

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 20
(October 16, 2006)

The United States Postal Service hereby provides the responses to Presiding Officer's Information Request (POIR) No. 20, issued October 5, 2006. The following witnesses are sponsoring the identified responses to this POIR:

Witness Page (USPS-T-23)	Questions 2-3
Witness Scherer (USPS-T-33)	Question 1

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHERER
(USPS-T-33) TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 20,
QUESTION 1

1. Please refer to USPS-LR-L-120. Please provide the source of the following:
 - a. Cells C15 through K15 in file DWZ-5.xls worksheet "Cubic Assessment;"
 - b. Cells F11 through F13 in file DWZ-5.xls worksheet "Weight;"
 - c. Cells C15 through K15 in file DWZ-6.xls worksheet "Cubic Assessment;"
 - d. Cells F11 through F13 in file DWZ-6.xls worksheet "Weight;"
 - e. Cells C15 through K15 in file DWZ-7.xls worksheet "Cubic Assessment;"
 - f. Cells F11 through F13 in DWZ-7.xls worksheet "Weight;"
 - g. Cells C15 through K15 in file DWZ-8.xls worksheet "Cubic Assessment;"
 - h. Cells F11 through F13 in file DWZ-8.xls worksheet "Weight."

RESPONSE:

To preface, please note, per page 1 and the first paragraph of page 2 of USPS-LR-L-120, that the electronic file DWZ-5.xls corresponds to Exhibit I (Zone 5 Impacts) of USPS-LR-L-120, DWZ-6.xls corresponds to Exhibit II (Zone 6 Impacts), DWZ-7.xls corresponds to Exhibit III (Zone 7 Impacts), and DWZ-8.xls corresponds to Exhibit IV (Zone 8 Impacts). Table numbers are provided in the exhibits (e.g., Tables Z5-1 through Z5-65 in Exhibit I), but they are not immediately apparent in the "DWZ" electronic versions. However, when printing out any table in the "DWZ" files, the table number will appear as a header.

[a, c, e, g] Please see page 5 of USPS-LR-L-120, which, referring to Table Z5-5 in DWZ-5.xls (and by extension, Table Z6-5 in DWZ-6.xls, Table Z7-5 in DWZ-7.xls, and Table Z8-5 in DWZ-8.xls), says: "Average cubic feet estimations for the nine cubic volume intervals, from USPS-T-29, Table

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5, are provided in the first row of the table.” So the source is USPS-T-29, Table 5.

[b, d, f, h] Please see page 8 of USPS-LR-L-120, which, referring to Table Z5-11 in DWZ-5.xls (and by extension, Table Z6-11 in DWZ-6.xls, Table Z7-11 in DWZ-7.xls, and Table Z8-11 in DWZ-8.xls), says: “The weights for the flat-rate envelope and at one and two pounds are derived from ounce-increment data in a ‘special weight report’ derived from ODIS-RPW sampling.” To be more precise, the “special weight data” (for FY 2005) derive from ODIS-RPW sampling for the majority of volume that is non-permit mail but from the Postal One data system for permit mail. In addition, while the average weights at one and two pounds do in fact derive from the “special weight report,” average weight for the flat-rate envelope, 0.743 pounds, comes from the FY 2005 RPW Extract File (also ultimately derived from ODIS-RPW sampling for non-permit mail and Postal One for permit mail). Please note that the very same average weights appear in USPS-T-33, Attachment A, Table 5, with the sources indicated. It is perhaps worth mentioning that the average flat-rate-envelope weight is not relevant to the dim-weight pricing model in USPS-LR-L-120 because flat-rate envelopes are not larger than one cubic foot and therefore will not qualify for dim-weighting.

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QUESTION 2

2. Please provide the rationale for classifying each account number listed in USPS-LR-L-111 Attachment 17, as fixed or variable costs of the Confirm service.

RESPONSE:

The base year costs were actual costs from the Confirm finance number broken down by Financial Performance Report (FPR) number and account number. All costs for the Confirm service specified in Attachment 17 are in finance number 606241. The categories of costs from the accounting system in which Confirm accrued costs were shown to the analysts who develop the CRA report. They advised me how to classify the different costs by looking at where the listed accounts are placed for CRA purposes, and under what category, variable or fixed, they fall. What I call "fixed" costs are treated the same as costs referred to as "product specific" costs in the CRA. The cost data and their classifications as fixed or variable are the same in both USPS-LR-L-59 (USPS version) and USPS-LR-L-111 (PRC version). Also see my responses to interrogatories MMA/USPS-T23-3 and 4 (Tr. 15/4710-12) and OCA/USPS-T23-20 and 21 (Tr. 15/4731-32).

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QUESTION 3

3. For each account number listed in USPS-LR-L-111 Attachment 17, please explain how (a) base year costs were developed and (b) test year costs were projected for the Confirm service. Please provide all relevant assumptions, calculations and data sources.

RESPONSE:

The costs for the base year were determined by using the actual costs from the Postal Service accounting system. The base year costs were actual costs from the Confirm finance number broken down by Financial Performance Report (FPR) number and account number. All costs for Confirm service specified in Attachment 17 are in finance number 606241. There was no cost development needed due to the fact that Confirm costs are real costs from an accounting system.

The projected costs for Confirm were developed through management assessment of future costs through FY 2008. The projection of costs assumes witness Mitchum's volume projections, and no new product additions. The costs assume that Confirm servers have more than enough capacity and do not need to be replaced due to obsolescence. The product has no growth expected through test year FY 2008, and will not need new equipment purchases due to new product additions. The test year costs were projected by the product manager in the same manner as budget calculations are done. The cost data provided for Confirm are the same in both USPS-LR-L-59 (USPS version) and USPS-LR_L-111 (PRC version).

Please also see my responses to interrogatories OCA/USPS-T23-4 to 21 (Tr. 15/4715-32).