

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

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POSTAL RATE AND FEE CHANGES, 2006

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Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAGE  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T23-5-20)  
(July 19, 2006)

The United States Postal Service hereby provides the responses of witness Page to the above listed interrogatories of the Office of the Consumer Advocate, filed on July 5, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**OCA/USPS-T23-5.** This interrogatory requests information on the costs of Confirm service. Please refer to Table 14A: “Confirm Cost Analysis Summary (\$000)” of your testimony, and the spreadsheet “Confirm.xls” in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. Please provide a table that shows a crosswalk between the “FPR,” “FPR Description,” “Account,” and “Account Description” in the spreadsheet “Confirm.xls” and the categories and subcategories in Table 14A.
- b. Explain the acronym “FPR.”

**RESPONSE:**

a.

Capital	FY 2008	
Information Technology		
Total IT Depreciation	\$30	FPR 43 Account 54330
Expense		
Program Support		
Consulting Support	\$225	FPR 36 Account 52322
Field Support		
Product Specific Field Support	\$420	FPR 3V Account 52411
Volume Variable Field Support	\$460	FPR 34 Account 52359
Marketing		
Promotional Activities	\$54	
Variable	\$22	FPR 3D
Incremental	\$32	FPR 3U Account 52436 (\$15)
		FPR 44 Account 56605 (\$17)

- b. FPR stands for Financial Performance Report, a report prepared after general ledger processing is completed. The FPR provides expenses and revenues, and segregates activities by categories, including those listed for Confirm service in the first two columns of Attachment 17 to USPS-LR-L-59.

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**OCA/USPS-T23-6.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the increase in costs from \$820,000 to \$1,159,000 for FPR description "5 Retail Products, 43360 Philatelic Mail Order – Service Fee."
- b. For FY 2008, please explain the factors causing the absence of any costs for FPR description "5 Retail Products, 43360 Philatelic Mail Order – Service Fee."

**RESPONSE:**

a-b. These are not costs, so I did not include them in my analysis. Rather, these numbers are revenues from fees that are unrelated to Confirm service. I am therefore not surprised that these revenues are omitted for FY 2008.

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**OCA/USPS-T23-7.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the decrease in costs from \$44,000 to \$4,908 for FPR descriptions "31 Supplies" and "33 Supplies – Issued From Inven."
- b. For FY 2008, please explain the factors causing the absence of any costs for FPR descriptions "31 Supplies" and "33 Supplies – Issued From Inven."

**RESPONSE:**

- a. These costs reflect the supplies purchased under the Confirm finance number.

The costs do not exactly go from \$44,000 to \$4,908. They go from \$44,000 to \$0 to \$4,908.

- b. There is no amount planned for supplies under the Confirm finance number for FY 2008.

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**OCA/USPS-T23-8.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the increase in costs from \$479,282 to \$643,134 for FPR description "34 Services."
- b. For FY 2008, please explain the factors causing the decrease in costs for FPR description "34 Services" as compared to the Base Year FY 2005.

**RESPONSE:**

- a. The help desk was first handled under a contract and then by the Postal Service.  
FY 2005 was the transition year.
- b. It is my understanding that from FY 2006 to FY 2008 the help desk will be handled by the Postal Service.

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**OCA/USPS-T23-9.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the decrease in costs from \$178,938 to \$119,303 for FPR description "36 Consulting Services."
- b. For FY 2008, please explain the factors causing the increase in costs for FPR description "36 Consulting Services" as compared to the Base Year FY 2005.

**RESPONSE:**

- a. It is my understanding that these costs were for consultants to do programming and program maintenance. The amounts are those recorded under the Confirm finance number as having been spent on these services.
- b. It is my understanding that this money is for the consultant services thought to be needed for FY 2008.

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**OCA/USPS-T23-10.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the increase in costs from \$0 to \$2,321 for FPR description "39 Advertising."
- b. For FY 2008, please explain the factors causing the absence of any costs for FPR description "39 Advertising."

**RESPONSE:**

- a. A small amount of advertising was done in FY 2005.
- b. It is my understanding that no advertising for Confirm is planned.

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**OCA/USPS-T23-11.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the increase in costs from \$1,370 to \$28,295 for FPR description "3D Travel Other Than Training."
- b. For FY 2008, please explain the factors causing the decrease in costs for FPR description "3D Travel Other Than Training" as compared to the Base Year FY 2005.

**RESPONSE:**

- a. The amounts for FY 2003 to FY 2005 are what were recorded in the Confirm finance number as having been spent on travel.
- b. It is my understanding that these are the dollars planned for travel in FY 2008.

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**OCA/USPS-T23-12.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the increase in costs from \$0 to \$2,002 for FPR description "3E Training."
- b. For FY 2008, please explain the factors causing the absence of any costs for FPR description "3E Training."

**RESPONSE:**

- a. Actually there was no trend line as you imply. Rather, training dollars were only recorded in one year, FY 2005.
- b. It is my understanding that there is no plan for training in the budget forecast for FY 2008.

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**OCA/USPS-T23-13.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the decrease in costs from 10,903 to \$32 for FPR description "3U Printing."
- b. For FY 2008, please explain the factors causing the increase in costs for FPR description "3U Printing" as compared to the Base Year FY 2005.

**RESPONSE:**

- a. The dollars shown for FY 2003 to FY 2005 are the money spent for printing.
- b. The dollars shown in FY 2008 are the estimated money to be spent for printing.

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**OCA/USPS-T23-14.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the increase in costs from \$773,021 to \$2,145,391 for FPR description "3V IRM Chargeback."
- b. For FY 2008, please explain the factors causing the decrease in costs for FPR description "3V IRM Chargeback" as compared to the Base Year FY 2005.

**RESPONSE:**

- a. The money spent each year is a mixture of costs for contractors and postal employees from FY 2003 to FY 2005. In the years FY 2005 – FY 2006 two expense accounts were combined (3V and 46). The numbers at the top of the 3V column are the dollar amounts when the two accounts are combined. These dollars were spent on system development, and related IT help desk and telecommunications needs.
- b. As system development is completed, these kinds of costs will get very small. The decreased test year amount is an estimate of what will be needed in FY 2008.

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**OCA/USPS-T23-15.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the decrease in costs from \$1,685,898 to \$1,491,661 for FPR description "43 Depreciation."
- b. For FY 2008, please explain the factors causing the decrease in costs for FPR description "43 Depreciation" as compared to the Base Year FY 2005.

**RESPONSE:**

- a. The equipment was depreciated at a five year life, so some of the equipment has been fully depreciated.
- b. No new equipment is needed, and the original equipment is being fully depreciated. The \$30,000 in FY 2008 is the expected depreciation for that year.

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**OCA/USPS-T23-16.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the decrease in costs from \$1,567 to \$1,327 for FPR description "44 Miscellaneous Expense."
- b. For FY 2008, please explain the factors causing the increase in costs for FPR description "44 Miscellaneous Expense" as compared to the Base Year FY 2005.

**RESPONSE:**

- a. For FY 2003 to FY 2005, the numbers do not vary much and are the expenses recorded in those years.
- b. For FY 2008 it appears that the budget estimate provides funds for more meetings.

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**OCA/USPS-T23-17.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the decrease in costs from \$3,298 to \$599 for FPR description "45 Communications."
- b. For FY 2008, please explain the factors causing the absence of any costs for FPR description "45 Communications."

**RESPONSE:**

- a. The dollars shown for FY 2003 to FY 2005 are the expenses recorded for communications.
- b. No funds are budgeted for communications in FY 2008.

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**OCA/USPS-T23-18.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the decrease in costs from \$538,736 to \$40,033 for FPR description "46 Information Technology."
- b. For FY 2008, please explain the factors causing the absence of any costs for FPR description "46 Information Technology."

**RESPONSE:**

- a. FPR 46 was combined with FPR 3V beginning in FY 2005. Please see my response to OCA/USPS-T23-14.
- b. By FY 2008 all the FPR 46 costs are included in FPR 3V.

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**OCA/USPS-T23-19.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For FY 2003 – 2005, please explain the changes in costs for "6W ADP Equipment."
- b. For FY 2008, please explain the factors causing the absence of any costs for FPR description "6W ADP Equipment."

**RESPONSE:**

- a. The only actual expense was the \$600 in FY 2003, as the \$25,250 amount in FY 2004 was cancelled out the next year.
- b. FY 2008 has no anticipated ADP equipment expense.

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**OCA/USPS-T23-20.** This interrogatory requests information on the costs of Confirm service. Please refer to the spreadsheet "Confirm.xls" in USPS-LR-L-59 (Attachment 17, Page 1 of 1).

- a. For Fiscal Years 2003, 2004, and 2005, please confirm that the volume variable costs equaled 12.8 (\$480,652 / \$3,753,604) percent, 13.6 (\$476,480 / \$3,515,711) percent, and 15.0 (\$671,429 / \$4,479,006) percent, respectively, of the total costs of Confirm service. If you do not confirm, please explain, show all calculations and provide citations to all sources used.
- b. For Fiscal Years 2006, 2007, and 2008, please confirm that the volume variable costs equaled 19.0 (\$445,122 / \$2,343,900) percent, 40.4 (\$460,000 / \$1,138,000) percent, and 40.5 (\$482,000 / \$1,189,000) percent, respectively, of the total costs of Confirm service. If you do not confirm, please explain, show all calculations and provide citations to all sources used.
- c. Please explain why the percentage of volume variable costs more than doubled from the Base Year FY 2005 to the TYAR 2008.
- d. For Fiscal Years 2003, 2004, and 2005, please explain why the percentages of volume variable costs were so low as compared to the TYAR 2008 volume variable costs.

**RESPONSE:**

- a. Confirmed
- b. Confirmed
- c – d. Extensive use of computer systems produces a lot of fixed costs in the first few years of development. The fixed costs will lessen over the years if the product does not need further development and computer buys. The result is an increasing ratio of volume variable to fixed costs. The depreciation and contractor support are about 80 percent of total costs in FY 2003 through FY 2006, but only about 37 percent of total costs from FY 2007 to FY 2008. In addition, moving some of the work in-house reduces fixed costs.