

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 KIEFER
TO INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T36-16-19)

The United States Postal Service hereby files the responses of witness Kiefer to above-listed interrogatories, filed on July 13, 2006.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 27, 2006

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INTERROGATORY OF NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T36-16: Please refer to the response of witness Kelley to NAA/USPS-T30-6(e). Were you among the “rate design personnel” who “made clear” to Mr. Kelley that “aggregated ECR Non-Saturation unit delivery costs, as presented in USPS-LR-L-67, were sufficient for their purposes”? If so, why were ECR aggregated non-saturation unit delivery costs “sufficient” for your purposes?

RESPONSE

No.

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NAA-USPS-T36-17: Please refer to your response to NAA/USPS-T36-7, in which you state that you combined mail processing cost data from witness Talmo “with the unit delivery cost information from witness Kelley for each density level. Then I used this information to calculate the differences between adjacent density levels.”

- a. Please confirm that Basic and High Density are different, but adjacent density levels in Enhanced Carrier Route mail.
- b. Please confirm that witness Kelley provided you with unit delivery cost information that combined the ECR Basic and High Density flats levels as “non-saturation.”
- c. Please confirm that the unit delivery cost information that you were provided by Mr. Kelley and that you employ in your workpapers for ECR mail is the same (\$0.0708) for both ECR Basic and ECR High Density flat mail.
- d. Please confirm that in Mr. Kelley’s response to NAA/USPS-T30-6, he disaggregated the TY08 unit delivery costs of ECR Basic Flats and ECR High Density flats as 7.325 cents and 5.303 cents, respectively.
- e. How does using a unit delivery cost averaged among two density tiers enable you to calculate the cost differences between, and set rates reflecting those cost differences for, those two tiers?

RESPONSE

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- e. With averaged delivery costs between two tiers it is not possible to calculate delivery cost differences between the tiers. The Density Savings differential in my Proposed Rates worksheet therefore reflects only cost differences due to mail processing. I took this into consideration by passing through more than 100 percent of those savings into the rate differential between ECR Basic flats and ECR High Density flats.

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NAA/USPS-T36-18: Please refer to USPS-LR-L-36, workbook WP-STDECR-1, Inputs tab, and to USPS-LR-L-67, UDCModel.USPS, tab "1.Table 1".

- a. Please identify the source of the delivery costs for Saturation flats as reported in cell D84 of WP-STDECR-1, Inputs tab.
- b. Please identify the source of the delivery costs for High Density flats as reported in cell D83 of WP-STDECR-1, Inputs tab.
- c. Please identify the source(s) of the corresponding data in cells D78-80, D82, & D86-88, Inputs tab.
- d. If you are unable to provide the source of the above data, please provide updated cost data. In your response, please incorporate all updates to this information, including the updated delivery cost data provided by witness Kelley in his response to NAA/USPS-T30-6(f).
- e. Please provide an alternate rate schedule based on the correct cost data provided in response to (d). Please use the same procedure used to develop the rates you describe in WP-STDECR-16.

RESPONSE

- a. The source was an earlier version of Table 1 from USPS-LR-L-67. The analogous value in the 6/5/06 revised version of USPS-LR-L-67 is 5.213 cents.
- b. The source was an earlier version of Table 1 from USPS-LR-L-67. The analogous value in the 6/5/06 revised version of USPS-LR-L-67 is 7.083 cents.
- c. The source was an earlier version of Table 1 from USPS-LR-L-67. The corresponding values in the 6/5/06 revised version of USPS-LR-L-67 for Basic and High Density letters is 5.044 cents; for Saturation letters is 3.205 cents; for Basic flats is 7.083 cents; for all parcels is 32.671 cents. As stated in the notes to the Inputs worksheet, I used the unit cost estimates for Standard Regular parcels for ECR parcels; no ECR parcel delivery cost was otherwise available.
- d. Please see my response to subpart (c). I understand that witness Kelley's response to NAA/USPS-T30-6(f) has disaggregated the combined average unit delivery costs for ECR Basic and High Density flats. His revised cost

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estimates for unit delivery costs would change from 7.083 cents for Basic flats to 7.325 cents and from 7.083 cents for High Density flats to 5.303 cents.

- e. Please see my response to NAA/USPS-T36-17(e). I see no reason to change my proposed rates in light of these revised data.

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NAA/USPS-T36-19: Please state the total number of DALs that you use (a) for the Base Year and (b) to project Test Year After Rates revenues.

RESPONSE

(a)-(b) Please see my response to VP/USPS-T36-13(a). The total number of DALs I used to estimate Standard Mail revenues in the TYAR was 4.4 billion (= 40.16 percent of total TYAR Standard Mail Saturation nonletters volume). I did not “use” any figure for the number of DALs in the Base Year since it had no separate revenue or cost implication in that year.

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.

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