

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 INTERROGATORY OF VAL-PAK DIRECT MARKETING
SYSTEMS, INC. AND VAL-PAK DEALERS' ASSOCIATION, INC., REDIRECTED
FROM WITNESS HOPE
(VP/USPS-T31-39e-h)

The United States Postal Service hereby provides the response of witness Schenk to the following interrogatory of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association, Inc.: VP/USPS-T31-39e-h, filed on November 26, 2001.

Interrogatory subparts VP/USPS-T31-39e-h were redirected from witness Hope.

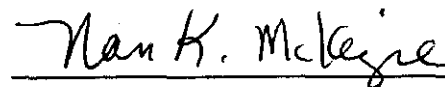
The interrogatory subparts are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Nan K. McKenzie

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December 11, 2001

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

VP/USPS-T31-39.

- e. In your computation of TYAR unit cost for letters, did you include any costs, including but not limited to city carrier and rural carrier costs, that were attributable to the handling of DALs?
 - i. If not, please indicate how you excluded the volumes of DALs, and the associated costs thereof, from the city carrier and rural carrier database.
 - ii. If your computation of unit costs did include any costs that were attributable to DALs, please explain whether in your opinion the revenues in the denominator of your implicit coverage calculation for letters is fully consistent with the costs used in the denominator. That is, if the revenues from DAL mailings are never recorded as being from letters, why should any costs attributable to such mailings be distributed to and included in the unit cost of letters?
- f. In your computation of TYAR unit cost for letters, did the mail processing costs, and/or city carrier costs, and/or rural carrier costs include or exclude any costs from letter-shaped pieces that weighed more than 3.3 ounces?
- g. If your response to the preceding interrogatory is to the effect that you included any costs attributable to letter-shaped pieces that weighed more than 3.3 ounces, then please explain whether you consider the inclusion of such costs to be consistent with revenues in the numerator of your implicit coverage calculation; i.e., with revenues based only on letters that weighed less than 3.3 ounces.
- h. When you computed the TYAR unit cost for nonletters, did you include in those costs all mail processing costs, and/or all city carrier costs, and/or all rural carrier costs that were recorded as being attributable to the cost of handling DALs?
 - i. If so, please indicate how you estimated the volumes of DALs, and the associated costs thereof, in the city carrier and rural carrier database, and transferred those costs from letters to nonletters. Also, please indicate the amount of the costs of DALs that you transferred from letters to nonletters.
 - ii. If your computation of unit costs for nonletters did not include any costs that were attributable to handling of DALs, please explain whether in your opinion the revenues in the numerator of your implicit coverage calculation for nonletters is fully consistent with the costs used in the denominator. That is, if all revenues derived from DAL mailings are recorded as being from nonletters, shouldn't all of the costs attributable to such mailings – including the costs of DALs – be distributed to nonletters?

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RESPONSE:

- e.
 - i. The costs and volumes used in the unit cost computations provided in VP/USPS-T31-8 are obtained from USPS-LR-J-58. The costs in USPS-LR-J-58 are based in part on the IOCS, CCS, and RCS cost systems. In IOCS, the costs for pieces associated with DALs are assigned to the shape of the associated piece. In the CCS system, DALs are generally assigned the letter shape (see witness Harahush's response to VP/USPS-T5-1a, VP/USPS-T5-7, and VP/USPS-T5-8b). In the RCS system, DALs are generally identified as "other letter" or "boxholder" (see witness Harahush's response to VP/USPS-T5-3c and VP/USPS-T5-8b). In the case of the CCS and RCS systems, the costs associated with DALs cannot be separately identified from other letter costs (see witness Harahush's response to VP/USPS-T43-11d, redirected from me). The volumes are obtained from the RPW system, which includes the volumes of the pieces associated with DALs, but does not include the number of DALs (see my response to VP/USPS-T43-11c).
 - ii. The costs in the denominator are consistent with the revenues in the numerator to the extent possible (i.e., where possible, the costs associated with DAL pieces are included under the shape of the associated piece).
- f. In my computation of the unit costs provided in the response to VP/USPS-T31-8, costs are provided by shape as given by the DMM definition. Therefore all costs for all letter-shaped pieces are incorporated into the computation of letter costs.

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- g. The fact that costs for letters over 3.3 ounces are included in the calculation of letters unit costs in VP/USPS-T31-8, but revenues for letters over 3.3 ounces are included in the calculation of nonletters unit revenues does constitute an inconsistency in the data. However, as discussed by witness Hope in her response to VP/USPS-T31-39i, this inconsistency does not affect the implicit coverages reported in Table 3 of her testimony (USPS-T-31) at all, and does not substantially affect the implicit coverages reported in VP/USPS-T31-8.
- h. See the response to VP/USPS-T31-39e.

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.

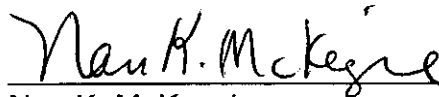


Leslie M. Schenk

Dated: 12/11/01

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.

A handwritten signature in cursive script that reads "Nan K. McKenzie". The signature is written in black ink and is positioned above a horizontal line.

Nan K. McKenzie

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