

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

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POSTAL RATE AND FEE CHANGES, 2006

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Docket No. R2006-1

RESPONSE OF POSTAL SERVICE WITNESS PAGE  
TO INTERROGATORY OF VALPAK  
(VP/USPS-T23-4)  
(July 13, 2006)

The United States Postal Service hereby provides the response of witness Page (USPS-T-23) to the following interrogatory of Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc.: VP/USPS-T23-4, filed on June 29, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS PAGE  
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**VP/USPS-T23-4.**

This interrogatory seeks to clarify the meaning of certain figures in your response to VP/USPS-T23-3. Please refer to that response, parts (a) through (c).

a. Dividing the cost in part (b) of \$151,300,000 by the volume in part (a) of 1,959,007,013 yields a per-piece cost of 7.723 cents. Is this the per-piece cost you used for the Basic ECR Automation letters you moved out of ECR? If it is not, please explain how the appropriate figure should be developed.

b. Part (c) refers to your earlier response to VP/USPS-T23-1(b), which in turn refers to a carrier cost of 3.541 cent and a rural carrier cost of 1.502 cents. Are these additive? If not, please explain whether some weighted average is needed to find the appropriate cost for use in making an adjustment for Basic ECR Automation letters.

c. If the two costs referred to in part b of this question are added, and the sum is added to the mail processing cost of 4.748 cents referenced in your response to VP/USPS-T23-3(c), a total of 9.791 cents is obtained. Please identify the factors that account for the difference between 9.791 cents and the per-piece cost of 7.723 cents referenced in part a of this question, indicating the magnitude of each factor. For example, one factor might be a piggyback factor adjustment and another might be the inclusion of cost components other than mail processing and delivery.

**RESPONSE:**

- a. I did not use a per-piece cost to move the costs associated with the carrier route volumes. I first did mail mix changes, NSA changes, and the other changes as described in my response to VP/USPS-T23-3. The last thing I did was to move the remaining carrier route volumes. I did that in the volume forecast sheet by zeroing out the carrier route volumes, and adding those volumes to the 5-digit volumes for each of the areas affected. The spreadsheet developed the adjustment cost by multiplying the unit cost for 5-digit by the 5-digit volume, including the carrier route volume transferred.
- b. Yes.

RESPONSE OF POSTAL SERVICE WITNESS PAGE  
TO INTERROGATORY OF VALPAK

VP/USPS-T23-4, Page 2 of 2

- c. I can identify two factors. First, the adjustments I made for the carrier route change were in TYAR and used TYAR costs, and the inputs you refer to in parts b and c are TYBR costs. Second, the piggyback adjustment may vary due to different piggybacks associated with costs in one service relative to another.