

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

REPLY OF THE UNITED STATES POSTAL SERVICE
IN OPPOSITION TO VALPAK MOTION TO COMPEL RESPONSES TO
INTERROGATORIES VP/USPS-T28-23-27, 48 and 51
(July 7, 2005)

The United States Postal Service hereby files its reply to the June 17, 2005 motion of Valpak seeking responses to the above-listed interrogatories misdirected to witness Taufique on May 27, 2005. For the sake of brevity here, the Postal Service incorporates by reference its June 6, 2005, objections to these interrogatories.

Since April 8, 2005, parties seeking to examine the relationship between costs and the Postal Service's proposed rates in the instant docket have had a full opportunity to explore the base year and test year (USPS and PRC version) cost estimates provided by the Postal Service and to direct interrogatories either to the Postal Service's numerous costing witnesses or to the Postal Service as an institution.¹

At page 2 of its motion, Valpak asserts that "the Postal Service position . . . appears to be that no costs in any docket are relevant to the rates requested in the present docket." Nothing could ring less true. To the extent that the Commission reaches any conclusions in the current docket regarding the relationship between costs and the requested rates (or any alternative rate proposals), it is the Postal Service's

¹ As opposed to directing all such questions to the Postal Service's rate design witness whose testimony, by virtue of the across-the-board nature of the Postal Service's rate request, generally does not rely on these cost study results in designing rates.

view that the relevant costs to be examined are the (USPS and PRC version) costs for the base year and test year in the current docket and any related special cost studies.

Valpak's approach to discovery is premised on the notion that some sort of standard has been established on the basis of the relationship between the current rates and their underlying Docket No. R2001-1 costs. Via interrogatories T28-23 through 27, 48 and 51, Valpak apparently seeks to turn Docket No. R2005-1 into a forum for comparing that relationship with one that may exist between those same Docket No. R2001-1 costs and the rates now proposed in Docket No. R2005-1. The Postal Service submits that, whatever the relationship of current rates to Docket No. R2001-1 costs may be and how it differs from the relationship between any rates proposed in Docket No. R2005-1 and those same costs is an academic exercise irrelevant to the Commission's task at hand.

In Docket No. R94-1, the Postal Service submitted an across-the-board rate proposal and was criticized by the Commission for not providing updated special cost studies that would have permitted an examination of the relationship between (base year and test year) costs and the specific rates proposed in that case. See PRC Op. R94-1 at I-10. That perceived defect is cured in the current request. In contrast to Docket No. R94-1, the Postal Service has provided Docket No. R2005-1 special cost studies that permit an evaluation of the relationship between (base year and test year) costs and its current across-the-board rate proposals. Accordingly, Valpak today does not stand where the Commission found itself over a decade ago in Docket No. R94-1, operating without the benefit of updated cost rate category cost avoidance studies.

At n. 2 in its motion, as grounds for seeking the information requested in the disputed interrogatories, Valpak emphasizes that the rates requested by the Postal Service in the instant docket are based upon the application of percentage increases to rates established in Docket No. R2001-1. That is true. However, it does not justify a re-examination of Docket No. R2001-1 costs when, unlike Docket No. R94-1, the Docket No. R2005-1 record is brimming with updated cost studies of the sort found to be absent in Docket No. R94-1. Valpak's discovery request and its motion may have had merit in a Docket No. R94-1 context, but they have no merit in Docket No. R2005-1.

Irrespective of the manner in which most of the issues in the administrative litigation of Docket No. R2001-1 were resolved, parties in that proceeding -- Valpak included -- were given fair and ample opportunity to conduct discovery on the base year and test year (USPS and PRC version) cost studies filed in support of the rate proposals at issue in that proceeding. Valpak's assertion at page 2 of its motion, that the current rates are based on Docket No. R2001-1 costs, is accurate, but unavailing. It is not the purpose of the current proceeding to conduct a Docket No. R2001-1 *post mortem* or to get a second bite at the Docket No. R2001-1 discovery *apple*. The cost data relevant to the instant request are Docket No. R2005-1 base year and test year data.

Accordingly, the Valpak motion should be denied.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Michael T. Tidwell
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998; Fax -5402
July 7, 2005