

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 MICO
MILANOVIC (USPS-T-9) TO INTERROGATORY OF UNITED PARCEL SERVICE,
REDIRECTED FROM WITNESS MICHAEL W. MILLER (UPS/USPS-T21-12d)
(July 21, 2006)

The United States Postal Service hereby provides the responses of witness Mico Milanovic (USPS-T-9) to the following interrogatory of United Parcel Service, which was filed on July 7, 2006, and has been redirected from witness Michael W. Miller (USPS-T-21):

UPS/USPS-T21-12d

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF USPS WITNESS MILANOVIC (USPS-T-9) TO
INTERROGATORY OF UNITED PARCEL SERVICE, REDIRECTED FROM WITNESS
MICHAEL W. MILLER (USPS-T-21)

UPS/USPS-T21-12. Refer to your response to UPS/USPS-T21-7 and Docket No. R2005-1, USPS-LR-K-46, page 27.

(a) Confirm that the Postal Service's calculated DBMC window service cost savings were 20.0 cents per piece in Docket No. R2005-1 based on FY2004 data. If not confirmed, explain in detail.

(b) Confirm that the 30.1 cents per piece in DBMC window service cost savings in this docket is based on FY2005 data.

(c) Explain the reasons for the more than 50% increase in the window service cost savings from FY2004 to FY2005.

(d) Explain the reasons for the increase in Parcel Post Window Service Cost Segment 3.2 costs from \$15.7 million in FY2004 to \$27.2 million in FY2005.

RESPONSE:

(d) My understanding is that the variability change that resulted from the Postal Service's update of window service supply-side variability study (see USPS-T17) lead to an increase in the Parcel Post window service variability from 56.37% (Docket No. R2005-1, LR-K-5, B_Workpapers, CS03.xls, tab 3.2.1, cell N37) to 75.9% (USPS-T-17, page 28, table 3). This increased variability was the reason for a material amount of the increase. A discussion of the updated window service variability study can be found in witness Bradley's testimony (USPS-T-17) at page 21, lines 3-14.

I am also informed that the IOCS redesign may have contributed to the increase in parcel post window service costs. Please refer to the testimony of witness Bozzo (USPS-T-46) at page 40, lines 7-14, where IOCS tallies for parcel post are discussed.

Finally, as shown in USPS-LR-K-5, A_Workpapers, ExA_BY04.CRpt, tab CS03, cell D48 and USPS-LR-L-5, A_Workpapers, ExA_BY05.CRpt, tab CS03, cell D48, accrued costs increased between FY 2004 and FY 2005, for window service cost segment 3.2, from \$2.580 billion to \$2.697 billion.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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