

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

Postal Rate and Fee Changes, 2005)

Docket No. R2005-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORY TO UNITED STATES POSTAL SERVICE
WITNESS JOHN E. POTTER, BASED ON ERRATA FILED
BY WITNESS TAYMAN ON JUNE 9, 2005
(OCA/USPS-T1-5)
(June 17, 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 an interrogatory and request for production of documents. Instructions included with OCA interrogatory OCA/USPS-T1-1, dated April 12, 2005, are hereby incorporated by reference.

Respectfully submitted,

SHELLEY S. DREIFUSS
Director
Office of the Consumer Advocate

1333 H Street, N.W.
Washington, D.C. 20268-0001
(202) 789-6830; Fax (202) 789-6819
e-mail: dreifusss@prc.gov

OCA/USPS-T1-5. At page 5 of USPS-T-1, you state:

Allowing for the decline in volumes associated with a rate change, \$3.1 billion amounts to about 5.4 percent of our estimated revenue need in FY 2006, as described by Postal Service witness William Tayman (USPS-T-6). Accordingly, the Board of Governors has directed the Postal Service to request that the Commission recommend uniform 5.4 percent increases over existing rates and fees.

On June 9, 2005, witness Tayman filed errata to his revenue testimony, including "Summary of R2005-1 Revenue Requirement Errata Impacts," Exhibit USPS-6A-1, [revised] 6/9/05. Among the changes reported by witness Tayman are that:

- (1) If postal rates and fees are increased by 5.4 percent as you requested, net income in the Test Year, After Rates, will be \$281.5 million, instead of the \$112 million initially presented; and
- (2) The net loss that must be covered in the test year is \$2.88 billion, not the \$3.1 billion you alluded to in the testimony quoted above.

Ceteris paribus, please confirm that the across-the-board increase that best achieves breakeven in the test year under the Postal Service's current financial circumstances (without considering the impact of elasticity of demand on revenues and costs) is approximately 5 percent, not 5.4 percent, i.e., $(2.88/3.1 = 0.93$ therefore, 0.93×5.4 percent = 5 percent rounded).

- a. If you do not confirm, then please explain.
- b. If you do confirm, then do you plan to modify the pending request. If so, when?
- c. Since the need for the money in the test year is less urgent than you believed at the time the rate case was filed, does the Postal Service intend to defer implementation of a recommended rate increase for some period of time, say one month longer than was initially intended? Please explain.

- d. The following statement was made at the website of [postcom.org](http://www.postcom.org) on June 17, 2005 (<http://www.postcom.org>):

PostCom has learned that because of the radical improvement in USPS finances, postal management had asked the Governors for permission to pull the 2005 postal rate case, but several members of the Board objected.

- i. Do you agree that that there has been a radical improvement in Postal Service finances in April and May of 2005? If not, please explain.
- ii. Do you favor withdrawal of the rate case owing to substantial improvement in the Postal Service's financial condition and the errata to witness Tayman's testimony, as compared to the information filed on April 8, 2005? If not, please explain.