

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 THE ABA&NAPM  
REDIRECTED FROM WITNESS ABDIRAHMAN  
(ABA-NAPM/USPS-T22-1 AND 2)

The United States Postal Service hereby files the responses of witness Altaf H. Taufique to the following interrogatories of the American Bankers Association & National Association of Presort Mailers redirected from witness Abdirahman: ABA-NAPM/USPS-T22-1 and 2, filed on June 14, 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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June 30, 2006

**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS TAUFIQUE TO ABA&NAPM INTERROGATORIES  
REDIRECTED FROM WITNESS ABDIRAHMAN**

**ABA-NAPM/USPS-T22-1** Please confirm that the table below of incremental passthroughs using both the USPS and Commission volume variable cost assumptions is correct. If you fail to confirm fully, please produce a corrected table, along with supporting analysis sufficient to replicate your results.

**Automation Letters - Cost Savings, Discounts and Passthroughs  
(R2006-1, TY2008, After-Rates)**

<b>USPS Version (Cents)</b>					
FCLM Rate Category	Mail Processing Unit Cost	Cost Saving	Proposed Rates	Workshare Discounts	Incremental Pass Throughs
Mixed					
AADC	6.470		34.6		
AADC	5.325	1.145	33.5	1.1	96.0%
3-Digit	4.926	0.399	33.1	0.4	100.3%
5-Digit	3.625	1.300	31.2	1.9	146.1%

<b>PRC Version (Cents)</b>					
Mixed					
AADC	7.159		34.6		
AADC	5.842	1.317	33.5	1.1	83.5%
3-Digit	5.383	0.459	33.1	0.4	87.2%
5-Digit	3.886	1.497	31.2	1.9	126.9%

Sources: R2006-1, USPS & PRC mail processing unit costs and USPS proposed rates are obtained from USPS-LR-L-48, USPS-LR-L-110, and USPS-LR-L-129, respectively.

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**RESPONSE**

Not confirmed. I have reproduced the USPS version portion of the table in the attached spreadsheet below. It appears that the difference in calculated incremental passthroughs occurs because of my use of rounded cost savings in the Cost Savings column, in contrast to the cost savings figures in your Table.

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**RESPONSE to ABA&NAPM/USPS-T22-1 (continued):**

AUTOMATION LETTERS  
USPS Version

	TOTAL MAIL		Proposed		
	PROCESSING	Savings	Rates	Workshare	Pass
	UNIT COST			Discounts	Throughs
	(Dollars)		(Dollars)		
Automation MAADC Presort Letters	\$ 0.065		\$ 0.346		
Automation AADC Presort Letters	\$ 0.053	\$ 0.011	\$ 0.335	\$ 0.011	100.0%
Automation 3-Digit Presort Letters	\$ 0.049	\$ 0.004	\$ 0.331	\$ 0.004	100.3%
Automation 5-Digit Presort Letters	\$ 0.036	\$ 0.013	\$ 0.312	\$ 0.019	146.1%

**RESPONSE OF UNITED STATES POSTAL SERVICE  
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**ABA-NAPM/USPS-T22-2**

- a. Please confirm that the USPS, in determining cost avoidances and setting rates and discounts for workshared FCLM in this case, did not take into consideration any in-office delivery costs avoided by FCLM. If you fail to confirm without qualification, please explain fully and provide supporting analyses and data sufficient to replicate your results.
- b. Please provide the in-office delivery costs avoided by workshared FCLM, by automation rate category, in the same format as past cases, using both the USPS and PRC methodologies.
- c. Please revise the table set forth in ABA-NAPM/USPS-T22-1 to show the incremental passthroughs that result if the savings in in-office delivery costs are added to the mail processing cost savings already included in the table.

**RESPONSE**

- a. Confirmed. Please see my response to Presiding Officer's Information Request Number 5 (POIR 5) for the discussion of why delivery cost differences were not included in determining the discounts and rates for automation letter mail.
- b. Redirected to witness Kelley II (USPS-T-30).
- c. The following table provides the information you have requested based on USPS costing methodology. I have used the estimates of total unit delivery costs prepared by witness Kelley II, USPS-T-30.

**AUTOMATION LETTERS**

**USPS Version**

	TOTAL MAIL	Total	Total		Proposed		
	PROCESSING	Delivery	MP & Del.	Savings	Rates	Workshare	Pass
	UNIT COST	Unit Cost	Unit Cost			Discounts	Throughs
	(Dollars)	(Dollars)	(Dollars)		(Dollars)		
<b>MAADC</b>	\$ 0.065	\$ 0.042	\$ 0.106		\$ 0.346		
<b>AADC</b>	\$ 0.053	\$ 0.040	\$ 0.094	\$ 0.013	\$ 0.335	\$ 0.011	84.6%
<b>3-Digit</b>	\$ 0.049	\$ 0.040	\$ 0.089	\$ 0.005	\$ 0.331	\$ 0.004	80.0%
<b>5-Digit</b>	\$ 0.036	\$ 0.037	\$ 0.073	\$ 0.016	\$ 0.312	\$ 0.019	118.8%