

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

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**POSTAL RATE AND FEE CHANGES, 2006**

**DOCKET NO. R2006-1**

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**REVISED RESPONSE OF WITNESS GLICK TO INTERROGATORY OF  
THE UNITED STATES POSTAL SERVICE  
USPS/POSTCOM-T1-1  
(ERRATA)**

The Association for Postal Commerce and the Mailing and Fulfillment Service Association (herein collectively "PostCom") hereby provide the attached revised response of Witness Glick to Postal Service interrogatory USPS/POSTCOM-T1-1, filed September 19, 2006.

The revised response reflects the witness's further review and interpretation of a prior Commission decision addressing the issue raised by the question.

The interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

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RESPONSE OF POSTCOM WITNESS GLICK TO INTERROGATORY OF THE  
UNITED STATES POSTAL SERVICE  
(REVISED OCTOBER 30, 2006)

**USPS/POSTCOM-T1-1.** Please refer to Table 1 on page 4 of your testimony. What is the effective passthrough of the cost avoided by a (i) one-ounce letter and a (ii) one-ounce flat under your proposed Standard Mail Regular destination entry discounts?

**RESPONSE:**

Assuming that destination entry cost avoidances vary entirely with the weight of the piece, the effective passthroughs for one-ounce letters and flats would be approximately 330 percent under the PostCom proposal, and approximately 285 percent for DBMC entry and 275 percent for DSCF entry under the USPS proposal.

However, in Docket No. R90-1 (the case in which Standard Mail destination entry discounts and the destination entry cost avoidance approach that is still being used were first introduced), the Commission found that “it appears that factors other than (or in addition to) weight render a linear assumption below the breakpoint inappropriate for these discounts. In addition, we believe there is sufficient evidence that per-piece application of the discount, as proposed by the Postal Service, is not without cost justification.” R90-1 Op., Para. 6024. Note that, in all rate cases since Docket No. R90-1, the Commission has recommended Standard Mail rates that include the per-piece application of destination entry discounts for piece-rated pieces.

Further, the effective passthroughs calculated above based upon the assumption of a linear relationship between cost savings and weight result from calculating the costs avoided for piece-rated volume using the breakpoint weight.

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In Docket No. MC95-1 (in which USPS proposed Standard Mail destination entry passthroughs ranging from 95 to 100 percent, similar to what I am proposing in this case), USPS witness Joe Moeller (USPS-T-18) explained why calculating costs avoided using the breakpoint weight is “require[d]” (response to NAA/USPS-T18-26 (page 2)) by the Postal Service’s “minimum-per-piece rate design” in Standard Mail.

I have calculated the savings to be used for piece-rated volume by using the breakpoint weight. This is consistent with the existing destination-entry discounts and avoids rate anomalies and discontinuity in the rates. Using the actual weight of the piece for pieces below the breakpoint would result in a lower rate for heavier piece-rate pieces. Using a weight lower than the breakpoint for all piece-rated pieces, but recognizing the full weight of pound-rated pieces would create a discontinuity in the rates at the breakpoint. Rates for dropshipped pieces would fall as they moved past the breakpoint weight.

USPS-T-18, Appendix A at 2-3.