

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 MICHAEL W. MILLER TO INTERROGATORY OF
VALPAK DIRECT MARKETING SYSTEMS, INC. AND VALPAK
DEALERS' ASSOCIATION, INC. (VP/USPS-T20-1)
(July 25, 2006)

The United States Postal Service hereby provides the response of Postal Service witness Miller (USPS-T-20) to interrogatory VP/USPS-T20-1.

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 MILLER TO INTERROGATORY OF
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ASSOCIATION, INC.

VP/USPS-T20-1 Please refer to the mail processing costs for non-automation mixed ADC flats provided in cell G36 of tab 'CRA ADJ UNIT COSTS' of each of STD REG FLATS 6-28-06.xls (in USPS-LR-L-43, revised 6-28-06) and STD REG FLATS - PRC 06-28-06.xls (in USPS-LR-L-102, revised 6-28-06). The cost shown in the first reference is 23.516 and in the second is 26.028.

(a) Please explain how you would describe these costs in terms of being for non-machinable flats, for machinable flats, or for a weighted average of flats as they currently exist in the mail stream.

(b) Please explain whether these costs are applicable to the category of non-automation flats being proposed in this case, which, as explained by witness Kiefer (USPS-T-36), will have have "tightened" eligibility requirements. See USPS-T-36, p. 15, 1. 25.

(c) If you believe the subject costs are not applicable to the category being proposed, please provide costs (in the format of the two referenced library references) that you believe to be applicable.

RESPONSE:

(a) These figures represent an average mail processing unit cost estimate for the Standard Mail Regular nonautomation Mixed Area Distribution Center (MADC) presort flats rate category, which consists of both machinable (i.e., AFSM100 compatible) and nonmachinable mail pieces.

(b) It is my understanding that the mail characteristics data upon which the cost estimates are based (USPS-LR-L-92) reflect the current flats requirements, not the proposed requirements discussed by witness Kiefer.

(c) The extent to which the cost estimates may be applicable to the revised flats definition is unknown. There are no more representative cost estimates which can be used at this time, as it is my understanding that it is not possible to reconstruct the cost

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by shape estimate and mail characteristics data in a manner that would reflect the proposed requirements. Consequently, it is not possible to revise the USPS-LR-L-43 cost study as suggested in this interrogatory.