

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

POSTAL RATE AND FEE CHANGES, 2005 )

Docket No. R2005-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND  
VALPAK DEALERS' ASSOCIATION, INC.  
FOURTH INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS JOHN KELLEY (VP/USPS-T16-19-29)  
(May 24, 2005)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. hereby submit interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

Respectfully submitted,

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May 24, 2005

**VP/USPS-T16-19.**

Please refer to your testimony (USPS-T-16) at page 4 (ll. 8-9) where you state that library reference USPS-LR-K-67, which you sponsor, “updates the analyses done in library reference USPS-LR-J-117/2001-1....”

- a. Please explain the various steps in the procedure used to adjust for carrier in-office (Segment 6) costs and out-of-office (Segment 7) costs of handling detached address labels (“DALs”), as well as the rationale for the procedure developed in USPS-LR-K-67.
- b. Please compare and contrast the methodology for the cost of handling DALs in USPS-LR-K-67 with the methodology in USPS-LR-J-117.
- c. Aside from the methodology for the DAL adjustment discussed in preceding parts a and b, for all subclasses of Standard Mail (*i.e.*, Regular (Commercial), Regular Nonprofit, ECR (Commercial), and Nonprofit ECR), please identify and explain every other change in methodology used to derive delivery costs in USPS-LR-K-67 and USPS-LR-J-117.

**VP/USPS-T16-20.**

At page 4 (ll. 25-26) of your testimony, you state that library reference USPS-LR-K-101 develops delivery costs using the Commission’s attributable cost methodology. Does USPS-LR-K-101 include an adjustment for DAL costs that is comparable to that contained in USPS-LR-K-67? If so, please indicate where it can be found.

**VP/USPS-T16-21.**

Please explain how the street costs for sequenced mail are distributed to each rate category, such as (but not limited to) ECR Saturation letters and flats.

**VP/USPS-T16-22.**

- a. In Base Year 2004, what was the percentage of ECR Saturation letters that were (i) delivery point sequenced (“DPS’d”), (ii) cased by carriers, and (iii) taken to the street as sequenced mail?
- b. In Base Year 2004, what was the percentage of ECR Saturation flats that were (i) cased by carriers, and (ii) taken to the street as sequenced mail?

**VP/USPS-T16-23.**

Please refer to library reference USPS-LR-K-67, file CASING04.xls, tab ‘EstimatesOfCased.Sat.Ltrs.Flts.’

- a. Please confirm that in BY 2004 the total Saturation Mail Letter Route Casing Costs for Saturation letters was \$24,349,000. If you do not confirm, please provide the correct amount.
- b. Please explain whether the amount that you either confirmed or provided in response to preceding part a excludes all piggybacks and are direct costs only, or whether the amount includes any piggybacks. If the \$24,349,000 (or other provided amount) includes any piggybacked indirect costs, please provide the direct costs for casing Saturation letters.

- c. In BY 2004, what was the total in-office direct carrier cost (*i.e.*, excluding all piggybacked indirect costs) attributed to Saturation letters?
- d. If the total direct costs provided in response to preceding part c exceed the direct costs for casing letters indicated in response to part b, please describe (i) the activity or activities that account for any difference between the two responses as regards direct costs for Saturation letters, and (ii) the type of activities recorded on the In-Office Cost System (“IOCS”) tallies that account for any “other” direct costs.

**VP/USPS-T16-24.**

Please refer to library reference USPS-LR-K-67, file CASING04.xls, tab

‘EstimatesOfCased.Sat.Ltrs.Flts.’

- a. Please confirm that in BY 2004 the total Saturation Mail Letter Route Casing Costs for Saturation flats was \$27,239,000. If you do not confirm, please provide the correct amount.
- b. Please explain whether the amount that you either confirmed or provided in response to preceding part a excludes all piggybacks and are direct costs only, or whether the amount includes any piggybacks. If the \$27,239,000 (or other provided amount) includes any piggybacked indirect costs, please provide the the direct costs for casing Saturation flats.
- c. In BY 2004, what was the total in-office direct carrier cost (*i.e.*, excluding all piggybacked indirect costs) attributed to Saturation flats?

- d. If the total direct costs provided in response to preceding part c exceed the direct costs for casing flats indicated in response to part b, please describe (i) the nature of the activity or activities that account for any difference between the two responses regarding direct costs for Saturation flats, and (ii) the type of activities recorded on the IOCS tallies that account for these “other” direct costs.

**VP/USPS-T16-25.**

Please refer to library reference USPS-LR-K-67, file CASING04.xls, tab

‘EstimatesOfCased.Sat.Ltrs.Flts.’

- a. Please confirm that the following FY 2004 volumes and distribution of ECR Saturation letters handled by city carriers that were either DPS’d, or cased, or taken directly to the route as sequenced mail are correct. If you do not confirm, please provide the correct volumes and distribution.

	Volume (000)	<u>Dist.</u>
1. DPS CCS Saturation letters	1,447,283	28.2%
2. Cased Saturation letters	1,755,605	34.1
3. Non-DPS Saturation letters that bypass casing (sequenced mail)	<u>1,940,878</u>	<u>37.7</u>
4. Total Saturation letters	5,143,766	100.0%

- b. Regardless of whether you confirm the volume data shown in preceding part a or provide alternative data, please reconcile the total volume of ECR Saturation

letter mail in that response with the total volume of Saturation letter mail in the billing determinants — namely:

1. Commercial ECR Saturation letters	2,783,103,074
2. Nonprofit ECR Saturation letters	<u>661,059,108</u>
TOTAL	3,444,162,182

- c. Please confirm that the following volumes (in thousands) and the distribution of ECR Saturation flats handled by city carriers that were either cased or taken directly to the route as sequenced mail are correct. If you do not confirm, please provide the correct volumes and distribution.

	Volume (000)	<u>Dist.</u>
1. Cased Saturation flats	1,305,760	24.6%
2. Non-DPS Saturation flats that bypass casing (sequenced mail)	<u>4,009,789</u>	<u>75.4</u>
3. Total ECR Saturation flats	5,143,766	100.0%

**VP/USPS-T16-26.**

Please refer to library reference USPS-LR-K-67, file CASING04.xls, tab 'EstimatesOfCased.Sat.Ltrs.Flts.' Cell D12 shows a volume of 1,447,283,000 as FY04 Total DPS CCS Saturation Mail Volume. Please explain how this estimate of DPS'd Saturation letter volume was derived — *e.g.*, IOCS data, Revenue, Pieces, and Weight ("RPW") data, some other sampling system data, etc.

**VP/USPS-T16-27.**

Please refer to library reference USPS-LR-K-67, file CASING04.xls, tab 'EstimatesOfCased.Sat.Ltrs.Flts.' Cells E12 and E13, which show, respectively, the rate of pieces cased per minute of 41.2 for Saturation letters and 27.4 for Saturation flats, with the source given as testimony from Docket No. R90-1, USPS-T-10 (witness Shipe). Were these rates for casing Saturation letters and flats based on sampled observations of carriers using vertical flat cases? If not, please explain why you consider it appropriate to apply these data to the current casing environment.

**VP/USPS-T16-28.**

Please refer to library reference USPS-LR-K-67, file CASING04.xls, tab 'Worksheet Casing.' Please provide the source of the data in cells K43, K44, L43, and L44.

**VP/USPS-T16-29.**

Please refer to library reference USPS-LR-K-67, file CASING04.xls, tab 'ECR Breakout,' with worksheet title (in cells A1 and D1): "Fiscal Year 2004 – Distribution of Standard Mail – Enhanced Carrier Route."

- a. Please reconcile the ECR Saturation letters cost of \$25,600,000 shown in cell K31 for "City Carrier – In-Office (All Routes) Casing Only" with the \$24,349,000 cost for casing Saturation letters referred to in VP/USPS-T16-23, and describe the activities responsible for the difference in the two cost figures. If the volumes of mail associated with these two cost figures differ, please

specify what the difference in volume is and explain how much of the \$1,251,000 cost difference is accounted for by the difference in volumes.

- b. Do either of the two cost figures cited in preceding part a for casing of ECR Saturation letters include any costs for casing DALs? Please explain.
- c. Please reconcile the ECR Saturation flats cost of \$28,573,000 shown in cell K32 for “City Carrier – In-Office (All Routes) Casing Only” with the \$27,239,000 cost for Saturation flats referred to in VP/USPS-T16-24, and describe the activities responsible for the difference in the two cost figures. If the volumes of mail associated with these two cost figures differ, please specify what the difference in volume is and explain how much of the \$1,334,000 cost difference is accounted for by the difference in volumes.