19A, pages 1 and 2.

DECLARATION

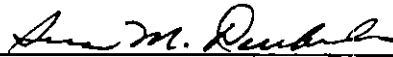
I, Joe Alexandrovich, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Joe Alexandrovich", is written over a horizontal line.

Dated: 9/19/97

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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