Postal Rate Commission
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES, 2006	Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS TANG
TO INTERROGATORIES OF TIME WARNER INC.
(TW/USPS-T35-2, 3, and 7)

The United States Postal Service hereby files the responses of Witness Tang to the above-listed interrogatories, filed on May 18, 2006. Responses to interrogatories TW/USPS-T35-1, 4-6, and 8-9 were filed yesterday.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 2, 2006

RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T35-2 Please refer to your rate design workbook "R2006-1 Outside County.xls" (in USPS-LR-L-126). The formula in cell F82 on the 'Pound Data' sheet divides revenue needs by weighted pounds and the formula in cell F73 on the 'Pound Data_Adv' sheet divides by unweighted pounds. Please explain which is the appropriate procedure.

RESPONSE:

As I mentioned in my response to POIR 2, Question 9, the "Pound Data" worksheet was not used to develop rates and should have been excluded from the workbook. However, using weighted pounds is necessary when editorial and advertising pound rates are developed jointly, which was the case in the "Pound Data" sheet. Since the editorial pound rates and advertising pound rates are now being calculated relatively independently, whether or not to weight the very small number of Science of Agriculture advertising dropship pounds becomes a very minor issue. The adjustment would have a minimal effect on the proposed rates.

RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T35-3 Please refer to your rate design workbook "R2006-1 Outside County.xls" (in USPS-LR-L-126), sheet 'Pound Data_Adv,' cell F101. Please explain all reasons why the revenue obtained from your pound rates is only 97.04 percent of your target revenue, rounding effects being one possible reason.

RESPONSE:

The revenue obtained from pound rates is 97.04 percent of the target revenue mainly because the revenue collected from editorial pound rates is diluted to 94.26 percent of the target revenue. The adjustment of 1.3 cents made to the average editorial pound rate caused a revenue leakage, which was applied to total pounds, not just editorial pounds. Combined with advertising pound revenue, 97.04 percent of the target pound revenue was met. Of course, rounding also contributes to the deviation from a perfect match. However, its effect is minimal compared with the dilution caused by the aforementioned leakage.

RESPONSE OF POSTAL SERVICE WITNESS TANG
TO INTERROGATORY OF TIME WARNER INC.

TW/USPS-T35-7 Please refer to your rate design workbook "R2006-1 Outside County.xls" (in USPS-LR-L-126), sheet 'Pound Data_Adv,' cells D58 and D59. These cells appear to divide a transportation cost by the volume associated with that cost. Please explain the role of the factor "0.75" in these cells, which appears to reduce the number of pounds below the level that actually exist.

RESPONSE:

The factor "0.75" was applied to Science of Agriculture (SOA) dropship advertising pounds in cells D58 and D59 to allocate transportation cost per pound. Since the SOA dropship advertising pounds pay 75 percent of the respective regular dropship pound rates, using this factor is a method to account for revenue leakage. This approach is consistent with the methodology adopted by the PRC in Docket No. R2001-1. The same factor was applied to the same rate cells in PRC-9-OC.xls in PRC-LR-9, spreadsheet "Pound Data_Adv" (cells D58 and D59).