

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 TAUFIQUE
TO INTERROGATORIES OF
DISCOVER FINANCIAL SERVICES & MORGAN STANLEY
(DFS&MSI/USPS-T32-1 AND 2)

The United States Postal Service hereby files the responses of witness
Altaf H. Taufique to the following interrogatories of Discover Financial Services &
Morgan Stanley, Inc.: DFS&MSI/USPS-T32-1 and 2, filed on June 29, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES TAUFIQUE
TO INTERROGATORY OF
DISCOVER FINANCIAL SERVICES & MORGAN STANLEY.**

DFS&MSI/USPS-T32-1: Separately for First-Class Single Piece mail and First-Class Presort mail, please provide the calculated values of revenue per piece, attributable cost per piece, and contribution per piece for each shape category (letters, flats, and parcels). Also, please provide the sources and details of the procedures used to make these calculations.

RESPONSE

Please see my revised response to PSA/USPS-T32-4.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNES TAUFIQUE
TO INTERROGATORY OF
DISCOVER FINANCIAL SERVICES & MORGAN STANLEY.**

DFS&MSI/USPS-T32-2: Please refer to page 37 of your testimony, where you discuss the First-Class nonautomation presort rate. At lines 13-14, you mention that witness Abdirahman measures the "additional cost of nonautomation machinable letters at 1.317 cents." Presumably, this difference is assumed to be the additional cost of nonautomation presort letters relative to the benchmark automation mixed AADC letter cost. However, Table 1 at page 15 of witness Abdirahman's testimony shows that the total mail processing unit cost for nonautomation presort letters is 6.302 cents, which is actually 0.168 cents lower than the automation mixed AADC presort letter cost of 6.470 cents. Please explain this apparent inconsistency, or provide corrected values.

RESPONSE

For the derivation of nonautomation rates I have used both the mail processing cost difference provided by witness Abdirahman, USPS-T-22, USPS-LR-L 38 and the unit delivery cost difference provided by witness Kelley, USPS-T-30, USPS-LR-L-67. Please see my response to Presiding Officer's Information Request No. 5, Question 2a. The correct number from witness Abdirahman on the mail processing cost difference is 1.314 cents (USPS-LR-48, page 29) and reflects the isolated cost difference related to the presence of a barcode. Regarding the nonautomation presort letter figure in Table 1, page 15 of USPS-T-22, please see witness Abdirahman's response to MMA/USPS-T22-6 (D).