

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

POSTAL RATE AND FEE CHANGES, 2006)

Docket No. R2006-1

VALPAK DIRECT MARKETING SYSTEMS, INC. AND
VALPAK DEALERS' ASSOCIATION, INC.
NINTH INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE
WITNESS JOHN P. KELLEY (VP/USPS-T30-32)
(July 14, 2006)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. hereby submit interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

Respectfully submitted,

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VP/USPS-T30-32.

Please refer to your testimony (USPS-T-30), page 10, line 20, through page 14, line 17, and to your response to VP/USPS-T30-17(b), which sets out your estimate of \$165 million for the base year delivery costs for DALs.

- a. Please confirm that your testimony in this docket (USPS-T-30) discusses Detached Address Labels (“DALs”) only at page 10, line 15, through page 14, line 17.
- b. Please confirm that your testimony (at p. 10, l. 20 to p. 11, l. 4) explains that the In-Office Cost System attributes the costs of the DALs to letters, while the Revenue Pieces and Weight System attributes the revenue from these DALs to flats.
- c. Your testimony at page 11, lines 4-5, states that this “different treatment of DAL mailings by these systems complicates the methods used to derive unit delivery costs for ECR Saturation rate categories.”
 - (i) Please confirm that your testimony does not describe the way in which the Postal Service has historically attributed the costs associated with delivering DALs to letters rather than flats as an error, mistake, oversight, or by way of some other similar description. If you do not confirm, please state where this is described in your testimony.
 - (ii) In your opinion, was the way in which the Postal Service historically attributed the costs associated with delivering DALs an error or mistake or oversight resulting in overattribution of costs to ECR Saturation

letters and underattribution to ECR Saturation flats (that then led to the undercharging of ECR Saturation flats, and the overcharging of ECR Saturation letters in prior dockets)?

- d. Your testimony at page 11, lines 6-7, states that in “Docket No. R2005-1, all delivery costs (segments, 6, 7, and 10) associated with ECR Saturation DALs were transferred to ECR Saturation Flats.”
- (i) Please confirm that the cost transfer you reference had no effect on the rates requested by the Postal Service for ECR Saturation letters and flats, and that the historic overcharging of ECR Saturation letters, and the undercharging of ECR Saturation letters continued in Docket No. R2005-1, as pre-Docket No. R2005-1 rates were increased by the same percentage. If you do not confirm, please explain why.
- (ii) In your opinion, did the Postal Service’s decision in Docket No. R2005-1 to increase rates for ECR Saturation letters and flats by the same percentage, without making any adjustment for the costing mistake that had been identified, perpetuate rates based on historically inaccurate cost attribution and result in unfairness to ECR Saturation letters?
- e. (i) Please confirm that your testimony (USPS-T-16) in Docket No. R2005-1 contains only a chart at page 6 (revised 6/17/05) and provides no narrative discussion whatsoever of the erroneous overattribution of costs to ECR Saturation letters and underattribution of costs to ECR Saturation

flats (and consequent overcharging of ECR Saturation letters and undercharging of ECR Saturation flats).

- (ii) Please confirm that nowhere in your or other Postal Service testimony submitted to the Commission in Docket No. R2005-1 was the historic overcharging of ECR Saturation letters to the benefit of ECR Saturation flats relating to DALs described as being the result of a Postal Service mistake, error, oversight, or other similar description.
- f. Please identify the date and circumstances of first time that you, or anyone in the Postal Service to your knowledge, became aware of this error discussed above in part d dealing with the method of attributing the costs of DALs to ECR Saturation letters.
- g. Please explain whether the \$165 million estimate in your response to VP/USPS-T30-17(b) is an estimate of the extent to which ECR Saturation letter costs would have been overstated and ECR Saturation letter costs would be understated in the Base Year, if the DAL cost/revenue mismatch had not been identified and adjusted for by you in USPS-T-30.
- h. Please confirm that if the \$165 million Base Year delivery cost estimate in your response to VP/USPS-T30-17(b) is divided by the number of ECR Saturation letters in the Base Year, that it would reveal the unit overstatement of costs for ECR Saturation letters that occurred in the Base Year. Please explain any failure to confirm.