

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R2001-1

POSTAL RATE AND FEE CHANGES, 2001)

VAL-PAK DIRECT MARKETING SYSTEMS, INC.
AND VAL-PAK DEALERS' ASSOCIATION, INC.
FIRST INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS LESLIE M. SCHENK (VP/USPS-T43-1-7)
(October 11, 2001)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Val-Pak Direct Marketing Systems, Inc. and Val-Pak 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,



William J. Olson

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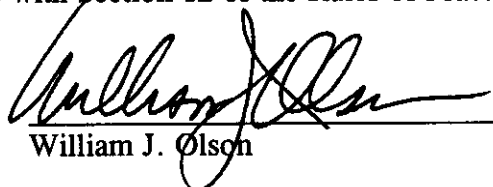
Counsel for:

Val-Pak Direct Marketing Systems, Inc. and

Val-Pak Dealers' Association, Inc.

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.



William J. Olson

October 11, 2001

VP/USPS-T43-1.

Please refer to USPS-LR-J-58. In the files Lr58aecr and Lr58areg, which refer respectively to Standard ECR and Standard Regular Mail, a number of tabs contain graphical depictions that plot cost on the vertical axis and weight on the horizontal axis, similar to those found in Postal Service witness Daniel's testimony (USPS-T-28) in Docket No. R2000-1.

Witness Daniel's prior testimony concerning the effect of weight on costs, which your testimony updates, also contained regressions computed on the basis of the data depicted in her graphical presentations.

- a. For Standard ECR Mail, did you compute any regressions of the weight-cost relationship?
- b. For Standard Regular Mail, did you compute any regressions of the weight-cost relationship?
- c. Unless your answer to the preceding parts a and b is an unqualified negative, please provide the results for each regression which you computed, or indicate where those regressions results can be found in the extensive files contained in the electronic version of USPS-LR-J-58 or elsewhere.
- d. For each graphical presentation within Standard Mail for which a regression could be computed and where witness Daniel did in fact compute a regression, but you elected not to do so, please explain why you opted not to compute and present the results of a regression.

VP/USPS-T43-2.

Postal Service witness Hope's testimony, USPS-T-31, (i) at page 13, Table #3, contains data on the unit cost of piece-rated and pound-rated Standard ECR pieces at both a 3.0 ounce dividing line, and a 3.5 ounce dividing line, and (ii) at page 15, Table #4, contains data on the distribution of Standard ECR pieces by weight.

- a. Did you provide witness Hope with the unit cost data shown in her above-referenced Table #3?
- b. Regardless of whether you provided witness Hope with the unit cost data in her Table #3 and the piece distribution in Table #4, what other guidance, data or information (other than your testimony and the library references which you sponsor) did you provide to her with respect to the weight-cost relationship for Standard ECR Mail?

VP/USPS-T43-3.

- a. Does your testimony, your library reference USPS-LR-J-58, or any other document sponsored by you in this docket, contain one or more estimates of the weight-cost relationship for Standard ECR Mail that exceeds the 3.3 ounce breakpoint? If so, please indicate where such estimate or estimates can be found.
- b. If you have developed more than one estimate of the weight-cost relationship for Standard ECR Mail, do you consider any one of those estimates to be more reliable than the others? If so, please indicate which and provide every reason

on which you rely for your selection as the most reliable, or “best” depiction of the weight-cost relationship.

VP/USPS-T43-4.

- a. For Standard ECR and Standard Regular Mail, regarding the costs that were assigned to individual ounce increments, what percentage was assigned on the basis of direct IOCS tallies, and what percentage was “distributed” to ounce increments using any basis other than IOCS tallies for said distribution?
- b. For each distributed cost, please provide the basis (or “key”) used for the distribution, and explain the rationale for selecting that basis (or “key”) as the best available to capture the underlying weight-cost relationship.

VP/USPS-T43-5.

- a. Aside from sponsoring the technical work in USPS-LR-J-58, would it be correct to state that it is not the purpose of your testimony to offer any guidance or interpretation of the data and numerical results concerning whether, or the extent to which, those data capture the underlying cost-weight relationship for Standard ECR and Regular Mail (or what you consider to be the most reliable measure of the weight-cost relationship)?
- b. Unless your answer to the preceding question is an unqualified affirmative, please explain the purpose of your testimony as it relates to analyzing,

interpreting and offering advice to the Commission and interested parties regarding the quantitative results as they are presented in USPS-J-58.

VP/USPS-T43-6.

Witness Hope's testimony, USPS-T-31, at page 13, Table #3, contains data on the unit cost of piece-rated and pound-rated pieces (i) at a 3.0 ounce dividing line, and (ii) at a 3.5 ounce dividing line which she cites as being obtained from you. In Docket No. R2000-1, Postal Service witness Moeller (USPS-T-35) presented similar data for Standard ECR Mail. Commenting on those data, the Commission at paragraph 5541 of its *Opinion and*

Recommended Decision stated:

Witness Moeller's implicit markups reflect the mix of mail on either side of the break point. However, pieces above and below the break point have different worksharing profiles and different shape profiles. The Commission believes that implicit markups comparison should be adjusted for these differences.

- a. Did the unit cost data which you supplied to witness Hope make any or all of the adjustments called for by the Commission?
- b. Unless your answer to part a is an unqualified negative, please indicate which adjustments were made, where they are described, and where they can be found in your testimony, library references sponsored by you, or any other documents sponsored by you in this docket.
- c. If you made any of the adjustments called for by the Commission, but did not document or describe them adequately, please do so in response to this interrogatory.

VP/USPS-T43-7.

The Commission's *Opinion and Recommended Decision* in Docket No. R2000-1 stated:

[t]he Commission calls on the Service to conduct a new analysis addressing the matters described at the conclusion of this section. [para. 5457]

While the estimates of IOCS costs for pieces above and below the break point are statistically reliable, the Commission has not closely examined the basis upon which transportation and delivery costs are distributed. If the Commission is to make proper further use of the implicit markups in setting the pound rate, the basis for distributing transportation and delivery costs must be subject to more scrutiny. [para. 5539]

- a. Please describe any and all new analysis (other than data updates) conducted by you in USPS-LR-J-58 in response to the Commission's call for such analysis.
- b. Please explain fully the basis for distributing transportation and delivery costs in USPS-LR-J-58, and note explicitly all changes and improvements made since the study was conducted by witness Daniel in Docket No. R2000-1.