

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
(ABA-NAPM/USPS-T32-1 AND 2)

The United States Postal Service hereby files the responses of witness
Altaf H. Taufique to the following interrogatories of American Bankers
Association and National Association of Presort Mailers:
ABA-NAPM/USPS-T32-1 and 2, filed on June 14, 2006.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 28, 2005

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORY OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS**

ABA-NAPM/USPS-T32-1. On page 30, lines 10-12 of your testimony (USPS-T-32), you state:

The passthroughs and the discounts that underlie the proposed rates were selected to balance several goals, including: (1) achieving the cost coverage target provided by witness O'Hara (USPS-T-31) . . .

You also state, beginning at line 18, page 15:

The Postal Service proposes that the rate design process begin with the establishment of separate revenue requirements for Single-Piece Letters and Presort Letters, with the goal of obtaining similar unit contributions from Single-Piece Letters in the aggregate and from Presort Letters in the aggregate.

- a. Please confirm from your sponsored library reference, LR-L-129 WP-FCM-12, that the per unit after rates TY2008 unit contributions are 23.5 cents for Single Piece Letters and 23.4 cents for Presort Letters.
- b. Please confirm that the unit contributions from a. above are based on the USPS volume variable cost methodology.
- c. What are the corresponding unit cost contributions for Single Piece and Presort letters using the Commission's volume variable cost methodology?

RESPONSE

- a. Confirmed.
- b. Confirmed.
- c. The estimates may be derived by using the revenue estimates from my
Library Reference L-129 and PRC-version cost estimates from USPS
Library Reference L-96.

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ABA-NAPM/USPS-T32-2. Beginning on page 15, line 21, of your testimony (USPS-T-32), you state that “The objective of the approach introduced here is to gradually achieve a rate design paradigm in which both workshare and single-piece mail contribute equally to institutional costs on a unit contribution basis.”

a. Please confirm that your unit contributions for presort and single piece First-Class Mail also only differed by 1/10th of a cent in the test year after rates from R2005-1, namely 22.5 cents per piece for Single Piece, and 22.4 cents per piece for Presort.

b. Please confirm in the last fully litigated rate case, R2000-1, the per piece test year contribution proposed by USPS for single piece was somewhat higher than for presort, namely 18.1 cents for single piece and 17.5 cents for presort.

RESPONSE

a. Confirmed.

b. Witness Fronk’s workpaper in Docket No. R2001-1 (USPS-T-33, Workpaper) does not show the calculation of per piece test year contribution. His rate design methodology was different than what has been proposed in the instant docket. On page 2 of his workpapers information is available to derive test year per-unit contributions for single-piece and presort mail streams. Your calculation of the difference appears to be correct.