

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

PARCEL RETURN SERVICE

Docket No. MC2006-1

**RESPONSES OF POSTAL SERVICE WITNESS KOROMA
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T3-7-9)**

The United States Postal Service hereby provides the responses of witness Koroma to the following interrogatories the Office of the Consumer Advocate, filed on November 16, 2005: OCA/USPS-T3-7-9.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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OCA/USPS-T3-7. Your testimony at page 8 indicates that, based upon the proposed rates, the implicit savings passthroughs are 47 percent for RDU and 51 percent for RBMC. Your footnote 4 on the same page states the rate design approach underlying the current rates is used “to verify that the proposed prices are reasonable in light of the costs reported by witness Miller in this case.”

- a. Inasmuch as you do not specifically so state in your testimony, please indicate whether you believe the proposed prices are reasonable in light of the costs presented by witness Miller. Please explain.
- b. Please indicate whether you believe the proposed prices are reasonable assuming costs as revised by witness Miller to conform to Commission methodology applied in the Docket No. R2005-1 opinion. Please explain.
- c. Inasmuch as you do not specifically so state in your testimony, please indicate whether you believe the implicit savings passthroughs of 47 percent for RDU and 51 percent for RBMC are reasonable. Please explain.
- d. Please indicate whether you believe reasonable the implicit passthroughs as they may have been revised due to a revision of costs by witness Miller to conform to the Commission methodology applied in the Docket No. R2005-1 opinion. Please explain.
- e. Please indicate the range of percentages of implicit passthroughs you believe would be reasonable for this parcel return service.
- f. If recalculation of the cost savings causes the implicit passthrough percentages to be outside of the range of percentages you consider to be reasonable, would you recommend a modification of the rates proposed in this docket? Please explain.

RESPONSE:

- a. Please note that at pages 3-4, I state (emphasis added):

I have analyzed and assessed the proposed rates using relevant portions of the pricing methodology developed by witness Kiefer in Docket No. MC2003-2 and considering the cost data filed by witness Miller in USPS-T-2 in this case. My assessment concluded that the proposed pricing is reasonable in the context of the specific history of, and data available for, PRS and the Postal Service’s omnibus pricing proposals.

- b.-d. Given the circumstances I note in the above quotation, I believe that the proposed prices, including the implicit passthroughs, are reasonable, regardless of small changes in calculated passthroughs that might result from substituting the

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Commission's cost estimates for those presented in witness Miller's testimony in this case.

- e. It is not possible to provide a range of implicit passthroughs that would be reasonable since the implicit passthrough is just one of the factors I considered.
- f. Not applicable; please see my response to part (e).

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OCA/USPS-T3-8. In your testimony at page 9, you calculate the savings passthrough percentage based upon the cost savings calculated by witness Miller and the “revenue differential” which your footnote 3, on page 8, indicates is the “difference between the Intra-BMC rates and the proposed PRS rates.” Interrogatory OCA/USPS-T2-18 asks witness Miller to calculate the delivery cost savings. Please recalculate the savings passthrough as a result of adding to the total cost savings the delivery cost savings calculated by witness Miller.

RESPONSE:

Please see witness Miller’s response to OCA/USPS-T2-16.

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OCA/USPS-T3-9. Please provide the cost coverage of the proposed rates for both RDU and RBMC service assuming:

- a. Witness Miller's cost savings analysis using the Commission's costing methodology in Docket No. R20005-1.
- b. Witness Miller's costs savings analysis using the Commission's costing methodology in Docket No. R20005-1 and including carrier cost savings.

RESPONSE:

Since RDU and RBMC are categories within a subclass, and total costs are not measured for these categories in isolation from the subclass, I cannot calculate the requested implicit cost coverages.

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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