

DOCKET SECTION

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 TO INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION REDIRECTED FROM WITNESS MAYES (PSA/USPS-T37-10)

The United States Postal Service hereby provides a response to the following interrogatory of Parcel Shippers Association: PSA/USPS-T37-10, filed on September 17, 1997 and redirected from witness Mayes. This interrogatory was the subject of a Postal Service objection, filed on September 29, 1997 and a Parcel Shippers Association Motion to Compel, filed on October 3, 1997.


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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 15, 1997

Response of United States Postal Service
to Interrogatories of
Parcel Shippers Association
(Redirected from Witness Mayes, USPS-T-37)

PSA/USPS-T37-10

Your response to PSA/USPS-T37-8 states that the Test Year Alaska non-preferential air costs are \$106,437,000.00 both before and after-rates.

(a) Would it be correct, in order to replicate the Commission-approved treatment of these Alaska non-preferential air costs, to subtract \$106,437,000.00 from the total parcel post costs as shown in the Test Year after-rates costs in witness Patelunas' testimony? If the response is anything other than an unqualified affirmative, please explain any qualification.

(b) Based on your response to this interrogatory, and your response to POIR 1(a) (2), that the calculation of the TYAR cost coverage, as shown at page 3 of WPI.I.C., uses as its base the total TYAR costs for Parcel Post with contingency, including intra-Alaska non-preferential air costs, please calculate and supply the TYAR cost coverage for parcel post after subtracting the \$106,437,000.00 of Alaska non-preferential air costs?

PSA/USPS-T37-10 Response:

(a) No, it would not be correct to merely subtract \$106,437,000.00 from the total parcel post costs as shown in the Test Year after-rates costs in witness Patelunas' testimony for two reasons. First, the Test Year costs in witness Patelunas's testimony are different from the Commission's R94-1 cost methodology to the degree that changes were introduced in the Postal Service's R97-1 filing. See the testimony of Witness Bradley, USPS-T-13, for Postal Service changes. Second, the Commission isolates the Intra-Alaska non-preferential component in its cost model and the Postal Service does not. In the Commission's cost model, the Intra-Alaska non-preferential component is rolled-forward independent of the rest of the domestic air costs and it also receives the Commission's "Alaska Adjustment" in the test year, resulting in a change in variability from 100% to 20.54%. See Docket No. MC96-3, PRC-LR-5, Postal Rate Commission, Cost Roll Forward Workpaper for Commission treatment.

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PSA/USPS-T37-10 Response continued:

See Docket No. R97-1, USPS LR-H-196 (Second revision) and USPS-LR-H-215 (Revised) for the Postal Service's implementation of the Commission treatment.

(b) This calculation cannot be performed. First, as explained in part (a) above, it is not correct to simply subtract the \$106,437,000.00 from total TYAR parcel post costs. Even assuming however, that the \$106,437,000.00 is the proper amount to subtract, other factors would change and the impact is not known. For example, the rate design would change, the resulting after rates volumes would change, the resulting costs would change and the resulting Final Adjustments would change. As can be seen from this cascading effect, the ultimate cost coverage cannot be calculated.

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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