

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-T30-19, 21 - 22)  
(June 29, 2006)

The United States Postal Service hereby provides the response of witness Kelley to the following interrogatories of ValPak, Inc., filed on June 15, 2006: VP/USPS-T30-19, 21 – 22. Question 20 has been redirected to witness Loetscher.

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 29, 2006

Response of Postal Service Witness Kelley to Interrogatories posed by Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc.

**VP/USPS-T30-19.**

Please refer to USPS-LR-L-67, workbook VolAdj.USPS.xls, tab 'RPW.' The source in cell A3 is given as "USPS-LR-L-20, Shape\_GFY\_2005rV.xls." USPS-LR-L-20, however, as appearing on the Commission's web site, appears to contain only a summary report, named: Fy2005\_RPWsummaryreport.xls. However, USPS-LR-L-87 does contain a file named "Shape GFY 2005rV.xls."

- a. Please confirm that the source of USPS-LR-L-67, VolAdj.USPS.xls, tab 'RPW' is found in USPS-LR-L-87. If you do not confirm, please provide the actual source.
- b. Please confirm that none of the volumes shown on tab 'RPW' include DALs as separate pieces. If you do not confirm, please indicate which figures include the DALs.

**Response**

- a. Confirmed.
- b. Confirmed

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**VP/USPS-T30-21.**

Please refer to USPS-LR-L-67, workbook VolAdj.USPS.xls.

- a. Please refer to tab 'CagingEstimates.' Are all figures on this sheet for the Base Year? If not, please identify them.
- b. In tab 'CagingEstimates,' does the zero in cell C13 mean that no unaddressed Saturation flats (of the kind that would be accompanied by a DAL) are ever (i) cased, or (ii) collated? If it does not, please explain. If it does, please explain whether this is an assumption or is based on actual data from operations.
- c. Please refer to tab 'SaturationVols.' Does the zero in cell D13 mean that no DALs are ever DPS'd? If it does not, please explain what it means. If it does, please: (i) indicate whether this is an assumption, or is based on actual data from operations, and (ii) reconcile the zero figure with the statement of witness McCrery (USPS-T-42) at pages 12-13 that "[t]his includes Detached Address Labels (DALs), which are also often transported back to the plant for DPS processing in order to eliminate the need to manually case the cards in delivery." (USPS-T-42, p. 12, l. 27 to p. 13, l. 1.)
- d. Please refer to tab 'CCSDisag.' Are DAL volumes included in any figures on this sheet? If they are, please indicate each cell in which they can be found.

**Response**

- a. Yes.
- b. In the derivation of the unit delivery costs for USPS-LR-L-67, I did not realize that it was possible to distinguish between 'pure casing' tallies for addressed as compared to unaddressed flats. Therefore, I made the assumption, for the purpose of determining the sequenced flat volume, that all \$23 million in 'pure casing' costs be assigned to ECR Saturation attached label flats. As a result, I assumed that unaddressed saturation flats were neither cased nor collated since they incurred zero 'pure casing' costs.

Recently, however, I became aware of a different way to mine the tallies which allowed me to distinguish between 'pure casing' costs for addressed and unaddressed ECR Saturation flats. The results of this analysis showed that of

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the \$23 million in 'pure casing' costs \$21.6 million were assigned to attached label saturation flats and the remaining \$1.4 million to unaddressed flats – presumably host pieces of DAL mailings. Dividing the 'pure casing' costs of addressed and unaddressed flats by these proportions has virtually no impact (one-thousandth of a cent) on the unit delivery costs as presented in Table 1 of USPS-LR-L-67.

c. As I stated on page twelve of my direct testimony, I assumed that zero DALs pass through DPS processing in deriving the unit delivery costs. I made this assumption after discussions with delivery operations personnel that asserted that DALs pass through DPS processing rarely. In terms of witness McCrery's statement, I have nothing to add beyond what was already stated by witness Coombs in response to VP/USPS-T44-12.b.

d. Yes. DALs are included in each line of the columns (1) and (6).

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**VP/USPS-T30-22.**

Please refer to the table below, which represents an effort to collect some of the costs in Library Reference USPS-LR-L-67. The lightly shaded boxes do not apply.

- a. Please confirm that each estimate shown in the table is an appropriate estimate for the Base Year. If you do not confirm, please provide alternative estimates that you support.
- b. Please confirm that all direct casing costs shown in the table are the result of applying casing rates from Docket No. R90-1, USPS-T-10, and do not represent results from actual, more recent operations. If you do not confirm, please explain all sources.
- c. To the extent that your analysis allows, please fill in the blank boxes in the table.
- d. To the extent that you believe them important, please list any key assumptions on which the figures in the table are based.

Standard ECR Mail — DPS & City Carrier Marginal Costs (cents per piece) (BY2005) (USPS version)					
ECR Category	DPS Costs	In-office Casing Direct	In-office Non-casing Direct	In-office Indirect	Street
<b>Letter Size</b>					
DPS					1.81 1/
Non-Sat, Non-DPS					1.81 1/
Sat, Non-DPS, Non-Seq		1.43 5/			1.81 1/
Seq					1.22 2/
<b>DAL</b>					
DAL DPS					1.81 1/
DAL Cased		1.43 6/			1.81 1/
DAL Seq					1.22 2/
<b>Addressed Flats</b>					
Non-Sat					1.98 3/
Sat Cased		2.16 7/			1.98 3/

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Sat Seq					1.33 4/
<b>Unaddressed Flats</b>					
Sat Cased		2.16 8/			1.98 3/
Sat Seq					1.33 4/

- 1/ UDCModel.USPS.xls, tab '21.ECRUnit Costs' cell E9.
- 2/ UDCModel.USPS.xls, tab '21.ECRUnit Costs' cell I13.
- 3/ UDCModel.USPS.xls, tab '21.ECRUnit Costs' cell E10.
- 4/ UDCModel.USPS.xls, tab '21.ECRUnit Costs' cell I14.
- 5/ VolAdj.USPS.xls tab 'CasingEstimates' cell F9.
- 6/ VolAdj.USPS.xls tab 'CasingEstimates' cell F10.
- 7/ VolAdj.USPS.xls tab 'CasingEstimates' cell F12.
- 8/ VolAdj.USPS.xls tab 'CasingEstimates' cell F12

**Response**

- a. Not confirmed. The alternative estimates are shown on the attached spreadsheet.
- b. The casing rates shown in the table do not accurately represent the In-Office Casing direct labor unit costs in USPS-LR-L-67. Witness Shipe's casing productivities are only used to partition city carrier ECR Saturation letter and flat volume into 1) cased or 2) sequenced. The unit casing costs shown in the table represent the ratio of Shipe's productivities to the city carrier hourly wage rate, or, alternatively, the ratio of 'pure casing' IOCS casing costs from letter routes to the number of pieces cased for letters and flats respectively. 'Pure casing' only includes the activity 'B' Sequencing/Casing Mail on letter routes. However, In-office Direct Casing Costs include 'general casing' costs from letter routes, SPR, and Route 99. 'General casing' includes the following three activities: 1) 'A' – Preparing Mail for Sequencing / Loading Ledges; 2) 'B' Sequencing/Casing Mail; or 3) 'C' Withdrawing/Pulling Down Mail/Strapping Out

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Mail (From Carrier Case). So, while the estimates in the table are a function of the Shipe productivities, that would not be true for 6.1 direct casing costs.

c. Refer to the attached spreadsheet.

d. The important assumptions utilized to derive the unit delivery costs in USPS-LR-L-67, and thus the figures in the table, are contained in my direct testimony. I made no special assumptions for purposes of the table.

**ECR Saturation and Non-Saturation City Costs and Volumes**

ECR Non-Sat Non DPS Letter No DAL	1,254,843	\$ 46,520	\$ 2,635	\$ 13,391	\$ 913	\$ 23,168	\$ 2,840	3.71	0.21	1.14	0.07	1.14	1.81	2.07	\$ 89,466	7.13
ECR Non-Sat DPS Letter No DAL	1,301,417	\$ -	\$ 2,732	\$ 744	\$ 947	\$ 24,028	\$ 2,945	0.00	0.21	0.13	0.07	0.13	1.81	2.07	\$ 31,397	2.41
<b>Total ECR Non-Sat Letter No DAL</b>	<b>2,556,260</b>	<b>\$ 46,520</b>	<b>\$ 5,367</b>	<b>\$ 14,135</b>	<b>\$ 1,860</b>	<b>\$ 47,195</b>	<b>\$ 5,785</b>	<b>1.82</b>	<b>0.21</b>	<b>0.63</b>	<b>0.07</b>	<b>0.63</b>	<b>1.81</b>	<b>2.07</b>	<b>\$ 120,862</b>	<b>4.73</b>
ECR Saturation Non-DPS Letter Non-Seq	939,841	17,664	\$ 569	\$ 4,967	\$ 672	\$ 17,049	\$ 2,090	1.88	0.06	0.60	0.07	0.60	1.81	2.04	\$ 43,011	4.58
ECR Saturation DPS Letter Non-Seq	1,583,295	0	\$ 959	\$ 261	\$ 1,132	\$ 28,721	\$ 3,521	0.00	0.06	0.09	0.07	0.09	1.81	2.04	\$ 34,594	2.18
ECR Saturation Letter Sequenced	264,604	0	\$ 160	\$ 44	\$ 128	\$ 3,239	\$ 397	0.00	0.06	0.06	0.05	0.06	1.22	1.37	\$ 3,968	1.50
<b>Total ECR Saturation Letter (no DAL)</b>	<b>2,787,741</b>	<b>17,664</b>	<b>1,689</b>	<b>\$ 5,272</b>	<b>\$ 1,931</b>	<b>\$ 49,009</b>	<b>\$ 6,008</b>	<b>0.63</b>	<b>0.06</b>	<b>0.26</b>	<b>0.07</b>	<b>0.26</b>	<b>1.76</b>	<b>1.97</b>	<b>\$ 81,573</b>	<b>2.93</b>
ECR Saturation DAL DPS	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00	0.00	0.00	0.00	0.00	1.81	0.00	\$ -	-
ECR Saturation DAL Cased	1,292,953	\$ 25,309	\$ 1,349	\$ 7,263	\$ 924	\$ 23,454	\$ 2,875	1.96	0.10	0.56	0.07	0.01	1.81	2.04	\$ 61,174	4.73
ECR Saturation DAL Sequenced	1,514,931	\$ -	\$ 1,580	\$ 431	\$ 731	\$ 18,546	\$ 2,273	0.00	0.10	0.03	0.05	0.00	1.22	1.37	\$ 23,561	1.56
<b>Total ECR Saturation DAL</b>	<b>2,807,885</b>	<b>\$ 25,309</b>	<b>\$ 2,929</b>	<b>\$ 7,693</b>	<b>\$ 1,655</b>	<b>\$ 42,001</b>	<b>\$ 5,148</b>	<b>0.90</b>	<b>0.10</b>	<b>0.27</b>	<b>0.06</b>	<b>0.00</b>	<b>1.50</b>	<b>1.68</b>	<b>\$ 84,735</b>	<b>3.02</b>
ECR Non-Saturation Flats (includes crosswalk)	9,333,936	\$ 224,143	\$ 24,049	\$ 67,619	\$ 7,479	\$ 189,763	\$ 23,247	2.40	0.26	0.72	0.08	0.01	2.01	0.02	\$ 536,300	5.75
ECR Saturation Flat Addressed Cased	1,065,486	\$ 31,719	\$ 1,156	\$ 8,957	\$ 830	\$ 21,050	\$ 2,579	2.98	0.11	0.84	0.08	0.92	0.02	2.22	\$ 66,290	6.22
ECR Saturation Flat Addressed Sequenced	2,232,345	\$ -	\$ 2,422	\$ 660	\$ 1,173	\$ 29,764	\$ 3,646	0.00	0.11	0.03	0.05	0.08	0.01	1.50	\$ 37,666	1.69
ECR Saturation Flat Unaddressed Sequenced (DAL Costs Not Included)	2,807,885	\$ -	\$ 3,047	\$ 830	\$ 1,488	\$ 37,751	\$ 4,625	0.00	0.11	0.03	0.05	0.08	0.01	1.51	\$ 47,740	1.70
<b>Total ECR Saturation Flat</b>	<b>6,105,716</b>	<b>\$ 31,719</b>	<b>\$ 6,625</b>	<b>\$ 10,447</b>	<b>\$ 3,491</b>	<b>\$ 88,565</b>	<b>\$ 10,850</b>	<b>0.52</b>	<b>0.11</b>	<b>0.17</b>	<b>0.06</b>	<b>0.23</b>	<b>0.18</b>	<b>1.63</b>	<b>\$ 151,696</b>	<b>2.48</b>
<b>Source - USPS-LR-L-67</b>																
<b>Note: - All Unit Delivery Costs Shown in this table are per CCCS piece</b>																

## 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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