

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
TO VAL-PAK INTERROGATORIES
(VP/USPS-12)

The United States Postal Service hereby provides responses to the following interrogatory of Val-Pak Direct Marketing Systems, Inc., and Val-Pak Dealers' Association, Inc.: VP/USPS-12, filed on November 26, 2001.

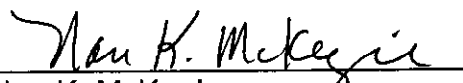
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Nan K. McKenize

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December 10, 2001

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VP/USPS-12.

Please refer to the responses to VP/USPS-T5-7b, 8e, and 9d. Those responses note that the relative proportions or "distribution keys" for the city carrier cost system are by subclass of mail, not by shape.

- a. Please confirm that as between (i) a mailing of 1 million ordinary Standard ECR flats and (ii) a mailing of 1 million Standard ECR covers accompanied by 1 million DALs, the latter mailing would cause more costs to be distributed to Standard ECR than would the former mailing, assuming that both mailings were sampled proportionately by the city carrier costing system. If you do not confirm, please explain.
- b. The three responses note that "[e]lemental load time has separate cost pools for letter, flats, parcels, and accountables, however." Are these separate cost pools used to distribute all volume variable street costs that have been attributed to Standard ECR by shape, or only the elemental load costs? If only elemental load costs are distributed to shape on the basis of these separate cost pools, please explain how those city carrier street time costs other than elemental load (e.g., route, access and street support) that have been attributed to Standard ECR are then distributed within the subclass on the basis of shape.
- c. Once city carrier street time costs have been distributed to the subclasses of mail using the relative proportion of volumes, please explain how those city carrier street time costs that have been distributed to Standard ECR are then distributed within the subclass on the basis of weight. If some city carrier street time costs are not distributed on the basis of weight, please provide the amount that is not distributed (both the absolute amount and the percent of all city carrier street time costs), and explain why it is not distributed.

RESPONSE:

- a. It is not possible to confirm this question in general terms. The inability arises because the 1 million Standard ECR flats may be delivered on different types of routes, to different types of stops, to different addresses, and along with different mixes of mail than the 1 million Standard ECR covers accompanied by the 1 million DAL's. These differences could make the cost of delivering the flats greater or lesser

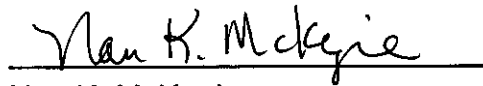
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than the cost of delivering the covers and DALs. If, on the other, hand, the question were substantially narrowed to indicated that everything else about the two mailings were identical, (e.g., the types of routes on which they were delivered were the same, the types of stops to which they were delivered were the same, the mail with which they were delivered was the same) then the delivery cost for the covers and DALs would be greater than the delivery cost for the Standard ECR flats.

- b. As discussed in VP/USPS-11a, volume variable city carrier street time costs within subclass are distributed to shape in USPS-LR-J-58 and USPS-LR-J-117 by the following methods: delivery route (Cost Segment 7.1) and delivery access (CS 7.2) by volume (RPW number of pieces); elemental load (CS 7.3) by city load distribution key (see City Delivery Carrier workpapers, USPS-LR-J-57, CS06&7.xls); and delivery support (CS 7.4) by total carrier costs.
- c. See VP/USPS-T43-4a and VP/USPS-11b for an enumeration of the methods used to distribute costs to weight increments within subclass and shape. Only elemental load costs (cost segment 7.3) are distributed on the basis of weight. Street support costs (cost segment 7.4) are distributed based on the total costs for the other carrier street costs and city carrier in-office costs (cost segments 7.1, 7.2, 7.3, and 6.1), so a portion of the street support costs are indirectly distributed based on weight. City carrier street costs for route (cost segment 7.1) and access (cost segment 7.2) are distributed to weight increment based on volumes (RPW pieces). Therefore all volume-variable city carrier street costs are distributed.

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.

A handwritten signature in cursive script, reading "Nan K. McKenzie", is written over a horizontal line.

Nan K. McKenize

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