

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
[ABA&NAPM/USPS-T27-1 AND 2]

The United States Postal Service hereby provides the responses of
witness Maura Robinson to the above-listed interrogatories of American Bankers
Association & National Association of Presort Mailers, filed on June 10, 2005.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORY OF ABA&NAPM**

ABA&NAPM/USPS-T27-1.

On page 6 of your testimony starting at line 9, you state “The escrow costs that underlie this request are not volume-variable and cannot be found to be “costs... attributable to ...[a] particular class of mail.”

- a. In light of this, please confirm that it is not any intra-subclass volume variable cost, but only costs in general, both attributable and institutional, that matter for the rates proposed in this case.
- b. In light of the escrow rationale for this case, would it be appropriate to raise or lower any particular rate proposed within the structure of USPS “settlement rates” on the grounds that its particular volume variable costs did not justify the rate proposed?
- c. Were the Commission to raise any of the proposed settlement rates given the escrow rationale for the case, would the extra burden on that rate category be inequitable in that more costs would be borne by that rate category in helping meet a strictly non-class specific revenue need, i.e. the escrow?
- d. Were the Commission to lower any of the proposed settlement rates given the escrow rationale for the case, would the reduced burden on that rate category be inequitable in that fewer costs would be borne by that rate category in helping meet a strictly non-class specific revenue need, i.e. the escrow?

RESPONSE:

- a. Confirmed that the objective of this case is to recover the Congressionally-mandated escrow obligation (an institutional cost) through a 5.4 percent across-the-board increase in rates. Confirmed also that this proposal does not adjust rates based on changes in inter- or intra-class cost relationships with the exception of Registered Mail and Periodicals Applications Fees. For these two special services, a greater-than-average fee increase was proposed due to the section 3622(b)(3)

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORY OF ABA&NAPM**

RESPONSE TO ABA&NAPM/USPS-T27-1 (continued):

requirement that rates and fees cover the attributable costs of providing the service.

- b. No. The Postal Service is attempting to reach settlement based on the rates proposed in this case.
- c. – d.

Under the ratemaking provisions of Title 39, the rates and fees recommended by the Commission must be “fair and equitable.” 39 USC 3622(b)(1). I expect that rates and fees recommended by the Commission will meet this requirement.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORY OF ABA&NAPM**

ABA&NAPM/USPS-T27-2.

- a. Please confirm in your Exhibit USPS-27B that the cost coverage of 331.9% listed for First Class presort mail is the highest of any mail category for which you calculate a TY2006 cost coverage on that Exhibit.
- b. Please confirm that whether one uses the Postal Service's "cumulative passthrough percentages" or the Commission's "incremental passthrough percentages" on discounts relative to costs avoided for various rate categories for workshared FCLM, and whether or not you use the volume variability methodology of the Postal Service of the Commission, under your proposed rates for TY2006 the highest per piece cost contribution to the Postal Service's institutional costs of any mail category for which you calculate a TY2006 cost coverage in your Exhibit USPS-27B is First Class workshared mail.
- c. Please confirm that were any of the passthroughs for workshared FCLM to be reduced by the Commission in this case by raising any workshared FCLM rates beyond what you have proposed, the cost coverage for workshared FCLM would be even higher than your calculate 331.9.

RESPONSE:

- a. Confirmed. Please note that the cost coverage for Presorted and Automation First-Class Mail Letters is 331.8 percent. Revised Exhibit USPS-27B, filed June 10, 2005.
- b. Not confirmed. Presort and Automation First-Class Mail Letters has the highest test-year-after-rates cost coverage on a percentage basis for any rate category shown on Exhibit USPS-27B. As shown in the response to MMA/USPS-T27-1(b), this is also the case if Exhibit USPS-27B is recalculated using the Postal Rate Commission's costing methodology. However, on a dollars-per-piece basis, the cost coverage for several subclasses is higher than that of Presorted and Automation First-Class

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROBINSON
TO INTERROGATORY OF ABA&NAPM**

RESPONSE TO ABA&NAPM/USPS-T27-2 (continued):

Mail Letters. For example, using the Postal Service costing methodology, the cost coverage measured in dollars-per-piece for Express Mail is \$7.81 as compared to the cost coverage in dollars-per-piece for Presorted and Automation First-Class Mail Letters of \$0.22. Exhibit USPS-27B (revised, filed June 10, 2005).

- c. Confirmed if (1) costs and cost avoidances were calculated using the same methodology and benchmarks as proposed by the Postal Service and (2) the Commission recommended the single-piece, first-ounce First-Class Mail rate proposed by the Postal Service, and (3) the Commission recommended all other rates (e.g., additional ounce rates) proposed by the Postal Service.