

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement)
Baseline Negotiated Service Agreement)
with Bookspan)

Docket No. MC2005-3

OFFICE OF CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS MICHELLE K. YORGEY (OCA/USPS-T2-6-10)
July 29, 2005

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-T2-1-5 dated July 27, 2005, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T2-6. Please refer to the Request at Attachment A, Section 620.12 of the proposed Domestic Mail Classification Schedule (DMCS).

- a. For each year of the Bookspan NSA, please quantify the baseline multiplier effect to be used to evaluate functionally equivalent NSAs.
- b. Please explain how the Postal Service intends to evaluate the functional equivalency to the Bookspan NSA of any proposed NSAs “involving declining block rates of Standard Mail letter solicitations for book or analogous club memberships” in the absence of quantifying the baseline multiplier effect.
- c. Does the Postal Service have rules, or does it intend to propose rules, to implement proposed Section 620.12 that are analogous to DMM § 709.1.0, General Requirements for Negotiated Service Agreements (NSAs). Please explain.

OCA/USPS-T2-7. Please refer to your testimony at Appendix A, page 2, the After Rates (AR) “New Membership Std Flat-size” volumes. Also, please refer to the Request at Attachment A and Attachment F. Is there a requirement in the proposed DMCS or NSA that Bookspan enter no more than the AR Standard Mail flat-size volumes of 120 million, 110 million and 110 million for Fiscal Years 2006, 2007, and 2008, respectively? Please explain.

OCA/USPS-T2-8. Please refer to your testimony at page 5, the “Annual Adjustment Mechanism for Volume Commitments,” lines 6-14. Also, please refer to Tables 1 and 2, below.

- a. Refer to Table 1, below. Under the Bookspan NSA, please confirm that where the Year 1 actual volume increases by the percents shown in column [3], the Year 2 Adjusted Volume Commitment (AVC) will increase by the percents shown in column [6]. If you do not confirm, please explain. (Note: Table 1, Line 7 displays the example at USPS-T-2, page 5.)

TABLE 1						
Bookspan NSA: Year 1						
Percent Increase in Actual Volume Above Year 1						
Negotiated Volume Commitment (NVC) and Resulting						
Year 2 Adjusted Volume Commitment (AVC)						
(Figures in thousands, except percents)						
	Year 1:	Year 1:	Increase	Year 2:	Year 2:	Percent
	NVC	Actual	in Year 1	NVC	AVC	Increase in
		Volume	Actual			Year 2
			Volume			AVC
Line	[1]	[2]	[3]	[4]	[5]	[6]
No.						
1	94,000	105,280	12.00%	95,000	100,140	5.4%
2	94,000	106,220	13.00%	95,000	100,610	5.9%
3	94,000	107,160	14.00%	95,000	101,080	6.4%
4	94,000	108,100	15.00%	95,000	101,550	6.9%
5	94,000	109,040	16.00%	95,000	102,020	7.4%
6	94,000	109,980	17.00%	95,000	102,490	7.9%
7	94,000	110,000	17.02%	95,000	102,500	7.9%
8	94,000	110,920	18.00%	95,000	102,960	8.4%
9	94,000	111,860	19.00%	95,000	103,430	8.9%
10	94,000	112,800	20.00%	95,000	103,900	9.4%
	Columns:					
	[1]	Request, Attachment F, Section II.A.1.				
	[2]	[1] * (1 + [3])				
	[3]	Request, Attachment F, Section II.A.2.a.				
	[4]	Request, Attachment F, Section II.A.2.				
	[5]	([2] + [4]) / 2				
	[6]	[5] / [4] - 1				

- b. Refer to Table 2, below. Under the Bookspan NSA, please confirm that where the Year 2 actual volume increases by the percents shown in column [3], the Year 3 AVC will increase by the percents shown in column [6]. If you do not confirm, please explain.

TABLE 2						
Bookspan NSA: Year 2						
Percent Increase in Actual Volume Above Year 2						
Negotiated Volume Commitment (NVC) and Resulting						
Year 3 Adjusted Volume Commitment (AVC)						
(Figures in thousands, except percents)						
	Year 2: NVC	Year 2: Actual Volume	Increase in Year 2 Actual Volume	Year 3: NVC	Year 3: AVC	Percent Increase in Year 3 AVC
Line No.	[1]	[2]	[3]	[4]	[5]	[6]
1	95,000	106,400	12.00%	105,000	105,700	0.7%
2	95,000	107,350	13.00%	105,000	106,175	1.1%
3	95,000	108,300	14.00%	105,000	106,650	1.6%
4	95,000	109,250	15.00%	105,000	107,125	2.0%
5	95,000	110,200	16.00%	105,000	107,600	2.5%
6	95,000	111,150	17.00%	105,000	108,075	2.9%
7	95,000	112,100	18.00%	105,000	108,550	3.4%
8	95,000	113,050	19.00%	105,000	109,025	3.8%
9	95,000	114,000	20.00%	105,000	109,500	4.3%
	Columns:					
	[1]	Request, Attachment F, Section II.A.2.				
	[2]	[1] * (1 + [3])				
	[3]	Request, Attachment F, Section II.A.3.a.				
	[4]	Request, Attachment F, Section II.A.3.				
	[5]	([2] + [4]) / 2				
	[6]	[5] / [4] - 1				

OCA/USPS-T2-9. Please refer to your testimony at page 5, the “Annual Adjustment Mechanism for Volume Commitments,” lines 15-20.

- a. If Bookspan’s actual mail volume is 5 percent below the Year 1 negotiated volume commitment, or 89.3 million (94 million * (1.00 – 0.05)), please confirm that the Year 2 adjusted volume commitment will be 90.25 million (95 million – (95 million * 0.05)). If you do not confirm, please explain.
- b. If the Year 2 adjusted volume commitment is 90.25 million, and Bookspan mails 90.25 million pieces, please confirm that Bookspan would be paid

- discounts of \$105,000 $((90.25 \text{ million} - 85 \text{ million}) * 0.02)$. If you do not confirm, please explain.
- c. If Bookspan's actual mail volume is 5.26 percent (0.052631578947) below the Year 1 negotiated volume commitment, or 89.053 million $(94 \text{ million} * (1.00 - 0.0526))$, please confirm that the Year 2 adjusted volume commitment will be 90 million $(95 \text{ million} - (95 \text{ million} * 0.0526))$. If you do not confirm, please explain.
- d. If the Year 2 adjusted volume commitment is 90 million, and Bookspan mails 90 million pieces, please confirm that Bookspan would be paid discounts of \$100,000 $((90 \text{ million} - 85 \text{ million}) * 0.02)$. If you do not confirm, please explain.
- e. If Bookspan's actual mail volume is 5 percent below the Year 2 negotiated volume commitment, or 90.25 million $(95 \text{ million} * (1.00 - 0.05))$, please confirm that the Year 3 adjusted volume commitment will be 99.75 million $(105 \text{ million} - (105 \text{ million} * 0.05))$. If you do not confirm, please explain.
- f. If the Year 3 adjusted volume commitment is 99.75 million, and Bookspan mails 99.75 million pieces, please confirm that Bookspan would be paid discounts of \$57,500 $((99.75 \text{ million} - 94 \text{ million}) * 0.01)$. If you do not confirm, please explain.
- g. If Bookspan's actual mail volume is 10.48 percent (0.104761904762) below the Year 1 negotiated volume commitment, or 85.048 million $(95 \text{ million} * (1.00 - 0.1048))$, please confirm that the Year 3 adjusted volume commitment

will be 94 million (105 million – (105 million * 0.1048)). If you do not confirm, please explain.

- h. If the Year 3 adjusted volume commitment is 94 million, and Bookspan mails 94 million pieces, please confirm that Bookspan would be paid discounts of \$0 ((94 million – 94 million) * 0.01). If you do not confirm, please explain.

OCA/USPS-T2-10. Please refer to your testimony at Appendix D.

- a. Please confirm that the contribution to the Postal Service would increase if 100 percent of Bookspan's After Rates Standard Mail solicitation letter volume consisted of new letters. If you do not confirm, please explain.
- b. Please explain why it is in the financial interest of the Postal Service to induce the conversion of Standard Mail flats to letters when the largest contribution to the Postal Service occurs where 100 percent of Bookspan's After Rates Standard Mail solicitation letter volume consists of new letters.