

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 GREETING CARD ASSOCIATION
(GCA/USPS-T32-5 AND 6)

The United States Postal Service hereby files the responses of witness
Altaf H. Taufique to the following interrogatories of Greeting Card Association:
GCA/USPS-T32-5 and 6, filed on June 29, 2006.

The interrogatories are stated verbatim and are followed by the
responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORY OF GREETING CARD ASSOCIATION**

GCA/USPS-T32-5

Please refer to R2006-1, USPS LR-L-129, the Excel file LR-L-129.xls, worksheet "TYAR Volume."

- a. Please confirm that USPS witness Thress' after rates volume forecast for FCLM single piece in GFY 2007 is 39.105, not 39.401 billion pieces. If you cannot confirm, please provide the correct number.
- b. Please confirm that for the 2007 GFY in the above-referenced Excel spreadsheet you are using an after rates volume forecast of 39.401 billion pieces for First-Class single piece (as well as all other First Class mail categories) that is exactly the same as the before rates volume forecast. If you cannot confirm, please provide the correct number or explain why.
- c. If you confirm (b), please state if you or other witnesses have used the erroneous 39.401 billion piece figure for GFY 2007 in any calculations in this case, and specifically identify the calculations and the impact of using the erroneous figure.

RESPONSE

- a. Confirmed.
- b. Confirmed. FY 2007 is a split year based on the proposed implementation date during the month of May 2007. The forecast that is used for the calculation of FY 2007 After Rates revenue is available in WP -FCM 3 (spreadsheet "Split Vol. FY07") in cell I11 and matches witness Thress' forecast of 39.105 billion pieces. If the implementation of rates was assumed to start with the new fiscal year, then FY 2007 before and after rates volume for FY 2007 would be the same, but because of the projected earlier implementation in last quarter of FY 2007 there is a difference in TYAR forecasts and a split year forecast was produced and to the best of my knowledge was used by all pricing witnesses.
- c. Please see my response to part b, above.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORY OF GREETING CARD ASSOCIATION**

GCA/USPS-T32-6

Please refer to the following table. The before rates and after rates annual forecasts for the periods 2006-2009 are obtained from USPS witness Thress. The Alternative trend forecasts are estimated based on simple linear trend projections of the actual volumes for the period 1997-2005 with 1997 as the starting year, signifying the last peak in First-Class single-piece volume.

DATE	Before Rates, After Rates, and Trend Volume Forecasts for First-Class Single-Piece Mail (in billion pieces)			
	USPS		Alternative	
	Before Rates	After Rates	Trend Forecast	Trend Forecast Adjusted for Rate Increase
2006	41.410	41.410	42.641	42.641
2007	39.401	39.105	41.180	40.883
2008	38.162	37.206	39.719	38.764
2009	36.486	35.572	38.258	37.345

Source: USPS witness Thress, LR-L-66.

- a. Please confirm your revenue requirement for Test Year 2008 uses the after rates volume from the above table. If you cannot confirm, please provide the correct number.
- b. Please confirm that had you used the linear trend projection starting from the year 1997, the forecast for the Test Year 2008 would have been 38.764 billion pieces, a value more than 1.5 billion pieces greater than USPS witness Thress' after rates volume forecast. If you cannot confirm please explain why.
- c. Please re-compute your revenue requirement for TY2008 for single piece FCM utilizing the trend volume of 38.764 billion pieces.

RESPONSE

- a. Confirmed.
- b. It is beyond the scope of my testimony to validate alternative volume forecasts. In any event, confirming the outcome of the trend analysis and attempting to determine how such an alternative would affect my rate design is inappropriate. The test year volume forecast provided by witness

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
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RESPONSE TO GCA/USPS-T32-6 (continued):

Thress is an integral part of the rate design exercise. Any exercise that would require me to change the volume forecast would require me to re-evaluate all the rates in light of the new volumes for the test year. Moreover, the Postal Service has proposed a set of rates balancing various concerns and meeting the revenue requirements in the test year. This exercise involved addressing the various classification changes as well as impact on mailers. Changing a key input in isolation would not necessarily lead to prices that would reflect this balancing of concerns and that meet the revenue requirement.

- c. The computation of revenue requirement was the responsibility of witness Loutsch (USPS-T-6) which is subsequently provided to witness O'Hara (USPS-T-31) who is responsible for ensuring that the rate levels proposed by the Postal Service provide sufficient revenue to cover the revenue requirement. As described in the testimony of witness O'Hara, this process requires a careful balancing of all of the pricing criteria of the Act. If your question is asking me to compute the Test Year After Rates (TYAR) revenues using the "trend" volume forecast you provided , I cannot be sure that the rate proposal would remain the same with a significant change in one of the basic inputs.