

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

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YORGEY
TO REQUEST OF PRESIDING OFFICER AT HEARINGS**

The United States Postal Service hereby provides the response of witness Yorgey to the Presiding Officer's request concerning review of an OCA cross-examination exhibit presented to her at the hearings on October 19, 2005. Tr. 2/203. Because the exhibit included estimates provided by witness Epp, the request to review the exhibit has been partially redirected to him, and that response will be filed separately by Bookspan.

The request is summarized and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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During cross-examination on October 19, 2005, counsel for the OCA asked a series of questions concerning a cross-examination exhibit. Tr. 2/141-154. Subsequently, the Presiding Officer requested that I compare the exhibit with source data, examine it for accuracy, and, if needed, provide correct information with an explanation of how the corrections were developed. Tr. 2/203.

RESPONSE:

In reviewing OCA cross-examination exhibit T2 no. 1 presented during cross-examination on October 19, 2005, I have identified the miscalculations and other errors that I describe below and in two attached spreadsheets. Attachment 1 at the top reproduces the table in the OCA's exhibit; below that I present a revision of the OCA table that uses accurate data in calculations I have verified. Attachment 2 contains the revenue-per-piece calculations underlying the figures used in Attachment 1's revised table. Please note that the sole purpose of the "Revised" table is to attempt to replicate the OCA's exhibit with accurate data and calculations; the table does not represent the Postal Service's analysis.

The 18.2 cent "price" that the OCA shows as the "No rate hike,¹ no NSA" price, is, in fact, an attempt to perform an average revenue-per-piece calculation for FY 2006, and is not equivalent to the other two "prices" in the OCA exhibit. Those two figures are fixed-weight price indices calculated from a volume distribution using Bookspan's FY 2004 billing determinants, whereas the 18.2 cents represents Bookspan's average revenue per piece for FY 2005 YTD through July, thus reflecting a different (and incomplete) set of billing determinants. Comparisons of the revenue-per-piece

¹ This is the OCA's short-hand for "before rates" with regard to the pending omnibus rate case, Docket No. R2005-1.

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calculations must be made using equivalent fixed-weight indices. Using Bookspan's FY2004 billing determinants, as in the Base Year, and Bookspan's estimate of FY2006 volumes without a general rate increase, the "No rate hike, no NSA" price calculates to 18.7 cents, as shown in Attachment 2.

Additionally, the row identified as "Rate Hike, NSA" in the OCA exhibit incorrectly calculates the revenue per piece as 17.8 cents. The calculation should include the 2-cent discount on the volume between 87,000,001 and 105,000,000 pieces, not on the entire 105 million pieces for FY2006. When corrected, the FY2006 "Rate Hike, NSA" revenue per piece calculates to 19.4 cents.

"OCA Exhibit Revised" contains the revised revenue per piece, as explained above, presented in the proper, ascending order. The revenue-per-piece changes and percentage changes have been recalculated accordingly.

The OCA exhibit purported to measure the volume response to changes in prices. In order to measure such a response accurately, all things, not just the letter mail mix as represented by the billing determinants, must be held constant. Further information is needed from Bookspan in order to confirm whether witness Epp's estimates cited in the exhibit represent such a scenario of *ceteris paribus*.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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