

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SCHENK TO INTERROGATORIES OF VAL-PAK DIRECT MARKETING
SYSTEMS, INC. AND VAL-PAK DEALERS' ASSOCIATION, INC., REDIRECTED
FROM WITNESS HOPE
(VP/USPS-T31-32e and 34)

The United States Postal Service hereby provides the responses of witness Schenk to the following interrogatories of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association, Inc.: VP/USPS-T31-32e and 34, filed on October 31, 2001. Interrogatories VP/USPS-T31-32e and 34 were redirected from witness Hope.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3089 Fax -5402
November 14, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK TO
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC. AND VAL-
PAK DEALERS' ASSOCIATION, INC., REDIRECTED FROM WITNESS HOPE**

VP/USPS-T31-32.

Please refer to your response to VP/USPS-T31-8, part d.

- e. Do the cost data which you used to compute implicit coverages include all volume variable costs attributed to Standard ECR letters and nonletters, respectively, or just some portion of total costs? If just some portion, please list which costs and explain.

RESPONSE:

- e. Yes, the costs used to compute the implicit coverages in witness Hope's response to VP/USPS-T31-8(d) include all volume variable costs attributed to Standard Mail ECR letters and nonletters.

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PAK DEALERS' ASSOCIATION, INC., REDIRECTED FROM WITNESS HOPE**

VP/USPS-T31-34.

Please refer to your response to VP/USPS-T31-13.

- a. For each of the rate categories shown in USPS-LR-J-131, WP1, Page H, COST, please provide the Postal Service's best estimate of the other volume variable Test Year unit costs, including associated indirect costs, specified in your response to part a of that interrogatory. If estimates are not available for all of those unit costs, please provide such estimates as are available.
- b. Your response to part b of the above-referenced interrogatory states that although the Test Year mail processing and unit costs shown in your work paper have not been reconciled to estimated total CRA costs for the Test Year, they "should" roll up for those cost segments. The last sentence in your response, which is somewhat conclusory, states that no reconciliation is needed.
 - i. Please state what cost segments are encompassed in your estimated mail processing and delivery unit costs.
 - ii. Please provide an explanation as to why you have confidence that the estimated unit costs would in fact roll up to and reconcile with the CRA total rollforward costs for those cost segments if you or the Postal Service were to make the requisite effort. Should you opt to do such a reconciliation, please provide the results.

RESPONSE:

- a. Estimates of other volume variable Test Year unit costs, including associated indirect costs, specified in witness Hope's response to subpart (a) of VP/USPS-T31-13 are not available by rate categories as shown in USPS-LR-J-131, WP1, Page H.
- b.
 - i. Mail processing costs include Cost Segment 3.1. Delivery Unit costs include Cost Segments 6.1, 6.2, 7.1 – 7.4, and 10.
 - ii. The mail processing and delivery costs reported in USPS-LR-J-131, WP1, page H are developed by tying base year CRA costs to test year CRA costs, as shown in USPS-LR-J-59 and USPS-LR-J-117. Since the mail processing and delivery costs are tied to test year CRA costs, the costs should roll up to the total roll forward costs for the relevant cost segments, and therefore no reconciliation should be needed.

DECLARATION

I, Leslie M. Schenk, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Leslie M. Schenk

Dated: 11/14/01

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.


Nan K. McKenzie

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