

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 NINA YEH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 10, QUESTION 5

The United States Postal Service hereby provides the response of witness Yeh to Presiding Officer's Information Request (POIR) No. 10, Question 5. The question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YEH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 10

5 To develop a rate differential between flats and parcels for Bound Printed Matter (BPM), witness Yeh (USPS-T-38) uses unit delivery costs from witness Miller (USPS-T-21) that represent only cost segment 7. However, witness Kelley (USPS-T-30) develops a unit delivery cost for BPM flats and parcels that reflects cost segments 6, 7, and 10. Similarly, witness Kelley develops unit delivery costs for other subclasses of mail which have been used by other rate design witnesses, e.g., witness Kiefer's rate design for ECR subclass. Please provide the rationale for using witness Miller's unit delivery cost rather than witness Kelley's.

RESPONSE

My approach in developing the proposed flat-parcel rate differential for BPM is consistent with the Postal Service's methodology in Docket No. R2001-1. In that docket, witness Eggleston explained that her flat-parcel cost differential estimates only the difference in elemental load cost, which is a portion of cost segment 7. (Please see page 24 of her testimony, USPS-T-25). To develop the proposed flat-parcel rate differential for BPM, I relied on the cost differential estimated by witness Miller, which also reflects a portion of cost segment 7 only. It is my understanding that witness Kelley's estimate of unit delivery cost for BPM flats and parcels have not been used in the development of the flat-parcel differential in previous rate cases. The Postal Service intends to examine witness Kelley's delivery costs to develop a passthrough for use in future rate cases. Witness Kelley's unit delivery costs suggest a 28.8 cents flat-parcel delivery cost difference. Given my rate design objectives, had I relied on witness Kelley's costs, it is unlikely that I would have proposed a 123% passthrough of the flat-parcel cost differential.