

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

NOTICE OF THE UNITED STATES POSTAL SERVICE OF REVISED RESPONSE OF
WITNESS KELLEY (USPS-T-30) TO INTERROGATORY
OF VALPAK (VP/USPS-T30-10) -- ERRATA
(July 19, 2006)

The United States Postal Service hereby provides a revised response of witness Kelley to the following interrogatory of ValPak, Inc., filed on June 2, 2006: VP/USPS-T30-10. This revised response entirely replaces the response filed on June 16. The original response to VP/USPS-T30-10 (a)-(f) was incorrect because the table with the requested unit costs indicated that those costs applied to ECR Saturation. However, due to the parcel crosswalk, the unit costs included costs some from Non-Saturation crosswalked parcels. The table with the unit costs in the revised response distinguishes Non-Saturation and Saturation costs, where appropriate.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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July 19, 2006

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

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 cost 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; and 3) the unit costs requested are per CCCS piece.

The last assumption 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, The table does not treat DAL costs separately (either cased or sequenced) from

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other pieces that are regularly delivered or sequenced. Thus, for example, the unit cost shown below for a Cased DAL is essentially the average unit cost for any cased letter-shaped piece. 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 is true of the unit cost shown for Sequenced DAL.

ECR	Volume Variable Street Time Cost per CCCS piece (Cents) Source USPS-LR-L-67
Cased Saturation Flat	2.769
Non-Saturation Flat (includes cross-walked sequenced Non-Saturation parcels)	2.850
Saturation Sequenced Addressed Flat	1.869
Saturation Sequenced Unaddressed Flat (includes cross-walked sequenced Saturation parcels)	1.884
DPS'd DAL	0.000 ¹
Cased Saturation DAL	2.543
Saturation Sequenced DAL	1.716
Cased DAL and Saturation Unaddressed Sequenced Flat (includes cross-walked Saturation parcels)	4.427
Sequenced DAL and Saturation Unaddressed Sequenced Flat (includes cross-walked Saturation parcels)	3.600

¹USPS-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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