

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 PAGE
TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
(MMA/USPS-T23-1-4)
(July 5, 2006)

The United States Postal Service hereby provides the responses of witness Page to the above listed interrogatories of the Major Mailers Association, filed on June 20, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T23-1

Please refer to Table 14A on page 28 of your direct testimony where you provide the associated test year costs for the Postal Service to provide Confirm Service.

- A. Please explain precisely how the \$460,000 cost for field support varies based on the number of scans provided by the Postal Service to Confirm Service users. Please provide all documents, including special studies that discuss the extent to which field support costs vary with an increase or reduction in the number of scans performed.
- B. Please explain precisely how the \$22,000 cost for promotional activities varies based on the number of scans provided by the Postal Service to Confirm Service users. Please provide all documents, including special studies that discuss the extent to which the costs of promotional activities vary with an increase or reduction in the number of scans performed.

RESPONSE:

- A. The field support cost of \$460,000 is for the help desk. This help desk would not exist if it were not for Confirm. I do not get into the level of variability, nor do I have any studies to determine variability. My objective was to determine the costs for Confirm, not to determine which of the costs are variable and which are not.
- B. I combined costs for printing, travel, and meetings and conferences, for a total of \$54,000. The \$22,000 is for travel, which I was told is classified as a variable cost in our cost systems. As I stated above, I do not get into the level of variability nor do I have any variability studies.

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MMA/USPS-T23-2

Please refer to Table 14C on page 29 of your testimony where you provide the test year unit cost analysis for Confirm Service.

- A. Please provide the source for the number 200 total subscribers.
- B. Please explain why you use 200 total Confirm subscribers and USPS witness Mitchum uses 180 total Confirm subscribers for the base year and test year. See USPS-T-40, WP-4.
- C. Please confirm that the unit volume variable cost of \$2,410 is not the cost associated with the number of scans or units but the cost associated with the number of users. If you cannot confirm, please explain.

RESPONSE:

- A. My source was the Confirm product manager.
- B. See my response to OCA/USPS-T23-2
- C. Not confirmed. The \$2,410 cost is the unit subscriber cost calculated by dividing the total volume variable costs by the 200 subscribers.

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MMA/USPS-T23-3

On page 29 of your direct testimony, you indicate that you verified which Confirm Service costs were variable and which were fixed with "Cost Attribution." Please explain what "Cost Attribution" is and how you were able to verify that you classified correctly which types of costs were variable and which were fixed. Please provide copies of all written communications you exchanged with Cost Attribution and all notes of conversations you had with Cost Attribution personnel.

RESPONSE:

Cost Attribution is the unit within the Finance Department that produces the CRA and determines whether costs are variable or fixed. There was no written communication. I asked personnel within Cost Attribution, and was told which of the costs I had would be considered variable.

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TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T23-4

Please refer to Library Reference USPS-LR-L-59, attachment 17 where you provide historical and projected costs for Confirm Service.

- A. For accounts 52359 (Professional and other Miscellaneous Service) and 51401 (Travel Other Than Training), which you determined are volume variable, what are the associated number of scans per year for FY 2000 through FY 2005? Please also provide the source for your answer.
- B. For accounts 52359 (Professional and other Miscellaneous Service) and 51401 (Travel Other Than Training), which you determined are volume variable, what are the associated number of scans per year that you project for FY 2006 through FY 2008? Please also provide the source for your answer.
- C. For accounts 52359 (Professional and other Miscellaneous Service) and 51401 (Travel Other Than Training), which you determined are volume variable, what are the associated number of subscribers per year for FY 2000 through FY 2005? Please also provide the source for your answer.
- D. For accounts 52359 (Professional and other Miscellaneous Service) and 51401 (Travel Other Than Training), which you determined are volume variable, what are the associated number of subscribers per year that you project for FY 2006 through FY 2008? Please also provide the source for your answer.

RESPONSE:

A-D. The costs reported in accounts 52359 and 51401 for the years 2000 through 2005 for Confirm service are actual, not estimated costs. I did not distribute the costs to those account numbers; those were the actual costs incurred by Confirm service within those accounts. As such, it was not necessary for me to refer to either the number of scans or the number of subscribers in Confirm service in order to estimate the costs of Confirm service that were incurred for those accounts. I identified the Confirm costs in accounts 52359 and 51401 as volume variable because costs in those accounts are categorized as volume variable in the development of the CRA, and I was being

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consistent with that methodology. My projections of the costs associated with Confirm service were based on the funding expected by the Confirm project based on project system changes and customer and volume expectations.