

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 O'HARA  
TO QUESTIONS POSED BY VALPAK  
AT AUGUST 30, 2006 HEARINGS

The United States Postal Service hereby files the written response of witness O'Hara to two related questions posed by counsel for Valpak during oral cross-examination on August 30, 2006.

The questions, which appear at Tr. 17/5252, are paraphrased and followed by the response of witness O'Hara.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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September 1, 2006

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'HARA  
TO QUESTIONS POSED BY VALPAK AT AUGUST 30, 2006 HEARINGS**

**Tr. 17/5252:**

Please compare the original version of your testimony (USPS-T-31) and the final version filed on August 25, 2006. There are differences in the "original" and "final" proposed cost coverages for Standard Regular and Nonprofit.

Lines 7-9: Please provide information on what changes in revenue and cost caused the cost coverage to increase from 167 to 176.

Lines 16-19: Please also confirm whether 176 or 177 is the correct value for the final Standard Regular and Nonprofit coverage.

**RESPONSE**

See the attached spreadsheet for the explanation, underlying data and citations.

**TY 2008 AR Revenue and Volume-Variable Cost for Standard Mail Regular  
As Originally Filed and As Revised 8-25-06  
(Dollars in Thousands)**

	(1) TYAR Volume- Variable Costs	(2) Postage	(3) Fees	(4) TYAR Revenue	(5) Cost Coverage	(6) Contribution
<b>Standard Mail Regular and Nonprofit</b>						
1 As originally filed:	9,835,815	17,256,051	108,076	17,364,127	177% 176.54%	7,528,312
2 As revised 8-25-05:	9,836,572	17,256,051	101,876	17,357,928	176.46% 176%	7,521,356
3 Change (line 2 - line 1)	757	-	(6,199)	(6,199)	-0.08%	(6,956)

**Response to (i)**, which referred to the following erratum:

<u>Page*</u>	<u>Line*</u>	<u>Change</u>	<b>Explanation</b>
(26) 27	(21) 3	“167” to “176”	<p>(a) At the time of filing the correct coverage was 177%, and the as-filed Exhibit 31B had the correct value. However, in my testimony, it was mis-typed as 167%.</p> <p>(b) When revised testimony and exhibits were filed on August 25th, small changes in costs and in fee revenues had reduced the ratio of revenue to cost by 0.08 percentage points, causing the coverage value to round down to 176% instead of up to 177%.</p> <p>Costs went up 757 because APC savings were moved from mail processing, where they benefited Standard Regular, to window service, where they did not.</p> <p>Fee revenue declined by 6,199. Of this, 5,982 was due to a reduction in the combined revenue from the long-standing Standard Weighted Fee (forwarding &amp; return) and the new Standard Forwarding Fee. Note also that, in the summary of errata for my testimony, the citation to revised fee data was "USPS-LR-L-123-Revision-2"; this should be changed to REV 8-24-06 USPS-LR-L-123.xls.</p>

**Response to (ii)**, which referred to the following erratum:

<u>Page*</u>	<u>Line*</u>	<u>Change</u>	<b>Explanation</b>
(27) 28	(19) 1	“177” to “176”	The correct value for the final coverage is 176, as explained in part (b) of my response (i) above, and was correctly shown in the revised testimony. This question might have been answered on the spot had the witness remembered that the questioner was looking at the as-filed testimony.

\*Page and line numbers in parentheses refer to the as-filed Testimony.