

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

RESPONSE OF POSTAL SERVICE WITNESS KELLEY
TO INTERROGATORIES OF VALPAK (VP/USPS-T14-13, 14.a, 14.c-d),
REDIRECTED FROM WITNESS BRADLEY
(June 23, 2005)

The United States Postal Service hereby provides the response of witness Kelley to the following interrogatories of ValPak, filed on June 9, 2005: VP/USPS-T14-13, 14.a, 14.c-d, redirected from witness Bradley.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 23, 2005

Response of Postal Service Witness John Kelley
To Interrogatories Posed by Valpak Dealer's Association, Inc. Redirected from
Witness Michael D. Bradley

VP/USPS-T14-13.

- a. With respect to the volume variable cost for "Sequenced Mail" identified in response to part c of VP/USPS-T14-12 above, please explain (i) how that cost is apportioned among all the individual rate categories that were included and counted as Saturation mail in your study, and (ii) where, in either your testimony or the testimony of some other witness, this apportionment is made.
- b. Please provide the breakdown of volume variable cost apportioned to (i) sequenced ECR Saturation letters, (ii) sequenced ECR Saturation flats, and (iii) all other sequenced mail.

Response:

Please note that the CCSTS attributes cost to class and subclass, not rate category. This is what is required for calculation of base year costs. The further attribution of cost to rate category is done in LR-K-67.

a . (i). Please refer to my revised response to VP/USPS-T16-21 for a detailed explanation of the manner in which sequenced street time costs are distributed to rate categories.

(ii).The breakdown of sequenced mail costs to rate categories is calculated within USPS-LR-K-67. Please refer to my revised response to VP/USPS-T16-21 for the specific worksheets that partition the sequenced costs to rate categories.

b. Please refer to my revised response to VP/USPS-T16-21 for the breakdown of volume variable sequenced costs to rate categories.

Response of Postal Service Witness John Kelley
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VP/USPS-T14-14.

In order to determine the unit volume variable city carrier street cost for each rate category of sequenced mail, it is necessary to divide the costs apportioned to each rate category by the respective volumes of "Sequenced Mail" in each rate category. Your testimony at page 18, line 16, to page 19, line 14, discusses the measurement of volume only briefly and generally.

a. Please provide the volumes of (i) sequenced ECR Saturation letters, (ii) sequenced ECR Saturation flats, and (iii) all other sequenced mail corresponding to the cost breakdown provided in response to VP/USPS-T14-13, part b.

b. Sequenced Saturation ECR flats either may be stand-alone pieces, such as addressed catalogs, or may consist of two pieces — namely, a separate unaddressed piece and an addressed DAL, both of which must be retrieved in order to complete delivery. When surveyed carriers counted the volume of Sequenced Mail in your study, did they include both DALs and the accompanying flat in their mail count? If not, please explain why not, since DALs were counted separately in the previous methodology, which you discuss elsewhere in your testimony.

c. In the data provided in response to preceding part a, please indicate (i) whether DALs are included in the volumes, and (ii) if so, whether DALs are counted as letters or flats.

d. Please provide the final unit volume variable city carrier street cost for (i) ECR Saturation letters, and (ii) ECR Saturation flats, and indicate where, in testimony or library references, these data can be found.

Response

Please note that the CCSTS attributes cost to class and subclass, not rate category. This is what is required for calculation of base year costs. The further attribution of cost to rate category is done in LR-K-67.

a. The following volumes correspond to the cost breakdown referenced in my response to VP/USPS-T14-13, and are the respective volume estimates after

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To Interrogatories Posed by Valpak Dealer's Association, Inc. Redirected from
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DAL volumes have been moved to flats, and after the parcel crosswalk has been applied.

- (i) Sequenced letter volume is 807,182,000
- (ii) Sequenced flat volume is 5,062,388,000 (this includes 1,056,061,000 DALs and 56,874,000 parcels that are crosswalked to flats).
- (iii) Sequenced small parcel volume is 1,012,000

b. Response provided by witness Stevens.

c. (i). Yes, a portion of the volume in (i) is DAL volume.

(ii). DALs are counted as letters but they are moved to flats to derive the DAL adjusted unit delivery costs in LR-K-67_2ndRevised worksheet '1Table1'.

d. The final base year unit costs, with DAL adjustment, for ECR Saturation letters and flats can be found in LR-K-67_2ndRevised.xls worksheet '11.sumBYInOffDalstoFltsPrclCwlk' cells AF100 (1.99 cents) and AF106 (1.78 cents) for ECR Saturation letters and flats respectively.

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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