

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

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
TO VALPAK WITNESS ROBERT MITCHELL
(USPS/VP-T1-1 THROUGH 8)

In accordance with Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service hereby directs the following interrogatories to Valpak witness Robert Mitchell: USPS/VP-T1-1 through USPS/VP-T1- 8.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/VP-T1-1

Please confirm that, all other things held equal, the Postal Service's Fiscal Year (FY) 2006 financial results would improve by approximately \$3.1 billion if there were no escrow expense pursuant to Public Law 108-18. If you do not confirm please explain fully.

USPS/VP-T1-2

Witnesses Potter and Tayman have testified that the new rates proposed in this case will not be implemented before January 2006, resulting in an actual net loss in FY 2006. Please confirm that, all other things held equal, under the Postal Service's proposals in this case, delay in implementation of the proposed rate increases beyond January 2006 will increase the actual net loss for that fiscal year. Please explain any negative response.

USPS/VP-T1-3

In either FY 2004 or FY 2005, did the Postal Service incur an expense in the form of an obligation to put funds into escrow, similar to the obligation for FY 2006 imposed by PL 108-18?

USPS/VP-T1-4

Based on your experience, and your knowledge and understanding of the development of proposals for the Postal Service in rate cases, please confirm that developing proposals and support for an across-the-board approach to pricing would require less time than developing proposals and support for a conventional approach to pricing.

USPS/VP-T1-5

On page 16 of your testimony, you state:

“[A]rguments that the Postal Service has a financial interest in implementing rates a month or so sooner lack merit. The Postal Service has had full control over the timing of this case and it has known of the escrow requirement since P.L. 108-18 was enacted on April 23, 2003. Borrowing options are available to allow flexibility and to smooth things out over time. Neither a desire for a

settlement nor a hurry to realize increased revenue is a credible justification for an ATB approach.”
(footnote omitted).

- (a) Is it Valpak’s position that the Postal Service should have filed a request for recommendations on rate increases earlier than April 8, 2005?
- (b) Is it Valpak’s position that the Postal Service should have filed a request for recommendations on rate increases later than April 8, 2005?
- (c) Is it Valpak’s position that the Postal Service should have exercised its “borrowing options” to delay the filing of a request for recommendations on rate increases?

Please explain any negative responses.

USPS/VP-T1-6

On pages 15 and 16 of your testimony, you state:

“But adopting a particular rate approach in hopes of facilitating a settlement, rather than according to the requirements of the Act, simply is not appropriate ratemaking. Put another way, increasing the likelihood of achieving a settlement is not one of the non-cost factors in the Act.”

- (a) If the “requirements of the Act,” as you describe them, were hypothetically otherwise met, is it your position that the Act’s ratemaking scheme would not permit the Postal Service or the Commission to consider the prospects of settlement in relation to the Postal Service’s financial condition in evaluating the Postal Service’s proposals and in recommending and approving increases in postal rates and fees? Please explain any affirmative response.
- (b) Assuming “the requirements of the Act” were met, list and explain every reason for concluding that consideration of settlement in relation to the Postal Service’s financial condition would not be “appropriate ratemaking.”

USPS/VP-T1-7

On page 17 of your testimony, you state:

“Focusing on settlement as a goal in such a situation introduces a dynamic that may be out of line with appropriate ratemaking. It is altogether possible that the Postal Service, in negotiating with intervening parties, who may represent the interests of some mailers to the neglect of others, will find that it can achieve settlement by proposing rates that it cannot justify as most appropriate, in hopes that the Commission will do little more than certify that the rates in the settlement are within a range allowed by law instead of being the best for the nation. The incentives of such a dynamic are unacceptable and should not be allowed to dictate the nation’s postal rates and fees.”

- (a) Does your reference to “appropriate ratemaking” refer to anything other than the requirements and policies of the Postal Reorganization Act (title 39, United States Code)? Please identify and explain all factors influencing appropriate ratemaking that are not encompassed by the Act.
- (b) Please identify specifically each and every provision of the Act that permits consideration in ratemaking of the “dynamic” that you describe.
- (c) Is it your understanding that the Postal Service's rate and fee proposals in Docket No. R2005-1 were developed through negotiations?

USPS/VP-T1-8

Is willingness to enter into a settlement agreement adopting a particular set of rates an indication of the impact of those rates on mailers and other participants adhering to the agreement?