

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DANIEL TO INTERROGATORIES OF
VAL-PAK DEALERS' ASSOCIATION, INC., VAL-PAK DIRECT MARKETING
SYSTEMS, INC., AND CAROL WRIGHT PROMOTIONS, INC.
(VP-CW/USPS-T29-3-4)

The United States Postal Service hereby provides responses of witness Daniel to the following interrogatories of Val-Pak Dealers' Association, Inc., Val-Pak Direct Marketing Systems, Inc., and Carol Wright Promotions, Inc.: VP-CW/USPS-T29-3-4, filed on September 9, 1997.

Each 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


Anthony F. Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax -5402
September 23, 1997

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK
DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC.**

VP-CW/USPS-T29-3. Please refer to your response to VP-CW/USPS-T29-1(c), where you discussed Test Year **After Rates** volume variable unit costs, corresponding to column 6 of USPS-29D, page 1.

USPS-29D, page 1, **columns 4 and 5** show Test Year Volume and Total Cost **Before Rates**. Please provide **After Rates** data corresponding to each entry in **columns 4 and 5** as originally requested in VP-CW/USPS-T29-1(c).

RESPONSE:

The purpose of Exhibit USPS-29D page 1 is only to calculate the figures in *Column [6]* which, after adjustment in Exhibit USPS-29C, are used by witness Moeller in his ECR rate design. The calculation of Test Year After Rates (TYAR) costs is outside the scope of my testimony. TYAR costs by subclass are calculated in witness Patelunas' testimony (USPS-T-15). Notwithstanding, for the purpose of providing the figures sought in this interrogatory, the table below presents the results of the requested calculation. Column [5] of Exhibit USPS-29D page 1 is the product of Column [3] and Column [4], but column [5] in the table below, which parallels column [5] in the exhibit, still reports *unreconciled* test year costs. Using witness Tolley's After Rates volume forecast (which is presented in USPS-T-6, page A-30 column 3) in Column [4] and performing the calculations in Exhibit USPS-29D would result in figures reported in the table below. Columns [4] and [5] correspond to the columns in Exhibit USPS-29D, page 1, except that the calculations rely on after rates volumes instead of before rates volumes.:

TABLE VP-CW/USPS-T29-3

		[4] Test Year <u>Volume (AR)</u>	[5] Test Year <u>Total Cost (AR)</u>
Letter	Auto Basic	2,059.66	4,963.17
	Basic	3,173.77	6,350.98
	High Density	392.99	143.11
	Saturation	3,086.39	1,123.98
Nonletters	Basic	10,660.71	25,628.07
	High Density	1,154.08	320.43
	Saturation	8,158.60	2,265.26
Total		28,686.18	40,795.00

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VP-CW/USPS-T29-4.

Please refer to your response to VP-CW/USPS-T29-2(b), where you provide estimates of Test Year mail processing unit costs for ECR. Your response states that "this is not a bottom-up cost analysis."


- a. Please explain what you meant by this disclaimer. If it is not a bottom-up cost analysis, what kind of cost analysis is it?
- b. Please explain fully what each unit cost provided in your response includes and represents.

RESPONSE:

a-b. The mail processing cost estimates of ECR pieces by destination entry point provided in VP-CW/USPS-T29-2(b) were not calculated in the same manner as the total ECR subclass mail processing unit costs. The mail processing ECR costs in USPS-29C are a result of a "bottom up" CRA analysis. The mail processing cost estimates of ECR pieces by destination entry point provided in VP-CW/USPS-T29-2(b) use the nontransportation cost avoidances estimated in LR-H-111 and billing determinant volumes and weights by entry point to deaverage the cost of an average ECR piece. It is not possible to calculate the cost of an ECR piece by entry point directly using a "bottom up" CRA analysis.

DECLARATION

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


SHARON DANIEL

Dated: September 23, 1997

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.


Anthony F. Alverno

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