

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

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Postal Rate and Fee Changes

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Docket No. R2006-1

FIRST SET OF INTERROGATORIES OF TIME WARNER INC.  
TO UNITED STATES POSTAL SERVICE WITNESS WATERBURY  
(TW/USPS-T10-1-3)  
(May 31, 2006)

Pursuant to sections 25, 26 and 27 of the rules of practice, Time Warner Inc. directs the following interrogatories to United States Postal Service witness Waterbury (USPS-T-10).

If witness Waterbury is incapable of providing an answer to any question, it is requested that an answer be provided by the Postal Service as an institution or by another person capable of providing an answer.

Respectfully submitted,

s/ \_\_\_\_\_  
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**FIRST SET OF INTERROGATORIES TO WITNESS WATERBURY (USPS-T-10)**

TW/USPS-T10-1 Please refer to your roll forward testimony in Docket No. R2005-1.

- a. Please refer to page C-17 of Exhibit USPS-10D and confirm that you forecast FY2005 air transportation costs for Periodicals equal to \$20.033 million
- b. Please refer to page C-17 of Exhibit USPS-10F and confirm that you forecast test year FY2006 before rates air transportation costs for Periodicals equal to only \$5.389 million, almost \$15 million less than the costs you had forecast for FY2005.
- c. Please confirm that your Docket No. R2005-1 forecast of an almost \$15 million reduction in Periodicals air transportation costs was due to the projected \$15 million transportation cost reduction under the Periodicals Cost Reduction Initiative, as shown in LR-K-49. If not fully confirmed, please explain why you forecast such a large reduction in air transport costs from one year to the next.

TW/USPS-T10-2

- a. Please refer to the FY2005 Cost Segments and Components, as shown in LR-L-3. Please confirm that the actual FY2005 air transportation costs attributed to Periodicals are \$18.042 million, or \$1.991 million less than you forecast in Docket No. R2005-1.
- b. Please refer to page C-16 of Exhibit USPS-10D in your present testimony. Please confirm that you now forecast FY2006 Periodicals air transportation costs equal to \$18.821 million, or \$13.432 million more than you forecast in Docket No. R2005-1.
- c. Please confirm that library reference LR-L-49 indicates a 2006 \$15 million transportation cost reduction under the Periodicals Cost Reduction Initiative, exactly as the corresponding LR-K-49 did in the previous docket.

TW/USPS-T10-3 Witness McCrery has explained, in his testimony and in LR-L-49, that under the Periodicals Cost Reduction Initiative the outgoing processing of Periodicals flats has been consolidated into a much smaller number of facilities. As a result, Periodicals flats will no longer be sorted together with First Class flats in outgoing operations, unless they are addressed to destinations where First Class mail receives surface transportation. This should eliminate

almost all air transportation of Periodicals, as reflected both in the current LR-L-49 and in LR-K-49 from the previous docket.

It appears that the sharp drop expected in Periodicals air transportation costs due to the above was properly included in your Docket No. R2005-1 roll forward calculations but has somehow not been included in your present testimony. Please confirm, or if not confirmed explain fully. Please make all necessary corrections in your forecast of test year Periodicals costs.