

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.  
REVISED INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO UNITED STATES POSTAL SERVICE  
WITNESS JAMES M. KIEFER (VP/USPS-T36-2) (ERRATA)  
(May 23, 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 revised interrogatory VP/USPS-T36-2. If necessary, please redirect any interrogatory and/or request to a more appropriate Postal Service witness.

This revised interrogatory (i) deletes former part j, (ii) corrects certain numbers in former parts k and l, which are now parts j and k, and (iii) renumbers former part m as part l.

Respectfully submitted,

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**VP/USPS-T36-2.**

In Regular Standard, please refer to the rates proposed at the minimum per-piece level for mixed ADC flats of 43.1 cents (per piece) and for mixed ADC letters of 29.2 cents, both machinable. (*See, e.g., Request, Attachment A, pp.11-12, Rate Schedule 321A.*)

- a. Please confirm that the mail processing cost for **these** mixed ADC letters, shown in USPS-LR-L-48, is 5.546 cents. If you do not confirm, please correct this cost or supply an alternative cost, and substitute your estimate in the following parts of this question, as appropriate.
- b. Please confirm that the carrier cost for **these** mixed ADC letters, shown in USPS-LR-L-67, is 3.596 cents. If you do not confirm, please correct this cost or supply an alternative cost, and substitute your estimate in the following parts of this question, as appropriate.
- c. Please confirm that the attributable mail processing plus carrier costs of **these** letters is 9.142 cents. If you do not confirm, please correct this cost or supply an alternative cost, and substitute your estimate in the following parts of this question, as appropriate.
- d. Please confirm that USPS-LR-K-119, Docket No. R2005-1, showed the cost for all Regular Standard letters, exclusive of mail processing and carrier costs, to be 0.6417 cents, and that Postal Service witness Yorgey, in Docket No. MC2005-3, USPS-T-2 (*see, e.g., p. 4 of Appendix A*), used the figure of 0.6417 cents as the cost of letters beyond mail processing and carrier costs. If you do not

confirm, please provide alternative add-on costs, identifying their source. Also, please update the cost of 0.6417 cents to the instant docket and FY 2008.

- e. Please confirm that, based on these costs, the per-piece contribution of these letters is 19.42 cents, implying a cost coverage of 298.45 percent. If you believe these figures are wrong, please provide alternative figures, explaining their derivation.
- f. Please confirm that the mail processing costs for mixed ADC flats, shown in USPS-LR-L-43, is 23.522 cents. If you do not confirm, please correct this cost or supply an alternative cost, and substitute your estimate in the following parts of this question, as appropriate, explaining its derivation.
- g. Please confirm that the carrier costs for these mixed ADC flats, shown in USPS-LR-L-67, is 9.413 cents. If you do not confirm, please correct this cost or supply an alternative cost, and substitute your estimate in the following parts of this question, as appropriate, explaining its derivation.
- h. Please confirm that the attributable mail processing plus carrier costs for mixed ADC flats is 32.935 cents. If you do not confirm, please correct this cost or supply an alternative cost, and substitute your estimate in the following parts of this question, as appropriate, explaining its derivation.
- i. Please confirm that USPS-LR-K-119, Docket No. R2005-1, showed the costs for flats, exclusive of mail processing and carrier costs, to be 2.6155 cents, and that Postal Service witness Yorgey, in Docket No. MC2005-3, USPS-T-2 (*see, e.g., p. 6 of Appendix A*), used the figure of 2.6155 cents as the cost of flats

beyond mail processing and carrier costs. If you do not confirm, please provide alternative add-on costs, identifying their source. Also, please update the cost of 2.6155 cents to the instant docket and FY 2008.

- j. Please confirm that the revenues on sheet 'Revenues @ TYBR Vols.' and the volumes on sheet 'Reclassified Comm. Pcs. & Lbs.' of your workbook file WP-STDREG.xls in USPS-LR-L-36 can be used to calculate a per-piece revenue for mixed ADC (machinable) flats, origin entered, of 50.08 cents. If you do not confirm, please provide a figure that you believe to be correct, and substitute it in the remaining parts of this interrogatory.
- k. Referring to the figures in parts a through j, as well as any corrected figures you may provide, please provide an explanation of the appropriateness of the high per-piece contribution for letters (19.42 cents) and the relatively lower per-piece contribution for flats (14.53 cents). Please include in your explanation all reasons why you believe it is appropriate to favor flats to this extent, at the expense of letters, including reasons of policy. For ease of reference, these figures are:

| Mixed ADC (machinable) | Rate (cents) Postage/pc. | Cost (cents) | Per-piece Contribution | Implied Cost Coverage |
|------------------------|--------------------------|--------------|------------------------|-----------------------|
| Letters                | 29.2                     | 9.784        | 19.42                  | 298.45%               |
| Flats                  | 50.08                    | 35.551       | 14.53                  | 140.87%               |

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  - (i) Are these the costs on which you focused when, as suggested in your testimony at page 32, beginning on line 14, you “selected piece and pound rates for the base piece”? (USPS-T-36, p. 32, l. 14.) If they are not, please provide the costs on which you focused.
  - (ii) Based on these costs summarized in part k as well as on any costs you may provide, please explain how consideration of these costs led you to a “base piece rate” for mixed ADC letters of 14.0 cents.