

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
LILLIAN WATERBURY (USPS-T-10) TO INTERROGATORIES OF
TIME WARNER, INC. (TW/USPS-T10-1-3)
(June 14, 2006)

The United States Postal Service hereby provides the responses of witness Lillian Waterbury (USPS-T-10) to the following interrogatories of Time Warner, Inc., filed on May 31, 2006:

TW/USPS-T10-1-3

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 USPS WITNESS WATERBURY (USPS-T-10) TO
INTERROGATORY OF TIME WARNER, INC.

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.

RESPONSE:

- a. Confirmed.
- b. Not confirmed. Page C-17 of Exhibit USPS-10F for FY2006BR shows air transportation costs for Periodicals equal to \$5.339 million. However, the amount is still almost \$15 million less than the costs estimated for FY2005.
- c. Confirmed that an almost \$15 million reduction in Periodicals air transportation costs was due to the projected air transportation cost reduction under the Periodicals Cost Reduction Initiative.

RESPONSE OF USPS WITNESS WATERBURY (USPS-T-10) TO
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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.

RESPONSE:

- a. Confirmed.
- b. Confirmed that page C-16 of Exhibit USPS-10D illustrates Periodicals air transportation costs equal to \$18.821 million. However, it is \$13.482 million more than what was estimated in Docket No. R2005-1.
- c. Confirmed that LR-L-49 indicates for FY2006 a \$15 million transportation cost reduction under the Periodicals Cost Reduction Initiative which relates to Periodicals air transportation costs.

RESPONSE OF USPS WITNESS WATERBURY (USPS-T-10) TO
INTERROGATORY OF TIME WARNER, INC.

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.

RESPONSE:

Not confirmed. The \$15 million reduction in air transportation costs was included in the present testimony for Docket R2006-1. However, this transportation cost reduction was distributed on domestic air and not to Periodicals only. The appropriate distribution for the \$15 million reduction in air transportation costs under the Periodicals Cost Reduction Initiative should be applied to Periodicals only, as was done in Docket R2005-1. Therefore, errata will be filed.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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