

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

**RESPONSES OF POSTAL SERVICE WITNESS LOUSCH
TO INTERROGATORIES OF PITNEY BOWES INC.**
(PB/USPS-T6-1 - 4)

The United States Postal Service hereby provides the responses of witness Loutsch to the following interrogatories of Pitney Bowes Inc., filed on June 22, 2006:
PB/USPS-T6-1 - 4.

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

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999, Fax -5402
scott.l.reiter@usps.gov
July 6, 2006

RESPONSE OF POSTAL SERVICE WITNESS LOUSCH
TO INTERROGATORY OF PITNEY BOWES INC.

PB/USPS-T6-1. Please confirm that the need for a contingency could be caused by Test Year After Rates (“TYAR”) costs higher than those predicted by the Postal Service. If you cannot confirm, please explain fully.

Response:

Confirmed. As described on page 62 of my testimony; “The contingency deals with the reality that events that affect the Postal Service’s financial picture and the impacts of those events are, to varying and unknown degrees, unforeseen and unforeseeable.”

The impact of unforeseen or unforeseeable events may be seen in the actual costs or revenues for a year when compared to the revenue requirement forecasts. A comparison of actual results and recent revenue requirement forecasts is included in my testimony at Exhibit USPS 6J.

RESPONSE OF POSTAL SERVICE WITNESS LOOTSCH
TO INTERROGATORY OF PITNEY BOWES INC.

PB/USPS-T6-2. Please confirm that the need for a contingency could be caused by TYAR revenues lower than those predicted by the Postal Service. If you cannot confirm, please explain fully.

Response:

Confirmed. Please see my response to PB/USPS-T6-1.

RESPONSE OF POSTAL SERVICE WITNESS LOUSCH
TO INTERROGATORY OF PITNEY BOWES INC.

PB/USPS-T6-3. Please confirm that to provide an “adequate contingency” which is “essential to achieving financial stability and long-run break even” you have included a contingency of \$767 million in TYAR, which effectively increases estimated TYAR costs by 1 percent. If you cannot confirm, please explain fully.

Response:

Management's judgment is that a 1 percent contingency is reasonable in the circumstances of this case. However, as I point out on line 24, page 64, of my testimony, "in future cases management's judgment concerning a reasonable contingency may differ as the Postal Service's financial position and other circumstances change."

RESPONSE OF POSTAL SERVICE WITNESS LOUSCH
TO INTERROGATORY OF PITNEY BOWES INC.

PB/USPS-T6-4. Please confirm that the costs of the unforeseen and unforeseeable events that create the need for the contingency will be randomly distributed across cost segments and components. If you cannot confirm, please explain fully.

Response:

Not confirmed. Since the nature of any unforeseen or unforeseeable events is unknown, I have no basis for determining how the related cost of such events will be distributed across segments and components.