

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

RESPONSES OF POSTAL SERVICE WITNESS PARR  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T1-27-28)  
(September 21, 2007)

The United States Postal Service hereby provides the responses of witness Parr to the following interrogatories of the Office of the Consumer Advocate, filed on September 7, 2007: OCA/USPS-T1-27-28.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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September 21, 2007

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PARR  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T1-27.** Please refer to your testimony, Appendix A, page 4, which presents the Bradford Group's Standard Mail Regular Letter Unit Cost in column (1), entitled "TYAR 2008 Total Unit Cost (Dollars)." Also, please refer to Note (1), which references the sources used to develop the unit costs for Regular letters in column (1).

- a. Please confirm that you relied on PRC-LR-22, Docket No. R2006-1, as the basis for developing the "TYAR 2008 Total Unit Cost[s]" for the Bradford Group's Standard Mail Regular letters. If you do not confirm, please explain.
- b. In Docket No. R2006-1, please confirm that the Commission relied on PRC-LR-15, which contains the calculation of the Commission's recommended rates for Standard Mail Regular and ECR letters and flats, as the basis for the Standard Mail Regular letters rate design, and that PRC-LR-15 identified total unit costs for Standard Mail Regular letters. If you do not confirm, please explain.
- c. Please provide a detailed explanation of why you used PRC-LR-22 rather than PRC-LR-15 as the basis for developing the "TYAR 2008 Total Unit Cost[s]" for the Bradford Group's Standard Mail Regular letters. In your explanation, please identify any differences between PRC-LR-22 and PRC-LR-15, and explain how your use of PRC-LR-22 rather than PRC-LR-15 affected the development of the "TYAR 2008 Total Unit Cost[s]" for the Bradford Group's Standard Mail Regular letters.

**Response:**

- a. Confirmed.
- b. Confirmed that the Commission apparently relied upon PRC-LR-15 in determining the rates for Standard Mail Regular and ECR letters and flats, but not confirmed that PRC-LR-15 "identified total unit costs for Standard Mail Regular letters." For example, please refer to column I of tab "unit cost" in file PRCRegNPRates.xls. The heading of column I is "Total Unit Cost". However, as can be seen by clicking on any of the cells therein, the costs under the heading "Total Unit Cost" only include the mail processing and delivery unit costs, not the total costs which would encompass all cost segments and components.
- c. As noted in the response to part b above, the "Total Unit Cost" figures in PRC-LR-15 did not actually include total unit costs, but rather, only mail processing and delivery costs. While the sum of these two costs may have been sufficient

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for the Commission to differentiate among shapes and presort levels for purposes of setting rates, using the sum of mail processing and delivery unit costs for purposes of estimating the unit contribution for pieces added to the postal mail stream as a result of this NSA would have overestimated the unit contribution; total unit costs encompassing all cost segments and components had to be developed in order to develop unit contribution estimates for the new volume. The only apparent source of total costs in the Commission's workpapers was the final adjustment model, where the detailed mail processing and delivery costs varying by shape and presort level were provided, as well as all other costs.

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TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T1-28.** Please refer to your testimony, Appendix A, page 6, which presents the Bradford Group's Standard Mail Regular and ECR flats unit costs in columns (1) and (5), both entitled "TYAR 2008 Total Unit Cost (Dollars)." Also, please refer to Note (1), which references the sources used to develop the unit costs for Regular and ECR flats in columns (1) and (5), respectively.

- a. Please confirm that you relied on PRC-LR-22, Docket No. R2006-1, as the basis for developing the "TYAR 2008 Total Unit Cost[s]" for the Bradford Group's Standard Mail Regular and ECR flats. If you do not confirm, please explain.
- b. In Docket No. R2006-1, please confirm that the Commission relied on PRC-LR-15, which contains the calculation of the Commission's recommended rates for Standard Mail Regular and ECR letters and flats, as the basis for the Standard Mail Regular and ECR flats rate design, and that PRC-LR-15 identified total unit costs for Standard Mail Regular and ECR flats. If you do not confirm, please explain.
- c. Please provide a detailed explanation of why you used PRC-LR-22 rather than PRC-LR-15 as the basis for developing the "TYAR 2008 Total Unit Cost[s]" for the Bradford Group's Standard Mail Regular and ECR flats. In your explanation, please identify any differences between PRC-LR-22 and PRC-LR-15, and explain how your use of PRC-LR-22 rather than PRC-LR-15 affected the development of the "TYAR 2008 Total Unit Cost[s]" for the Bradford Group's Standard Mail Regular and ECR flats.

**Response:**

Please refer to the response to OCA/USPS-T1-27.