

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-
PAK DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC.
(VP-CW/USPS—2)**

The United States Postal Service hereby provides its response to the following interrogatory of Val-Pak Direct Marketing Systems, Inc., Val-Pak Dealers' Association, Inc., and Carol Wright Promotions: VP-CW/USPS—2, filed on May 19, 2000.

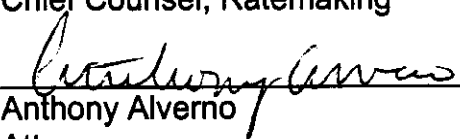
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking


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June 6, 2000

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VP-CW/USPS-2. Please refer to VP-CW/USPS- 1. That interrogatory asked for a reconciliation of the estimated Test Year Before Rates volumes of Standard A ECR letters used by witnesses Daniel and Moeller, 13,127.962 million versus 10,799.400 million, respectively. The response to that prior interrogatory stated, in part, that:

The Daniel letter volume is based on the actual shape of the piece, regardless of weight, and is based on a base year figure that is factored up to the forecasted Test Year volume total. The Moeller letter volume is directly from the volume forecast and is limited to letter-shaped pieces below the breakpoint weight.

a. Please confirm that USPS-LR-I-92, Section 2, page 16, gives witness Daniel's estimated letter volumes by ounce, as follows:

<u>Ounces</u>	<u>Volume</u>
0-1	10,031,706,524
1-2	1,845,146,634
2-3	<u>1,034,725,613</u>
Subtotal	12,911,578,771
Over 3 ounces	<u>216,382,951</u>
Total	13,279,961,722

b. Please reconcile witness Daniel's estimate of 12,911.579 million letters that weigh not more than 3.0 ounces with witness Moeller's estimate of 10,799.400 million letters below the 3.3 ounce breakpoint.

c. Please confirm:

- (i) Witness Moeller's volume forecast of 10,799.400 million appears in USPS-LR-166, W.P. 1, page 4, Column 1;
- (ii) The reference on page 4 is to W.P. 1, page 3, which shows corresponding letter volumes, and indicates that the source is USPS-T-6, Table 1 at page 5; and
- (iii) (iii) The forecast in USPS-T-6, Table 1, does not forecast letter and non-letter volumes separately.

d. Please provide an exact reference indicating where the forecast for letter volumes used by witness Moeller in USPS-LR-I-166 (shown below) can be found, provide the original sources for the data in that forecast, and reconcile those data with witness Daniel's volume data for letters.

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<u>ECR Letters</u>	<u>Volume</u> <u>(000)</u>
Automation	1,891,225
Basic	5,665,732
High-Density	411,860
Saturation	<u>2,830.582</u>
Total	10,799,400

RESPONSE:

- a. Confirmed.
- b. As stated in response to VP-CW/USPS-1, the Moeller and Daniel volume figures were derived separately. The Daniel volume is a base year figure (derived from the PERMIT systems which records the shape or processing category of mail pieces that should match the shape definition in the DMM and used by IOCS) that is factored up to the test year volume total. The Moeller volume is directly from the volume forecast. Both witnesses made appropriate use of the respective volume figures. Witness Daniel used the ratio of total Test Year volume to total Base Year volume to "blow up" the Base Year volumes by weight increment to Test Year volumes by weight increment. This was the appropriate adjustment for Daniel to make since it is consistent with the roll-forward assumption that the mail "mix" remains constant. (The Final Adjustments separately account for the mix change in the Test Year). This use of volumes by shape from the PERMIT system by witness Daniel assures that there is not a mismatch between her usage

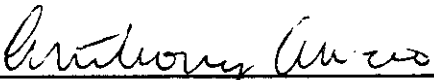
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of IOCS tallies and corresponding volumes. It would have been inappropriate for Daniel to use Billing Determinant-based volumes (the volumes Moeller uses to ascertain revenue) . To do so *would have* involved a mismatch of cost and volume data. Therefore, there is nothing to "reconcile," since the Moeller and Daniel volumes *should be* different (unless by sheer coincidence they were to match exactly). Witness Daniel is calculating unit costs, and therefore needs volumes and IOCS tallies on an equal footing. Witness Moeller is estimating Test Year revenues, and therefore needs volumes corresponding to the specific rate category and reflecting whatever mail mix is anticipated in the test year. (These revenues are then compared to Test Year costs that, as a result of the Final Adjustments, also consider mail mix changes.)

- c. (i) Confirmed
- (ii) Confirmed
- (iii) Confirmed
- d. USPS-T-6, Attachment A, page 3. See response to subpart (b).

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


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