

UNITED STATES OF AMERICA
Before The
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement)
Functionally Equivalent Negotiated)
Service Agreement with Bradford Group)

Docket No. MC2007-4

OFFICE OF THE CONSUMER ADVOCATE INTERROGATORIES
TO UNITED STATES POSTAL SERVICE
WITNESS BRODERICK A. PARR
(OCA/USPS-T1-5-10)
(August 24, 2007)

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-T1-1-4, dated August 10, 2007, are hereby incorporated by reference

Respectfully submitted,

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OCA/USPS-T1-5. Please refer to your testimony at page 3, Table 1, Declining Block Rate Structure. Prior to concluding agreement on the Declining Block Rate Structure, Table 1, did the Bradford Group provide to the Postal Service own-price elasticities for the Bradford Group's Standard Mail letters and flats? If so, please provide the own-price elasticities provided by the Bradford Group for its Standard Mail letters and flats. Please provide any supporting calculations used to develop such own-price elasticities prepared by the Bradford Group.

OCA/USPS-T1-6. Please refer to your testimony at page 13, lines 1-3, which references the NSA's "adjustment mechanism" that "reduces risk from deviation in volume forecasts."

- a. Please confirm that common sources of risk or risk factors are changes in government policy, economic conditions, and company-specific management and marketing plans and goals. If you do not confirm, please explain.
- b. Please identify and discuss possible risks or risk factors that might cause the Bradford Group's actual volumes to deviate from its forecast volumes.
- c. Please identify and discuss those risks or risk factors specific to the Bradford Group that will likely cause the Bradford Group's actual volumes to deviate from its forecast volumes during the three year period of the NSA.
- d. Please explain how you controlled for uncertainty with respect to the risk factors identified in part c., above, that could affect the Bradford Group's actual Standard Mail letters and flats volumes when estimating the Bradford Group's forecast volumes.

OCA/USPS-T1-7. Please refer to your testimony at page 13, lines 1-3, which references the risk that the Bradford Group's actual volumes deviate from the forecast volumes.

- a. Assuming there are risk factors that cause the Bradford Group's actual volumes to deviate from the forecast volumes, at the conclusion of the three-year period of the NSA, please explain how the Postal Service will be able to distinguish those volumes caused by the risk factors from those generated in response to the discounts.
- b. Assuming there are risk factors that cause the Bradford Group's actual volumes to deviate from the forecast volumes, at the conclusion of the three-year period of the NSA, please explain how the Postal Service will know that any net contribution received is the result of volume generated solely in response to the discounted rates?

OCA/USPS-T1-8. Please refer to your testimony at page 13, lines 1-3, which references the risk that the Bradford Group's actual volumes deviate from the forecast volumes. Assume there are risk factors that cause the Bradford Group's actual volumes to exceed its forecast volumes.

- a. Under the NSA, please confirm that the Bradford Group will earn discounts on volumes exceeding the forecast volumes up to the volume cap (see Request, Appendix F, Article III.F.2). If you do not confirm, please explain.

- b. Under the NSA, please confirm that the Postal Service is obligated to provide the Bradford Group discounts on volumes exceeding the forecast volumes up to the volume cap (see Request, Appendix F, Article III.F.2). If you do not confirm, please explain.
- c. Under the NSA, please confirm that the Bradford Group pays less postage, i.e., earns discounts on its actual volumes up to the volume cap whether or not its actual volumes are induced by the discounts or caused by risk factors. If you do not confirm, please explain.

OCA/USPS-T1-9. Please refer to your testimony at page 13, lines 1-3, which references the risk that the Bradford Group's actual volumes deviate from the forecast volumes. Assume there are risk factors that cause the Bradford Group's actual volumes to fall below its forecast volumes.

- a. Under the NSA, if the Bradford Group's actual volumes are less than its forecast volumes and more than the lowest discount threshold, please confirm that the Bradford Group will earn discounts. If you do not confirm, please explain.
- b. Under the NSA, if the Bradford Group's actual volumes are less than its forecast volumes *and* less than the lowest discount threshold, please confirm that the Bradford Group will not earn discounts. If you do not confirm, please explain.
- c. Under the NSA, please confirm that the Bradford Group pays less postage, i.e., earns discounts on its actual volumes, or pays no more in postage than if it had not entered into the NSA. If you do not confirm, please explain.

OCA/USPS-T1-10. Please refer to your testimony, Appendix C, Table 1, the “Value To Volume Sensitivity Matrix Based on Year 1,” in which the column headings show the assumed variance between the after-rates letter volume forecast and the actual after-rates letter volume.

- a. Please confirm that the assumed variance in volume represents misestimates of discount induced volume. If you do not confirm, please explain.
- b. Please confirm that the assumed variance in volume does not represent misestimates of volume caused by non-price risk factors. If you do not confirm, please explain.
- c. Please provide an electronic version of the Table 1.