

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

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS O'HARA
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-T30-1 and T30-2)**

The United States Postal Service hereby files the responses of witness O'Hara to the following interrogatories of United Parcel Service, dated July 24, 1997:

UPS/USPS-T30-1 and 2.

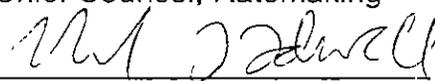
The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Michael T. Tidwell

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Washington, D.C. 20260-1137
(202)268-2998/FAX: -5402
August 7, 1997

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T30-1. If the Postal Service had included the same contingency factor in its test year estimates of accrued costs in this proceeding as the Commission used in Docket No. R94-1, what Parcel Post cost coverage would result from the rates proposed in this proceeding?

RESPONSE:

The contingency factor in R94-1 was 2%. With that contingency factor, volume-variable costs (in \$000s) would be \$768,681 ($= 761,146 * (1.02/1.01)$), and the cost coverage would be 102% ($= 782,916 / 768,681$).

**RESPONSE OF U.S. POSTAL SERVICE WITNESS O'HARA TO
INTERROGATORIES OF THE UNITED PARCEL SERVICE**

UPS/USPS-T30-2. Assume that the Commission were to approve the proposed rates, resulting in a test year Parcel Post cost coverage that the Postal Service estimates to be 103%. What would be the total dollar contribution that Parcel Post would make to the restoration of the Postal Service's equity in the test year?

RESPONSE:

As shown in Exhibit USPS-30B, the Parcel Post contribution to total other (non-volume-variable) costs is \$21,769,000. There is, however, no meaningful way to allocate this contribution to the individual components of total other costs, such as the recovery of prior-year losses.

DECLARATION

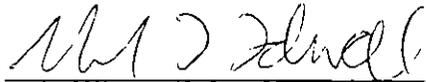
I, Donald J. O'Hara, hereby declare, under penalty of perjury, that the foregoing Docket No. R97-1 interrogatory responses are true to the best of my knowledge, information, and belief.

August 7, 1997
Date

Donald J. O'Hara
Donald J. O'Hara

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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August 7, 1997