

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO
VALPAK DIRECT MARKETING ASSOCIATION, INC. AND VALPAK DEALERS'
ASSOCIATION, INC. WITNESS MITCHELL
(USPS/VP-T1-32-33)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the above-referenced interrogatories to Valpak Direct Marketing Association, Inc. and Valpak Dealer's Association, Inc. witness Mitchell.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/VP-T1-32 Please consider the following pricing hypothetical. The Postal Service proposes to de-average a mail category with two rate tiers (Basic and 3/5) into one with four tiers (Mixed ADC, ADC, 3-digit and 5-digit). Suppose that, based on available cost information, the Commission finds that, with 100 percent passthrough of worksharing costs, the rate change (i.e. push-up) for the 3-digit mail is unacceptably high and warrants rate mitigation consideration. All of the other rates resulting from the application of 100 percent passthroughs are deemed acceptable.

- (a) Please confirm that, if the Commission decided not to decrease or increase the other rates (Mixed ADC, ADC and 5-digit), mitigating the 3-digit rate increase would lead to passing through more than 100 percent of the ADC to 3-digit worksharing cost savings and less than 100 percent of the 3-digit to 5-digit worksharing cost savings.
- (b) Please state whether it is your view that, if the Commission deemed that rate change mitigation was appropriate in the above case, deviating from 100 percent passthroughs of some worksharing cost savings is an acceptable approach. If this is not your view, please explain fully why this approach is not acceptable. If you accept this view conditionally, please clarify all conditions you would impose to accept this view.
- (c) Please state whether it is your view that it is better for the Commission to lower all the other rates in the category (Mixed ADC, ADC and 5-digit) to achieve rate change mitigation for 3-digit mail while preserving 100 percent passthroughs of all worksharing cost savings. If this is your view, please explain fully why this approach is preferable to allowing some worksharing passthroughs to deviate from 100 percent. If you accept this view conditionally, please clarify all conditions you would impose to accept this view.
- (d) Please state whether it is your view that the most desirable approach for the Commission to take in the above hypothetical situation would be not to change any of the rates that result from applying 100 percent passthroughs to worksharing cost savings, allowing the rates for 3-digit mail to rise to whatever levels the cost information dictate. If this is your view, please explain fully why this approach is preferable to either of the two approaches described in parts (b) and (c), respectively. If you accept this view conditionally, please clarify all conditions you would impose to accept this view.

USPS/VP-T1-33 Please refer to page 174 of your testimony where you describe how you “transferred to the saturation discount” 1.4 cents of the estimated 4.43 cent cost difference between Standard Mail ECR Basic and High Density flats. Please state whether this transferal represents your attempt to disaggregate or de-average the combined mail processing cost data for ECR High Density and Saturation flats. If this was not the case, please explain fully why these costs should move between High Density and Saturation flats.