

Before the
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES)

Docket No. R2006-1

RESPONSES OF OFFICE OF THE CONSUMER ADVOCATE
WITNESS PAMELA A. THOMPSON TO INTERROGATORIES OF
PITNEY BOWES INC. (PB/OCA-T4-1-2)
(September 29, 2006)

The Office of Consumer Advocate hereby submits the responses of Pamela A. Thompson to the interrogatories PB/OCA-T4-1-2, dated September 15, 2006. The interrogatories are stated verbatim and are followed by the response.

Respectfully submitted,

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ANSWERS OF OCA WITNESS PAMELA A. THOMPSON
TO INTERROGATORIES PB/OCA-T4-1-2

PB/OCA-T4-1.

Please refer to page 6 of the OCA Trial Brief which states:

Witness Thompson opposes the “de-linking” contained in the Postal Service’s proposal and employs the bulk metered mail (BMM) benchmark in setting presort rates. She agrees with the oft-expressed views of the Commission that discounts should be based on the costs avoided by the worksharing activities of mailers, not incidental cost differences that are wholly unrelated to worksharing. Discount levels set by the Commission send correct price signals, while those resulting from the uncritical application of all CRA cost differences will simply produce unwarranted cost shifts to single-piece mail. Rate discounts set in such an uneconomic manner create an inequitable rate schedule.

- a. Please confirm that you agree that discounts should be based on costs avoided by the worksharing activities of mailers. If you cannot confirm, please explain why.
- b. Please confirm that you believe that rates should be set so that discounts pass through 100 percent of the avoided costs. If you cannot confirm, please explain the circumstances under which you believe rates may be set such that discounts exceed or are smaller than costs avoided.
- c. Please confirm that your proposed rates for AADC letter automation mail, 3-digit letter automation mail, and 5-digit letter automation mail pass through 100 percent of your estimated cost avoidances.

RESPONSE to PB/OCA-T4-1.

- a. Confirmed. Discounts should be based on the costs avoided by the activities of mailers that justified the creation of the discount.
- b. Confirmed, with the understanding that “avoided costs” means the costs avoided by the activities of mailers that justified the creation of the discount. In setting postal rates, policies and factors of the Act, as well as avoided costs, must be taken into consideration.

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c. Confirmed. Please note that I rely on the Postal Rate Commission's methodology of projected cost savings as shown in USPS-LR-L-141, revised on 8/23/2006, filename "FCM-Rev2.xls, and pass through 100 percent of the Commission's Presort automation letter savings.

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PB/OCA-T4-2.

Please refer to OCA-LR-L-5, WP-FCM-10, columns O and P, rows 15 to 18.

- a. Please confirm that the costs and cost avoidances for Automation Mail that you use in your testimony appear in these cells.
- b. Please explain the derivation of the costs in column O, rows 15 to 18, and provide a fully sourced Excel spreadsheet showing the derivation of these numbers.

RESPONSE TO PB/OCA-T4-2

a. Not confirmed. I assume that you are referring to OCA-LR-L-5, WP-FCM-18, columns O and P. Column O contains my proposed rates. Column P has the unit cost savings and cost differentials.

b. The table below provides information shown in OCA-LR-L-5, worksheet "Rate Design – Presort". Please note that the data in column (A), in the following table, is from USPS-LR-L-141, revised on 8/23/2006, filename "FCM-Rev2.xls", worksheet "Summary," column L, rows 20 to 23.

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WorkSheet			Column O	Column P
Row Number	Rate Category	Total Worksharing Related Unit Cost Savings (A)	First-Class Presort Proposed Letter Rates (B) = \$0.42 – (A)	Cost Savings
15	Automation Mixed AADC Letters	\$0.05821	\$0.42-\$0.05821 = \$0.362 - rounded	\$0.05821
16	Automation AADC	\$0.07026	\$0.42-\$0.07026 = \$0.350 - rounded	\$0.07026- \$0.05821 = \$0.01205= \$0.012 rounded
17	3-Digit	\$0.07460	\$0.42 - \$0.07460 = \$0.345 - rounded	\$0.07460 – \$0.07026= \$0.00434= \$0.004 rounded
18	5-Digit	\$0.08938	\$0.42 - \$0.08938 = \$0.331 - rounded	\$0.08938- \$0.07460= \$0.01478 = \$0.015 rounded