

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
LILLIAN WATERBURY (USPS-T-10) TO INTERROGATORIES OF  
GROWING FAMILY, INC. (GF/USPS-T10-1-2)  
(June 9, 2006)

The United States Postal Service hereby provides the responses of witness Lillian Waterbury (USPS-T-10) to the following interrogatories of Growing Family, Inc., filed on May 26, 2006:

GF/USPS-T10-1-2

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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RESPONSE OF USPS WITNESS WATERBURY (USPS-T-10) TO  
INTERROGATORY OF GROWING FAMILY, INC.

**GF/USPS-T10-1.** Exhibit USPS-9A, sponsored by witness Milanovic, shows COD “indemnities” for FY 2005 of \$1,952,000, Exhibit USPS-10D shows COD “indemnities” for FY 2006 of \$1,900,000, and Exhibit USPS-10F shows COD “indemnities” estimated for FY 2007 of \$1,728,000.

a. Please confirm these dollar amounts. If you cannot, please provide corrected dollar amounts.

b. Is the amount shown as COD “indemnities” the amount of claims paid (or forecast to be paid) to COD mailers? If not, please explain what the amount represents.

c. Are there any reasons for the decline in indemnities other than declining volumes? If so, please provide a list of the other reasons and an approximation of their individual impact on the total indemnities.

d. Please explain in detail the process used to forecast the COD “indemnities” for FY 2006, FY 2007 and FY 2008.

e. Please provide the amount of COD “indemnities” for FY 2003 and FY 2004.

**RESPONSE:**

a. Not confirmed. Exhibit USPS-10D shows COD Indemnities for FY2006 of \$1,910,000. Also, Exhibit USPS-10F shows COD Indemnities estimated for FY2007(BR) of \$1,822,000. It is Exhibit USPS-10H that shows COD Indemnities estimated for FY2007(AR) of \$1,728,000.

b. Confirmed. I am informed that COD Indemnities is the amount of claims paid (or forecast to be paid) to COD mailers.

c. It is my understanding that declines in indemnities are due to declining volumes.

d. The process used to “roll forward” the COD Indemnities (component 397) costs for FY2006, FY2007, and TY2008 begins with the COD Indemnities costs for the

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Base Year (BY2005). BY2005 costs for COD Indemnities are adjusted for changes in costs levels between BY2005 and FY2006 by applying the appropriate cost level factors (see Exhibit USPS-10A). The cost level-adjusted BY2005 COD Indemnities costs are then adjusted for the effects in volume changes between BY2005 and FY2006 by applying the appropriate mail volume factors (see Exhibit USPS-10B). The process is repeated for the other roll forward years. The table below illustrates the process.

**Indemnities**  
Component 397  
Costs in \$ '000s

<b>COD</b>	FY2006	FY2007BR	TY2008BR
beginning year	1952	1910	1822
cost level effect	63	22	30
mail volume effect	-105	-110	-41
ending year	1910	1822	1811
<b>COD</b>	FY2006	FY2007AR	TY2008AR
beginning year	1952	1910	1728
cost level effect	63	22	29
mail volume effect	-105	-204	-188
ending year	1910	1728	1569

e. The amount of COD Indemnities for FY2003 was \$1,477,000 and for FY2004 was \$2,214,000.

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**GF/USPS-T10-2.**

a. Please confirm that Exhibit No. USPS-10C for FY 2006 shows volume variable city carrier costs (component 257) attributed to COD of \$896,000 and volume variable rural carrier costs (component 260) attributed to COD of \$1,807,000. If you cannot so confirm, please provide the correct dollar amounts.

b. Please provide a breakdown of the number or forecast of COD packages and the number or forecast of COD claims paid for FY 2006 into city carrier and rural carrier segments.

**RESPONSE:**

a. Not confirmed. It is Exhibit USPS-10D that shows FY2006 volume variable city carrier costs (component 257) attributed to COD of \$896,000 and volume variable rural carrier costs (component 260) attributed to COD of \$1,807,000.

b. See witness Berkeley's response to GF/USPS-T39-1(b).

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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June 9, 2006  
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