

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KELLEY  
(USPS-T-30) TO INTERROGATORIES OF VALPAK (VP/USPS-T30-5 -7, 8.b - 10)  
(June 16, 2006)

The United States Postal Service hereby provides the response of witness Kelley to the following interrogatories of ValPak, Inc., filed on June 2, 2006: VP/USPS-T30-5 – 7, 8.b -10. Question 8.a was redirected to witness Coombs.

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 16, 2006

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
Valpak, Dealers Association, Inc**

**VP/USPS-T30-5.**

- a. Of the total number of DALs which you estimate to have been entered during Base Year 2005, what was the volume or percentage of DALs delivered by city carriers?
- b. What was the volume or percentage of DALs delivered by rural and contract carriers?
- c. What was the volume or percentage of DALs delivered to post office boxes?
- d. If the individual percentages you provide in response to preceding part a through part c do not add to 100 percent, please explain what accounts for the difference.
- e. Please explain how you obtained the data for each of your responses to preceding part a through part c. That is, if such data on DALs now are collected as an integral part of one of the Postal Service's ongoing sampling or statistical collection systems, please indicate the system where the data can be found. Alternatively, if the data supplied in your above responses are the result of an ad hoc estimating process, please explain how each estimate was derived.

**Response**

- a. USPS-LR-L-67 estimates that 2,807,885,000 DALs were delivered by city carriers during FY05. This constitutes sixty-one percent of the total base year DAL estimate of 4,607,997,000.
- b. USPS-LR-L-67 estimates that 1,123,579,000 DALs were delivered by rural carriers during FY05. This constitutes twenty-four percent of the total base year DAL estimate of 4,607,997,000. USPS-LR-L-67 does not have an estimate of DALs delivered by contract carriers.
- c. USPS-LR-L-67 does not have an estimate of this total. After the rural and city estimate are subtracted from the total DAL estimate, 676,533,000 remain. Those are presumably distributed between post office boxes, highway contract routes, and general delivery. However, the model does not refine the estimated DALs utilizing modes of delivery other than city or rural carriers any further.

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
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d. USPS-LR-L-67 estimates that eighty-five percent of DALs are delivered on city or rural routes and the remaining fifteen percent are distributed amongst post office boxes, highway contract routes, and general delivery.

e. For FY05, I developed an estimate using DAL information provided in R2005-1, as well as base year ECR Saturation letter volumes from each of the carrier systems. The specific estimation methodology used to provide the answers to parts a through c of this question is explained on pages twelve through fourteen of my direct testimony (USPS-T-30).

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
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**VP/USPS-T30-6.**

For the total volume of DALs delivered by city carriers, as provided in response to part a of VP/USPS-T30-5, please indicate:

- a. The volume or percentage estimated to have been cased.
- b. The volume or percentage estimated to have been taken directly to the street as an extra bundle.
- c. The volume or percentage estimated to have been DPS'd.
- d. Please explain how the data for each of your responses to the above part a through part c were derived. That is, if any of the requested data now are collected as an integral part of one of the Postal Service's ongoing sampling or statistical collection systems, please indicate the system where the data can be found. Alternatively, if any of your responses to the above part a through part c are the result of an ad hoc estimating process, please explain how the estimate was derived.

**Response**

- a. USPS-LR-L-67 estimates that 1,292,953,000 DALs or forty-six percent of the total DALs delivered on city routes, were cased during FY2005.
- b. USPS-LR-L-67 estimates that 1,514,931,000, or fifty-four percent of the total DALs delivered on city routes, bypassed casing and was taken directly to the street.
- c. USPS-LR-L-67 assumes that zero percent of DALs are DPS'd.
- d. The methodology used to derive the figures for parts a. and b. are explained in my direct testimony (USPS-T-30), pages seven through ten. The justification for the assumption in part c is included on page twelve of my direct testimony (USPS-T-30).

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
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**VP/USPS-T30-7.**

a. In Docket No. R90-1, Postal Service witness Shipe provided data on the rate at which city carriers could case Saturation letters and flats manually. Since witness Shipe's data were collected before widespread deployment of vertical flats cases, why are those data considered representative of casing rates when city carriers use vertical flats cases?

b. Since Docket No. R90-1, has the Postal Service collected any more recent data on the rate at which city carriers case Saturation letters and flats in vertical flats cases? If so, please provide the most recent data, and indicate the source.

c. Of the total time that city carriers are estimated to spend casing mail, what percent of the time is spent casing mail in vertical flats cases, and what percent is spent casing mail in the traditional letter and flats cases?

**Response**

a. Casing productivities are only necessary to partition CCCS ECR Saturation volume into two parts 1) cased volume or 2) sequenced volume. As I indicated in interrogatory response VP/USPS-T16-27 in Docket R2005-1, "for ECR Saturation letters, the casing rate of 41.2 pieces per minute is justified since the implementation of vertical flat cases was assumed by Shipe to have a negligible impact on the casing productivity of sequenced letters. To further illustrate that point, the study made no adjustment to the letter casing productivities to account for the expected implementation of vertical flats cases. In contrast, for non-sequenced flats, a twenty-eight percent increase in productivity was incorporated for nonsequenced flats cased using vertical flats cases."

b. My understanding is that the Postal Service does not have more recent data on the rate at which carriers case Saturation letters and flats in vertical flats cases.

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
Valpak, Dealers Association, Inc**

c. My understanding is that the Postal Service does not have estimates of proportions of time city carriers spend casing in 1) vertical flats cases or 2) traditional letter and flats cases. However, I understand that the vast majority of city carriers currently utilize vertical flats cases.

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
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**VP/USPS-T30-8.**

The testimony by witness Coombs (USPS-T-44) notes at page 13, lines 2-3, that “[h]aving to case the host flat pieces would be logistically more challenging than simply casing the letter-shaped DAL cards.”

a. Is casing of host flat pieces logistically more challenging than casing ordinary flats, such as enveloped flats or catalogs? In your response, please assume that weight of the host flat pieces and other flats is equal.

b. Does the Postal Service have any empirical data which distinguish the rate at which city carriers case (i) addressed Saturation flats, and (ii) unaddressed Saturation covers, or wraps, that are accompanied by DALs? If so, please provide the most authoritative data available on such casing rates.

**Response**

a. Redirected to witness Coombs (USPS-T-44).

b. My understanding is that the Postal Service does not have empirical data on the rates at which city carriers case i) addressed Saturation flats or ii) unaddressed Saturation covers, or wraps that are accompanied by DALs.

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
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**VP/USPS-T30-9.**

- a. In this docket, what is the assumed rate at which city carriers case DALs?
- b. In this docket, what is the assumed rate at which city carriers case ECR letters?
- c. In this docket, what is the assumed rate at which city carriers case ordinary addressed ECR flats?
- d. In this docket, what is the assumed rate at which city carriers case unaddressed ECR covers, or wraps?
- e. In this docket, what is the assumed rate at which city carriers collate ECR flats?
- f. After using IOCS tallies to estimate the total hours that city carriers spent casing or collating items which were recorded on those tallies as ECR flats, how do you estimate the total hours spent (i) casing DALs, and (ii) casing or collating flats?

**Response**

- a. and b. USPS-LR-L-67 only uses casing rates to partition the volume of Non-DPS ECR Saturation letters and flats into 1) cased or 2) sequenced. For that purpose, the assumed rate at which city carriers case ECR Saturation letters is 41.2 pieces per minute. ECR Saturation DALs are also assumed to be cased at 41.2 pieces per minute.
- c. USPS-LR-L-67 only uses a flats casing rate to partition total attached label ECR Saturation flats into 1) cased or 2) sequenced. For that purpose, USPS-LR-L-67 supposes a casing rate of 27.4 pieces per minute.
- d. USPS-LR-L-67 supposes that all unaddressed covers and wraps are taken directly to the street, so no casing rate is necessary.
- e. To the extent that mail is being collated, the costs are included in the 'pure' casing costs that are used to partition the ECR Saturation flats into cased or sequenced. As a result, USPS-LR-L-67 implicitly assumes a collation rate equal to the casing rate for ECR Saturation flats of 27.4 pieces per minute.

**Responses of Postal Service Witness Kelley to Interrogatories Posed by Valpak, Dealers Association, Inc**

f. The IOCS tallies provide 'pure', as defined in USPS-LR-L-67.doc, casing costs for 1) DALs, 2) attached label ECR Saturation letters; and 3) attached label ECR Saturation flats. USPS-LR-L-67 does not use these costs to estimate total casing hours. Rather, it divides these costs by the costs per cased piece in column 4 of the 'CasingEstimates' worksheet in "VolAdj.USPS.xls" in order to compute total pieces cased. As discussed in part e, collating costs, to the extent that they occur, are included in the 'pure' casing costs from IOCS.

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
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**VP/USPS-T30-10.**

- a. What is the estimated city carrier street cost to deliver a cased flat?
- b. What is the estimated city carrier street cost to deliver a sequenced flat?
- c. What is the estimated city carrier street cost to deliver a DAL that is part of a bundle of DPS'd letters?
- d. What is the estimated city carrier street cost to deliver a DAL that has been cased in a vertical flats case with other flats?
- e. What is the estimated city carrier street cost to deliver a DAL that has not been cased or DPS'd, but instead has been taken directly to the street as part of a separate, sequenced bundle?
- f. What is the estimated city carrier street cost to deliver both a DAL and sequenced cover, or wrap? If the answer depends on how the DAL was prepared, or handled, please provide separate responses for each possibility.

**Response**

a.-f. For the purpose of answering this question, I make three assumptions: 1) street costs refer to volume variable street costs with piggybacks included; 2) the scope of your questions refers to ECR Saturation pieces; and 3) the unit costs requested are per CCCS piece.

Assumption three requires a bit more discussion. USPS-LR-L-67 includes data that allows unit costs per CCCS piece to be computed. However this is not the purpose of the delivery cost model. The purpose is to derive delivery costs per originating piece. USPS-LR-L-67 disaggregates the delivery costs from the CRA from the subclass level to the rate category level. Unit cost analysis within the CRA is done per originating piece and that is repeated in USPS-LR-L-67. Since the objective of USPS-LR-L-67 is not to derive unit delivery costs as you define them, I do not endorse the unit delivery costs provided in the table below.

In addition, the unit costs provided in the table reflect the average volume variable costs across all regularly delivered and sequenced pieces respectively.

**Responses of Postal Service Witness Kelley to Interrogatories Posed by  
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The table does not treat DAL costs separately (either cased or sequenced) from other pieces that are regularly delivered or sequenced. Thus, for example, the unit cost shown below for a cased DAL is largely the average unit cost that also applies to cased non-DAL ECR letters, DPS ECR letters, and to cased and DPS letters in other subclasses. That average, moreover, reflects the effects of many different types of letter-shaped pieces, some of which (such as DALs) could have costs materially higher or lower than the composite average. The same reasoning holds true for the cased flats costs provided in the table.

<b>ECR Saturation</b>	<b>Volume Variable Street Time Cost (Segment 7) per CCCS piece Source USPS-LR-L-67</b>
Cased Flat	\$0.0277
Sequenced Flat	\$0.0198
DPS'd DAL	\$0 <sup>1</sup>
Cased DAL	\$0.0254
Sequenced DAL	\$0.0171
Cased DAL and Host-Piece Sequenced Flat	\$0.0462
Sequenced DAL and Host-Piece Sequenced Flat	\$0.0380

<sup>1</sup>USPS-LR-L-67 assumes that no DALs pass through DPS. However, my understanding of the city carrier street time model is that the volume variable street time cost for a cased letter and a DPS'd letter are the same.

## 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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