

DOCKET SECTION

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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS LION TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T24-87)

The United States Postal Service hereby provides responses of witness Lion to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T24-87, filed on September 12, 1997. Interrogatories OCA/USPS-T24-88-89 were redirected to witness Needham.

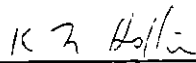
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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September 26, 1997

OCA/USPS-T24-87. Please refer to Table 3, and your testimony at page 7, lines 7-9, and page 16, lines 6-8.

- a. Please confirm that the 1.2 percent growth in the number of post office boxes installed occurred over the period April 1996 to April 1997. If you do not confirm, please explain.
- b. Please confirm that the 1.2 percent growth during the period April 1996 to April 1997 was one in which there were no increases in post office box fees. If you do not confirm, please explain.
- c. Please confirm that the Delivery Statistic File (herein DSF) contains no information on the number of boxes in use. If you do not confirm, please explain.
- d. Please confirm that the ratio of the number of boxes installed from the DSF 97 file to the number of boxes installed from the POB Survey by Delivery Group is used to estimate the number of boxes in use, pre-MC96-3. If you do not confirm, please explain.
- e. Please confirm that the 1.9 percent growth factor applied to the post-MC96-3 box counts is an annual growth factor. If you do not confirm, please explain.
- f. Please confirm that the growth factor of 1.9 percent is the same growth factor used in the rollforward model. If you do not confirm, please explain.
- g. Please confirm that the 1.9 percent growth factor applied to the post-MC96-3 box counts is an annual growth factor. If you do not confirm, please explain.
- h. Please confirm that the 1.9 percent growth factor is applied during a period, from the post-MC96-3 box counts to the test year before rates, during which there is no increase in post office box fees. If you do not confirm, please explain.
- i. Please explain why the 1.9 percent growth factor is better than the 1.2 percent growth rate from the delivery Statistics File for estimating the test year before rates number of boxes in use.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed. This is true as far as it goes. See my response to OCA/USPS-T24-13.

- e. Not confirmed. The 1.9 percent accounts for growth in the number of post office boxes between April 1997 and the test year. The end of the test year, as well as the likely implementation date, is more than a year after April 1997.
- f. Not confirmed. The growth factor used in the rollforward model is an earlier estimate.
- g. See response to part e.
- h. Confirmed, but only as a matter of convention. The growth factor is independent of the effect of any fee changes and thus could be applied before, during, or after the Docket No. MC96-3 fee changes, and the results would be the same.
- i. The 1.2 percent represents actual growth from April 1996 to April 1997. As explained in my response to part e, the 1.9 percent represents estimated growth for a longer period. The growth factor should be larger than 1.2 percent to reflect the longer period.

OCA/USPS-T24-88. Please refer to Docket No. MC96-3, rebuttal testimony of witness Taufique (USPS-RT-2), at page 14.

- a. Witness Taufique states, "The Postal Service acknowledges that a 'one price fits all' approach may not be the most efficient method of pricing post office boxes." Please confirm that this statement continues to reflect the views of the Postal Service. If you do not confirm, please explain.
- b. In Docket No. R97-1, please explain how the Postal Service has reduced its reliance on a "one price fits all" approach in developing fees for post office boxes.
- c. In Docket No. R97-1, please explain how the post office box fee proposal has taken differences in costs and demand into account.

RESPONSE:

Redirected to witness Needham.

OCA/USPS-T24-89. Please refer to Docket No. MC96-3, rebuttal testimony of witness Taufique (USPS-RT-2), at page 14. Witness Taufique states,

A comprehensive consideration of the demand, supply, and cost differences of post office boxes could evolve into local adjustments to prices at each facility depending upon market factors.

- a. If "local adjustments to prices at each facility" would present administrative burdens to the Postal Service, what options short of local adjustments would reduce Postal Service reliance on a "one price fits all" approach to pricing post office boxes.
- b. For any options identified in response to part a. above, please explain whether and how those options were addressed in the Postal Service's post office box fee proposal in Docket No. R97-1.

RESPONSE:

Redirected to witness Needham.

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.

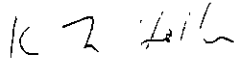
Paul M. Lion

Dated: _____

9/25/97

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.



Kenneth N. Hollies

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