

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 MITCHUM
TO INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
(MMA/USPS-T40-8-9)
(July 20, 2006)

The United States Postal Service hereby provides the responses of witness Mitchum to the above-listed interrogatories of the Major Mailers Association, filed on July 6, 2006.

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

David H. Rubin
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -6187

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T40-8.

Please refer to your response to Interrogatory MMA/USPS-T40-3 (A) and (B), where you were asked to provide the source of your test year projections of additional blocks of one million units that would be purchased for Confirm Service. In your answer, you referred to a previous response to question 3 of Presiding Officer's Information Request (POIR) No. 4.

A. While we understand that this may be your best estimate of the test year billing determinants, please confirm that your methodology uses a considerable amount of judgment in order to obtain your test year projections. If you cannot confirm, please explain how confident you are in your projections and specifically point out which portions of your analysis are based on historic data and which portions are based on judgmental considerations.

B. Please confirm that Interrogatory MMA/USPS-T40-3 (B) requested that you provide the derivation and sources for the number of additional blocks of 1 million units that you show in Library Reference USPS-LR-L-124 WP-4 Confirm, namely (1) 919 blocks of 1 million units to users requiring 1-9 additional blocks of 1 million units, (2) 4,365 blocks of 1 million units to users requiring 10-89 additional blocks of 1 million units, and (3) 22,868 blocks of 1 million units to users requiring more than 99 additional blocks of 1 million units. If you cannot confirm, please explain.

C. Please confirm that your original answer to Interrogatory MMA/USPS-T40-3 (B), by reference to your answer to POIR No. 4, Question 3, provides a "process" by which these volumes were determined as well as an "example of the computations. If you cannot confirm, please explain.

D. Please confirm that it is not possible to replicate your projections of additional blocks of 1 million units that Confirm Service will purchase from data already available in the record. If you cannot confirm, please point out specifically where in the existing record the derivations of the numbers 919, 4,365 and 22,868 additional blocks of 1 million units are provided.

RESPONSE:

a. Confirmed. Some judgment was needed to determine the best method to use the available historical data in my analysis.

b. Confirmed.

c. Confirmed. Incidentally, my "original" answer to MMA/USPS-T40-3(b) is the only answer filed.

d. As my reference to the response to the Presiding Officer's Information Request No. 4, Question 3 explains, the derivation of the number of blocks was

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T40-8, Page 2 of 2

based on estimates of the number of scans actual subscribers would use in a subscription period. To make it possible for my projections to be replicated on the record, each user's usage pattern over a period of time would have to be made available on the record, which could place those subscribers at a competitive disadvantage. I also note that moderate changes to the estimates of block usage would not have a substantial impact on the revenue results.

RESPONSE OF POSTAL SERVICE WITNESS MITCHUM
TO INTERROGATORY OF THE MAJOR MAILERS ASSOCIATION

MMA/USPS-T40-9.

Please refer to your response to Interrogatory MMA/USPS-T40-3(C) where you confirm that 59.3% of the revenues generate from the “fixed” user fee and 40.7% of the revenues generate from the “variable” number of units purchased. Please verify whether, and to what extent, this breakdown is based on the fixed/variable cost breakdown provided by USPS witness Page at Library Reference USPS-LR-L-59, Attachment 17, page 1 where USPS witness Page indicates that 40.5% Confirm Service’s attributable costs are variable.

RESPONSE:

The breakdown I used was not based on witness Page’s fixed/variable cost breakdown. The similar numbers are coincidental.