

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 2006

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Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MITCHUM  
TO INTERROGATORIES OF THE ASSOCIATION FOR POSTAL COMMERCE  
(POSTCOM/USPS-T40--7-15)  
(July 28, 2006)

The United States Postal Service hereby provides the responses of witness Mitchum to the above listed interrogatories of the Association for Postal Commerce, filed on July 14, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS MITCHUM  
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**POSTCOM/USPS-T40-7.** Please describe the method and rationale you used to derive the formula whereby First-Class Mail scans are proposed to be assessed one unit each and Standard Mail scans are proposed to be assessed five units each.

**RESPONSE:**

As noted in my responses to OCA/USPS-T40-31 and 32, First-Class Mail and Standard Mail have significantly different characteristics. One of the characteristics of Standard Mail is that it has fewer options for additional services. Like other features and services, Confirm could have been limited to First-Class Mail only. But it was decided that it should be more widely available. Then it became a matter of developing a price structure that would generate enough revenue to maintain a viable service, while holding true to the long-standing principle that First-Class Mail and Standard Mail have different features. Other options were considered, such as having a fee for all subscribers in order to pay for the dissemination of the data, but no charge for First-Class Mail "scans". However, it was determined that a very modest charge per scan would be appropriate for First-Class Mail, mostly because of the concern for unlimited scans. Then, in order to achieve a cost coverage greater than 100 percent, a higher effective per-scan price was developed for the other classes. Even higher effective prices were considered, but the rate design balanced the need to obtain a more reliable revenue base with the impact on customers. There was not a "formula" that was derived, but rather a balancing of the rate design objectives, and the need for Confirm to cover its costs.

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**POSTCOM/USPS-T40-8.** Please provide all data to support the formula whereby First-Class Mail scans are proposed to be assessed one unit each, while Standard Mail scans are proposed to be assessed five units each.

**RESPONSE:**

See my response to POSTCOM/USPS-T40-7.

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**POSTCOM/USPS-T40-9.** Please provide the number of scan records actually charged for the base year, FY 2005 for:

- a. All mail pieces.
- b. All First-Class Mail pieces.
- c. All Standard Mail pieces.

**RESPONSE:**

a-c. See my responses to POSTCOM/USPS-T40-12 and OCA/USPS-T40-24(b).

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**POSTCOM/USPS-T40-10.**

- a. Please provide the total number of scan records for each level of subscription (silver, gold, and platinum) for the base year, FY 2005.
- b. Please provide the total number of scan records of First-Class Mail pieces charged for each level of subscription (silver, gold, and platinum) for the base year, FY 2005.
- c. Please provide the total number of scan records of Standard Mail pieces charged for each level of subscription (silver, gold, and platinum) for the base year, FY 2005.

**RESPONSE:**

a-c. See my response to OCA/USPS-T40-24(b).

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**POSTCOM/USPS-T40-11.** Please refer to USPS-T-40 WP-4. For Test Year 2008, you estimate that after the rates are effective, that there will be 919 units purchased for the 1st through 9th block of units; 4,265 units purchased for the 10th through 89th block of units; and 22,868 units purchased for the 90th and more block of units.

- a. Please provide the data upon which you relied to derive these estimates by blocks of units.
- b. In calculating estimated volumes for Test Year 2008, please provide your volume estimates for the number of First-Class scans and Standard Mail scans broken down by categories of blocks of units (*i.e.*, 1st through 9th; 10th through 89th; and 90th and more).

**RESPONSE:**

There is a typo in cells k28 and K29. The headings should match my testimony, stating "10th through 99th" and "100th and more". Errata will be filed shortly.

- a. See my response to MMA/USPS-T40-8(d).
- b. I assumed the same breakdown as presented in my response to OCA/USPS-T40-24(b).

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**POSTCOM/USPS-T40-12.** Please provide all data or documents addressing the percentage of scan records provided relative to the percentage of scans charged for the base year, FY 2005.

**RESPONSE:**

As noted in LR-L-124, WP-4 Confirm, only one additional block of scans was purchased. As such, not more than 6 million additional scans were used and charged for in the Base Year.

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**POSTCOM/USPS-T40-13.** Please refer to page 16 of your testimony. You propose to that “units” replace “scans” as the “currency” for paying for Confirm® service to add flexibility.

- a. Please describe whether “flexibility” would entail altering the formula by which First-Class Mail is assigned one unit and Standard Mail is assigned five units.
- b. Please describe any other type of “flexibility” currently envisioned by the Postal Service.
- c. Does the Postal Service believe that it is required to seek approval of the Postal Rate Commission in order to change the formula ratio?

**RESPONSE:**

- a. By “flexibility” I do not mean altering the “formula” (or rather, the relationship between the effective prices for scans) between rate proceedings.
- b. I also discuss “flexibility” at page 16, lines 20-22 of my testimony.
- c. Yes.

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**POSTCOM/USPS-T40-14.** Please provide a breakdown by volume for Test Year 2008 by Origin Confirm® versus Destination Confirm®.

**RESPONSE:**

See my response to OCA/USPS-T40-24(b).

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**POSTCOM/USPS-T40-15.** Please refer to page 6 of your testimony on Address Correction Service.

- a. Please explain how the Postal Service intends to apply the “additional notice” fee. For example, does the Postal Service intend to charge for the third notice received for the same address in subsequent mailings by the same mailer or does it intend to charge the fee for the third notice in a mailing?
- b. What are the costs associated with compiling the data needed to track and impose “additional notice” fees?

**RESPONSE:**

- a. For change of address notices, the fee will be applied to the third notice provided to the same mailer for the same change of address record. For nixie notices, the fee will be applied to the third notice provided to the same mailer for the same address that resulted in the mailpiece being undeliverable as addressed. The Postal Service maintains a record of ACS notices provided to mailers for a duration of 18 months. When it is determined that a mailer has been previously provided two ACS notices involving the above criteria, a billing transaction will be automatically generated. Subsequent notices also will result in the applicable charge being assessed as appropriate.
- b. The process of tracking the number of notices provided and creating a billing transaction is entirely computer generated and does not represent any significant additional costs. The resources involved in the administration of this activity already exist in support of the current ACS program. No additional resources are being added for this activity.