

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

POSTAL RATE AND FEE CHANGES, 2006 )

Docket No. R2006-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
FOURTH INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS JAMES M. KIEFER (VP/USPS-T36-10-11)  
(June 20, 2006)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. hereby submit interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

Respectfully submitted,

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**VP/USPS-T36-10.**

Please refer to USPS-LR-L-36, workbooks WP-STDECR.xls and WP-STDREG.xls (hereinafter the “ECR” and the “REG” workbooks, respectively) and, unless otherwise specified, to the tab ‘Revenues @ TYBR Vols.’ in each workbook.

- a. Cell D7 in the ECR workbook does not appear to account for the volume of Commercial ECR Basic Automation letters, nor does cell D11 (5-digit Automation letters) in the REG workbook. A similar observation could be made for Nonprofit ECR Basic Automation letters (regarding cell D27 and cell D73, respectively). Please explain how Commercial ECR and Nonprofit ECR Basic Automation letters are accounted for on these TYBR sheets.
- b. On the ECR sheet, cells I7 through Q7 for the Commercial category and cells I27 through Q27 for the Nonprofit category appear to account for volumes for Basic letters weighing between 3.3 and 3.5 ounces per piece (“heavy letters”), even though heavy letters are required to be Automation letters. The same observation applies to the same cells (though containing revenue instead of volume) on tab ‘Revenues @ TYAR Vols.’ Please explain the origin and the role of these volumes.
- c. Cells D58 and D59 in the ECR workbook and D137 and D138 in the REG workbook appear to account for fees on a TYBR basis. Please explain whether these fees should be TYAR fees adjusted to TYBR volume levels. If you do not believe they should, please discuss the apparent inconsistency in the sheet due to all **rates** being at proposed levels and all **fees** being at current levels.

- d. Please confirm that the positive volumes and revenues shown in cells D50 and D51 of the ECR workbook and cells D129 and D130 of the REG workbook are volume and revenue losses to ECR and Standard, respectively, attendant to existing Negotiated Service Agreements (“NSAs”). If you do not confirm, please explain what these entries represent.
- e. Corresponding to any volume and revenue losses associated with NSAs, as discussed in part d of this question, please explain where any cost adjustments are made and provide the level of such adjustments.
- f. Please outline all adjustments that have been made to (1) TYBR costs and (2) TYAR costs, including any for NSAs, as they are shown on the ‘Inputs’ tab of both subject workbooks.
- g. P.L. 106-384 requires that the average per-piece revenues of the Nonprofit categories be equal, as nearly as practicable, to 60 percent of the corresponding average per-piece revenues of the Commercial categories, based on TYBR volume projections.
  - (i) Please explain whether you believe this Nonprofit proportion should apply before or after fees are recognized.
  - (ii) Please provide your reasoning on how issues surrounding ECR Basic Automation letters and heavy letters, including those raised in earlier parts of this question, should be handled in calculating the Nonprofit proportion.

- (iii) Please explain whether the revenues and volumes used in calculating the Nonprofit proportions should be before or after any adjustment for NSAs, and outline what (1) revenues and (2) volumes you used in your calculations.
  
- h. Please explain whether any fees you use in the calculation of the Nonprofit proportion should be adjusted to align with your handling of the ECR Basic Automation letters.

**VP/USPS-T36-11.**

Please refer to USPS-LR-L-36, workbook WP-STDREG.xls, tab 'Proposed Rates,' cell F161, which contains the rate for Customized Market Mail.

- a. Please state what rule or convention you followed in selecting this rate.
- b. Please state whether this rule or convention is a change from the past.
- c. If this rule or convention is a change from the past, please state whether this change should be viewed as a classification change, and explain in detail your reasoning.