

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

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.  
(VP/USPS-T43-20-24)

The United States Postal Service hereby provides the responses of witness Schenk to the following interrogatory of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association, Inc.: VP/USPS-T43-20-24, filed on November 26, 2001.

Interrogatory VP/USPS-T43-25 was redirected to the Postal Service.

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

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Nan K. McKenzie

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December 12, 2001

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**VP/USPS-T43-20.**

Please refer to USPS-LR-117, spreadsheet LR-J-117, tab 'city load'.

- a. Please refer to row 53, columns c-f, and explain how the title "Total Unit Costs with DMM Volumes" pertains to the numbers shown immediately below it (which are in the hundreds of thousands of dollars).
- b. In row 62 of that spreadsheet, you show the "DMM-definition Based Distribution Key."
  - (i) Are the distributions shown in rows 68-69 based on revenues or volumes?
  - (ii) What use do you make of these distributions?
- c. Please refer to row 67, "Standard Mail A ECR" [sic], and row 68. If the distribution in row 68 is based on volumes, did the volumes used to compute the percentage distribution of letters include detached address labels ("DALs")?

**RESPONSE:**

- a. The data in C54:F59 are total costs.
- b. (i) The distributions shown in rows 68-69 are based on total costs.  
  
(ii) These distributions are used in developing base year and test year cost segment 7.3 costs for First-Class single piece letters, flats, and parcels (see cells H3:H5 in sheets 'Summary BY' and 'Summary TY').
- c. Not applicable (the distributions are based on total costs, not volumes).

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**VP/USPS-T43-21.**

Please refer to USPS-LR-J-117, spreadsheet LR-J-117, tab 'Delivery Volumes'. Under column G, CCS Letters, Row 7 shows 9,855,793 Standard ECR letters.

- a. Was this total derived from the City Carrier System ("CCS") data base?
- b. Does this total volume of CCS letters include DALs? If not, please explain how DALs were excluded from the count. If so, are you able to estimate the number of DALs that are included in the total? If so, please explain how.

**RESPONSE:**

- a. Confirmed.
- b. Yes, the total volume of CCS letters includes DALs (see witness Harahush's responses to VP/USPS-T5-1a and VP/USPS-T5-7). As witness Harahush states in his response to VP/USPS-T43-11d (redirected from me), the number of DALs can not be determined from the CCS data.

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**VP/USPS-T43-23.**

Please refer to USPS-LR-J-117, spreadsheet LR-J-117, tab 'Delivery Volumes'.

- a. Row 1, columns K-M have the label "RPW Permit System." Row 3, columns K-M provide data for First-Class single piece letters, flats, and parcels. Please explain the extent to which these First-Class single piece data are derived from the Revenue, Pieces, and Weight ("RPW") Permit System. If they are not derived from the Permit System, please explain either why those data are presented here, or why the label has not been changed.
- b. Please confirm that in row 3, First-Class single piece letters, column C, rural letters are 10,384,160 and column G CCS letters are 21,308,674, and these are exceeded by the corresponding RPW Permit System volume of 47,033,105 shown under column K, by some 15,340,271. If you do not confirm, please provide the correct figures.
- c. Please confirm that in row 4, First-Class presort letters, column C, rural letters are 10,304,441 and column G CCS letters are 28,757,969, and these are exceeded by the corresponding RPW Permit System volume of 44,931,629 letters shown under column K, by some 5,869,219. If you do not confirm, please provide the correct figures.
- d. Please confirm that in row 8, Standard Regular letters, column C, rural letters are 6,961,372 and column G CCS letters are 23,459,132 and these are exceeded by the corresponding RPW Permit System volume of 37,872,913 letters shown under column K, by some 7,452,408. If you do not confirm please provide the correct figures.

**RESPONSE:**

- a. The volumes referenced are derived from the Revenue, Pieces, and Weight ("RPW") Permit System. For a description on how the volumes are estimated, see USPS-LR-J-112.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.

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**VP/USPS-T43-24.**

Please refer to USPS-LR-J-117, spreadsheet LR-J-117, tab 'Delivery Volumes'. The volume of rural Standard ECR letters shown under column C, row 7 is 3,810,544. The volume of CCS Standard ECR letters shown under column G, row 7 is 9,855,793. The sum of these two is 13,666,337, which exceeds by 1,773,653 the total RPW Permit System figure for Standard ECR letters shown in column K of 11,892,684.

- a. Please confirm that, in this spreadsheet, the apparent excess of rural and city letters relative to the RPW Permit System figure occurs only with respect to Standard ECR letters. If you cannot confirm, please explain.
- b. Could the apparent excess of rural and city Standard ECR letters in the cells referred to above be accounted for in part or in whole by the fact that the City Carrier System and the National Rural Mail Count both include and count DALs as letters, whereas the RPW system does not record DALs? If not, please provide your best explanation for why this occurs.
- c. Please explain how you reconciled the apparent excess of rural and city Standard ECR letters with the RPW Permit figure, and managed also to estimate a positive figure for Standard ECR letters under column O, Implicit P.O. Box Volume, even though the rural and city carrier letters exceeded the total RPW letters.
- d. Would the excess referred to above of 1,773,653 Standard ECR letters, if added to the Implicit P.O. Box Volume of 1,019,088 Standard ECR letters, be a good or reasonable way to estimate the volume of DALs in Base Year 2000? If not, would it represent a good "lower bound" for the estimated number of DALs? Please explain why or why not, and if you do not consider this is a good estimate, please indicate how you would estimate the number of DALs and provide that estimate.

**RESPONSE:**

- a. Confirmed. However, the CCS Standard ECR letters volume used in the cost estimates produced in 'Summary BY' and 'Summary TY' do not use the volume provided in column C, row 7. Instead, the adjusted volume of 7,063,051 provided in column G, row 15 is used. Therefore, in the cost estimates produced in this analysis, there is no "apparent excess" of rural and city letters relative to the RPW volume figure.
- b. See part a.

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c. See part a.

d. See part a.

## 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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Nan K. McKenzie

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