

DOCKET SECTION

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

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POSTAL RATE
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-T

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
NASHUA PHOTO INC., DISTRICT PHOTO INC., MYSTIC COLOR LAB, AND
SEATTLE FILMWORKS, INC. WITNESS HALDI
(USPS/NDMS-T-2-1-4)

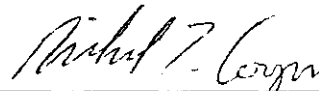
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle Filmworks, Inc. witness Haldi:
USPS/NDMS-T-2-1-4.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Richard T. Cooper

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January 12, 1998

USPS/NDMS-T2-1. Please refer to pages 68-69 of your testimony, in which you note that Priority Mail is being charged with the entire Phase I cost for the PMPC network during the test year.

- (a) Please confirm that the cost of operating the new PMPC network in the test year will be incurred entirely on behalf of Priority Mail. If not confirmed, please explain fully to which class or classes of mail these costs relate.
- (b) Is it your position that the entire Phase I cost for the PMPC network during the test year should not be charged to Priority Mail? If so, please explain fully to which classes of mail this cost should be charged, why, and in what manner.

USPS/NDMS-T2-2. On page 63, line 14 of your testimony you state that "whatever value the PMPCs may have in ultimate improvement of delivery service, if any, will certainly not materialize until some time after the test year".

- (a) Please provide fully the basis for this statement.
- (b) Is it possible that the implementation of the PMPC network will improve Priority Mail Service before the end of the test year? If this is not possible, please explain why.
- (c) Is it possible that the introduction of the PMPC network will improve Priority Mail service at some time after the test year? If this is not possible please explain why.

USPS/NDMS-T2-3. On page 76, line 10 of your testimony you state that "witnesses Tayman and Patelunas testified that the Postal Service would realize no cost savings for highway transportation because the truck contracts are fixed over a multi-year period, and reduced loads in the test year do not translate into cost savings for the Postal Service". You further reference witness Tayman's testimony that, "just because you take a certain amount of mail volume off of [trucks] that doesn't mean that the cost of that transportation goes down."

- (a) Do you agree that during the test year the Postal Service will not realize cost savings for highway transportation relating to implementation of the PMPC network? Please explain fully why or why not, including a discussion of all factors upon which such test-year cost savings may depend.
- (b) Is it your position that such cost savings can only be incurred in years subsequent to the test year? Please explain your answer fully, including a discussion of all factors upon which such subsequent cost savings may depend..

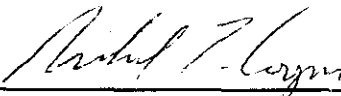
- (c) Is it your position that the Priority Mail rates to be recommended pursuant to this proceeding should be based on costs other than those incurred in the test year? Please explain your answer fully.

USPS/NDMS-T2-4. In reference to the implementation of the PMPC contract, on page 78, line 3 of your testimony, you state that "the Postal Service identifies a reduction of approximately \$45 million in mail processing direct costs due to the contract", but that "the Postal Service, however, does not identify any reduction in the indirect costs of mail processing (such as supervisor salaries, equipment maintenance personnel, benefits and unemployment compensation, or building rent or utilities). Based on Priority Mail's test year piggyback ratio of 1.559, mail processing cost reductions due to the contract are understated by \$25 million." Please also refer to LR H-77, pages 1-3 of the partial response of the United States Postal Service to ANM/USPS-1-17, and the Testimony and Workpapers of Richard Patelunas, USPS-T-15.

- (a) Please confirm that the source of the data which results in the 1.559 piggyback factor you have referenced is the Testimony of Richard Patelunas, Exhibit USPS-15E (Cost Segments and Components Report for before rates test year). If you do not confirm, please explain fully and provide the source.
- (b) Please confirm that the costs reflected in Exhibit USPS-15E (Cost Segments and Components Report for before rates test year), result from the application of the logic within the rollforward model and not the application of the 1.559 piggyback factor. If you do not confirm, please explain your answer fully.
- (c) Please confirm that Exhibit USPS-15E includes the distribution of the indirect costs you have specified to classes, sub-classes and special services. If you do not confirm, please explain your answer fully.
- (d) Please confirm that the total amount of costs for Priority Mail in Exhibit USPS-15E is greater than the amount of costs for Priority Mail reflected in Patelunas Workpaper WP-E, Table A (Test Year Before Rates Costs without PESSA), and that the total of all Postal Service costs in both of these reports is the same. If you do not confirm, please explain your answer fully.

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.



Richard T. Cooper

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