

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

OBJECTION OF THE UNITED STATES POSTAL SERVICE
TO VALPAK INTERROGATORY TO WITNESS KELLEY (VP/USPS-T16-39.d)
(June 20, 2005)

The United States Postal Service hereby objects to the ValPak interrogatory
VP/USPS-T16-39.d, filed on June 9, 2005.

The question reads:

VP/USPS-T16-39.

Please refer to your response to VP/USPS-T16-6(b) where you explain that the anomalously high costs of delivering ECR Basic letters relative to the costs for corresponding flats is due to the rural crosswalk of USPS-LR-K-101. You state: "A more acceptable result derivable from LR-K-101 is obtained by eliminating the LR-K-101 rural crosswalk that was responsible for virtually all of this excess."

- a. Have any changes been made to the methodology or format of the rural crosswalk since Docket No. R2001-1? If so, please explain all such changes that have been made to the rural crosswalk.
- b. Did the rural crosswalk cause anomalously high ECR Basic letter costs in Docket No. R2001-1? If your response is negative, please explain why it causes anomalously high costs in Docket No. 2005-1, but not in Docket No. R2001-1. If your response is affirmative, please explain whether we are now to understand that the rates proposed by the Postal Service in Docket No. R2001-1 and included in the settlement were, to use your terminology, based on a less acceptable costing result that yielded anomalous results.
- c. Please explain how your suggestion that the elimination of the crosswalk would yield more acceptable results aligns with the apparent fact that the DMM definition of a letter differs from the definition used to compensate rural carriers.
- d. Please provide a version of USPS-LR-K-101 with the rural crosswalk either eliminated or revised, which you believe to be more acceptable.

To understand the Postal Service's objection, some background is necessary.

USPS-LR-K-101 is the PRC version of the delivery costs study. As such, the Postal

Service filed that version because of the new requirements of Rule 53, coming out of the so-called roadmap rulemaking, Docket No. RM2003-1. As the Postal Service understands the new provisions of Rule 53, the intent of requiring the Postal Service to present PRC versions of materials is to allow parties to assess the impact of proposed changes from the established methodology. In submitting comments on the rulemaking, the Postal Service identified the many practical obstacles in can and does encounter in trying to apply the established methodology to new circumstances. The Commission's response, in Order No. 1380 (August 7, 2003) at pages 11 and 20, was essentially that the Postal Service should continue to employ a "rule of reason" in presenting PRC versions. In this case, the Postal Service has made a good-faith effort to do so with respect to all of its PRC versions, including LR-K-101.

Not surprisingly, however, questions have arisen about the interaction of operational changes and methodological changes in carrier delivery. The Postal Service and its witnesses have endeavored to be as responsive as possible in trying to explain their understanding of matters raised by the parties. There must, however, be a limit on what is required with respect to PRC methodologies. In subpart d of the above question, ValPak is attempting to impose on the Postal Service the burden of creating a "new" version of the established methodology. On its face, this request is troubling. If the purpose of the PRC version is to present the established methodology, the "new" version" no longer achieves that objective.

The Postal Service's proposed methodology is presented in USPS-LR-K-67. The only reason LR-K-101 is presented is to comply with the rule on established methodologies. If ValPak is interested in proposing new methodologies that are

variations on the established methodology, rather than variations on the Postal Service's proposed methodologies, it is certainly free to do. The Postal Service, however, should not be required to shoulder ValPak's burden in that regard. If ValPak can ask for its preferred variation on LR-K-101, other parties may feel emboldened to request yet another version more to their liking.

The Postal Service therefore objects to part d of VP/USPS-T16-39d.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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