

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS HUNTER TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-T5-6-12, 14, 16-17)

The United States Postal Service hereby provides the responses of witness Hunter to the following interrogatories of United Parcel Service: UPS/USPS-T5-6-12, 14, 16-17, filed on February 10, 2000. A partial objection to interrogatories UPS/USPS-T5-6(a), -7(b), -9(a), -12, and -16 was filed on February 22, 2000. Interrogatories UPS/USPS-13, 15 were redirected to the United States Postal Service and witness Pafford, respectively.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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UPS/USPS-T5-6. Refer to your testimony on page 4, lines 1-2, where you state, "Each Postal Quarter (PQ), the BRPW panel postage statement data and the revenue account information are combined to produce the estimates of total revenue and volume." Describe how the postage statement data and the revenue account information are combined to produce estimates of total revenue and volume. As part of your description, provide a detailed description of each step in the process of combining postage statement data with revenue account information.

- (a) Provide all supporting documents and records used in the process, indicating the source from which they were obtained.
- (b) Explain and describe each step used to produce total revenue and volume for Parcel Post from the postage statement data and revenue account information.

RESPONSE. The process of combining postage statement and revenue account data is described in USPS-LR-I-25/R2000-1, pages 1-4, and in USPS-LR-I-26/R2000-1, Sections 4-5. The program code used for this process is shown in the Job 3 code found in Appendix A of USPS-LR-I-25/R2000-1. Base Year FY 1998 based estimates are constructed from the BRPW produced PFY 1998 estimates by multiplying the PQ1 and PQ4 period estimates by the GFY factors that will be found in the table in Appendix A of USPS-LR-I-194/R2000-1, which will be filed when protective conditions are approved.

- a. A partial objection to this interrogatory has been filed to the extent that the electronic data records are subsequently provided in USPS-LR-I-194/R2000-1 in response to UPS/USPS-T5-16, the response to this interrogatory is subsumed in the information provided therein. The AIC revenue account totals are found in the revenue accounts file USPS67 that will be provided in Appendix A of USPS-LR-I-194/R2000-1. The

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postage statement data obtained from the PERMIT System and the sample of non-automated offices are found in the files labeled BRPW1-13 and BRPW27-39 that will be provided in Appendix A of USPS-LR-I-194/R2000-1. The GFY conversion factors will be found in the table in Appendix A of USPS-LR-I-194/R2000-1.

- b. See the main response to UPS/USPS-T5-6. In addition, for FY 1998, because there is no AIC revenue account for the permit imprint Parcel Post mail category, the related estimates of revenue and volume totals are developed from the automated office segment's distribution by product with a residual office blowup factor of 1.00920754. The source of this factor is provided in response to UPS/USPS-T5-7(a). The GFY conversion factors used for permit imprint Parcel Post are identified as AIC 999 values and will be shown in the table in Appendix A of USPS-LR-I-194/R2000-1.

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UPS/USPS-T5-7. Refer to Library Reference USPS-LR-I-25, page 2. Confirm that the RPW totals are obtained by combining the VIP coded records with office and stratum level blow-up factors, and then adjusting the combined strata estimate to postage revenue account totals. If you do not confirm, explain why and describe this part of the process.

- (a)** Describe in detail how the stratum level blow-up factors are determined, and how they are then used in this process.
- (b)** Identify all source information that is blown-up.
- (c)** Explain the purpose of the blow-up factor step.
- (d)** Describe in detail how the combined strata estimates are adjusted to postage revenue account totals.
- (e)** Explain in detail for each step how the Parcel Post data is integrated into the combined strata estimates.

RESPONSE. Not confirmed. See the response to UPS/USPS-T5-6(b).

- a.** The strata blowups are applied to the non-automated office subpopulation. A stratum blowup is the reciprocal of the sampling fraction used to obtain the sample for the stratum, and is formulated as N/n' , where N is the number of post offices and n' is the effective sample size for the stratum. For the permit imprint Parcel Post subclass for which there is no non-automated office sample, the blowup provided in response to UPS/USPS-T5-6(b) is calculated as the ratio of total to automated office permit imprint Parcel Post revenue as determined by a recently conducted survey of post offices.
- b.** A partial objection to this interrogatory has been filed but responsive information is being made available in the response to UPS/USPS-T5-16. Inflated source data are identified in and available from the files labeled RPW48-51 by comparing the RP, RW, P and W source data variable

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values to the RPHAT, RWHAT, PHAT and WHAT inflated variable values,
respectively.

c. See the response to part (a).

d-e. See the responses to UPS/USPS-T5-6 and UPS/USPS-T5-6(b).

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UPS/USPS-T5-8. Refer to Library Reference USPS-LR-I-25, page 2, which states that "[u]pon input of the VIP Code revenue, volume, and weight data to the BRPW, the records are matched on VIP Code to a master rate file by rate date to obtain the appropriate piece rate, pound rate, and weight per piece type limits required for data verification."

(a) Provide a detailed explanation of this process.

(b) Provide detailed, step by step instructions on how the verification process is performed with respect to the Parcel Post records.

RESPONSE.

- a. The process of matching records to a master rate file by rate date is performed in Job 2 and is explained on page 4 of USPS-LR-I-25. Rate tables contain rate and weight boundary information by VIP Code corresponding to the level of detail required on postage statements to compute mailer postage. Where possible, the RDATE variable values correspond to the *Ratefold* issuance dates found in the Domestic Mail Manual.
- b. See the response to part (a). In addition, the revenue and volume data in the permit imprint Parcel Post records are combined to construct revenue per piece and weight per piece ratios for comparison to the expected zone based rates and 1-70 pound weight range established for the Parcel Post subclass.

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UPS/USPS-T5-9. Refer to Library Reference USPS-LR-I-25, page 2, which states that "[t]he second job performs data verification checks on the raw data source[s]."

- (a) Provide in electronic format and in hard copy form the raw data used in this step, labeling each record by mail class and subclass.
- (b) Explain in greater detail what the data verification checks are and how each verification check is performed.
- (c) Provide a detailed explanation of how the Parcel Post data [are] used in the data verification check.
- (d) Does the second job contain postage statement data from the automated permit system? If so, why does data from the Permit System need to be blown up?

RESPONSE.

- a. A partial objection to this interrogatory has been filed but responsive information is being made available in the response to UPS/USPS-T5-16.

The raw data records are available from the Job 1 input files labeled BRPW1-13 and BRPW27-39. The mail class or subclass is determined by matching the records in these files to the records in the Job 2 input files labeled BRPW57-64 by VIP Code.
- b. The data verification checks are described in detail in USPS-LR-I-25/R2000-1, pages 3-5, under the *JOB-2* subtitle.
- c. See the responses to part (b) and UPS/USPS-T5-8(b).
- d. Yes. See the response to UPS/USPS-T5-10(b).

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UPS/USPS-T5-10. Refer to Library Reference USPS-LR-I-25, page 2, which states that "[t]he third job inflates the second jobs output data using office and stratum based blowup and national trial balance factors."

- (a) Provide all of the blow-up factors used (the identity of individual offices may be coded).
- (b) Describe in detail how each blow-up factor is used.
- (c) Explain in detail the purpose of this step.
- (d) Are the blow-up factors used on all sources of data? If not, for which ones are they used, and for which are they not used?
- (e) Explain how the Parcel Post data is used in this step.
- (f) What are the national trial balance factors?
- (g) Explain how the national trial balance factors are used.
- (h) For what source data are the national trial balance factors needed?
- (i) Are all records affected by the national trial balance factors? If not, which ones are, and which are not?
- (j) Explain in detail how the national trial balance factor is used with respect to Parcel Post records.
- (k) Provide a detailed explanation for each step in which the national trial balance factors are used.

RESPONSE.

- a. The office level multipliers are: 1.0, 1.3333, 1.5, 2.0, 3.0 and 4.0. The non-automated office strata blowups are provided below.

Mail Category	Strata Blowups
Permit Imprint FCM & Priority	8, 113, 487.75, 1566
Permit Imprint STD Mail (A)	1.1, 17.8, 137.75, 376.5, 934.25, 3165.5
Postage Affixed FCM & STD (A)	22.57, 251.4, 747.17, 2381.33, 12
Periodicals	18.1, 100.75, 244.75, 446, 660.5, 50.25
Permit Imprint	1.009

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Parcel Post	
Permit Imprint BPM	2.2, 9.5, 69.5, 242.75

- b-d. See the response to UPS/USPS-T5-7(a).**
- e. See the response to UPS/USPS-T5-6(b).**
- f. These are the revenue account totals identified in response to
UPS/USPS-T5-14(b).**
- g. See the response to UPS/USPS-T5-6.**
- h-i. The national trial balance factors are applied to the PERMIT System and
non-automated office data streams for the five mail categories shown in
response to UPS/USPS-T5-3 and 4.**
- j-k. See the responses to UPS/USPS-T5-6.**

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UPS/USPS-T5-11. Refer to your testimony on page 3, lines 3-6, which states, "the BRPW also utilizes mailpiece information obtained from postage statements gathered from an ongoing panel of post offices comprised of automated bulk mail entry offices under the PERMIT SYSTEM and a supplemental stratified random sample of non-automated post offices."

- (a) What proportion of the records are from the PERMIT SYSTEM, and what proportion are from non-automated post offices?
- (b) For each class and subclass of mail, provide (i) for the base year in Docket No. R97-1 (1996) and, separately, for (ii) BY 1998, the proportion of records from the PERMIT SYSTEM, and the proportion from non-automated offices.
- (c) Provide for BY 1998 the number of Parcel Post records which came from the PERMIT SYSTEM, and the number which came from non-automated offices.
- (d) Provide the total number of non-automated records used for BY 1998, and the total number of records used from the PERMIT SYSTEM.

RESPONSE.

a,b(ii),c-d. A partial objection to this interrogatory has been filed but responsive information is being made available in the response to UPS/USPS-T5-16. The record counts are available from the Job 1 input files labeled BRPW1-13 and BRPW27-39. The mail categories are determined by matching the records in these files to the records in the Job 2 input files labeled BRPW57-64 by VIP Code.

b(i). The proportions of useable records for the mail categories estimated under the BRPW during this time period are provided below.

Mail Category	PERMIT	Non-Auto.
Permit Imprint Standard (A)	0.999	0.001
Periodicals	0.994	0.006
Permit imprint BPM	0.9971	0.0029

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UPS/USPS-T5-12. Library Reference USPS-LR-I-25, page 4, refers to EFLAGS. Provide the output report in electronic and in hard copy format showing the EFLAG variable and number assigned to each record in jobs containing Parcel Post for BY 1998.

- (a)** For BY 1998, how many Parcel Post records were flagged?
- (b)** For BY 1998, what proportion of the total Parcel Post records were flagged?
- (c)** For BY 1998, what is the proportion of the total for all other mail classes that were flagged?
- (d)** For BY 1998, provide by class and subclass the proportion of records that were flagged.
- (e)** For BY 1998, for each subclass, provide for each EFLAG number the number of times it came up.

RESPONSE.

- a-e.** A partial objection to this interrogatory has been filed but responsive information is being made available in the response to UPS/USPS-T5-16. The counts are available from the EFLAG and RPWCODE variables found in the Job 2 output files labeled BRPW44-47.

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UPS/USPS-T5-13. Is revenue data obtained from the PERMIT SYSTEM? If so, explain why there was not a large increase in the total revenue from 1997 to 1998 for Parcel Post that corresponds with the large increase in volume, which is also obtained from the PERMIT SYSTEM.

RESPONSE. This interrogatory has been redirected to the Postal Service.

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UPS/USPS-T5-14. Refer to your testimony, at page 2, lines 2-3, which states, "[t]he Postal Service's postage revenue accounting system contains several accounts that are associated with specific classes or subclasses of mail." Provide a list of the specific classes and subclasses of mail to which you are referring.

- (a)** Indicate whether the revenue accounts associated with specific classes or subclasses of mail are used in arriving at the final estimates of revenue, pieces, and weights. If they are not used, explain why; if they are used, explain in detail how they are used.
- (b)** Provide revenue, piece, and weight totals for each class and sub-class from this source.

RESPONSE. The specific classes or subclasses are the five indicia based AIC revenue accounts listed on page 2, lines 19-22, and on page 3, line 1, of USPS-T5-7.

- a.** Confirmed that the revenue accounts associated with specific classes or subclasses of mail are used to construct the final estimates for these specific categories of mail. See the response to UPS/USPS-T5-7.
- b.** The total revenue for the indicia based mail class or subclass is available from the trial balance revenue accounting system source. Other information is not obtained from this source. The revenue totals for the permit imprint BPM and domestic Periodicals mail categories are provided in response to UPS/USPS-T5-2. The international surface mail component of \$67,604 (000) is added to the domestic Periodicals total to reconstruct the trial balance total for the Periodicals mail class. The revenue totals for the remaining indicia based AIC revenue accounts are provided below.

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Revenue Account	Revenue (000,000)
AIC 121	4,260.6
AIC 125	1,144.4
AIC 130	10,925.6

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UPS/USPS-T5-15. Refer to USPS-LR-I-2, page 5, which states, "[during 1998, the Postal Service revised certain sampling procedures, which have decreased the difference between actual and extrapolated revenue." Explain how the extrapolated sample revenue compares to actual Postal Service revenue and provide detailed figures supporting this explanation.

RESPONSE. This interrogatory has been redirected to witness Pafford.

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UPS/USPS-T5-16. Refer to Library Reference USPS-LR-I-25, page 7, "JOB I-3 input and output" files. Provide in electronic format and in hard copy form the information contained on the disks for JOB I-3 input and output files. The identity of individual facilities and the volume associated with each may be coded, redacted, or otherwise masked.

RESPONSE. A partial objection to this interrogatory has been filed. The BRPW Job 1-3 input and output files are written to CD-ROM. All facility identifying information is coded. The Job 1-3 throughputs on CD-ROM will be made available under protective conditions in USPS-LR-I-194/R2000-1. A crosswalk between the ASCII file and data definition names on the CD-ROM and in the Job 1-3 JCL, respectively, will be provided in USPS-LR-I-194/R2000-1.

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UPS/USPS-T5-17. Identify all instances in which you have relied on or used in your testimony in any way any FY 1999 cost, revenue, volume, or other data, and state in each such instance why you used FY 1999 data instead of data for BY 1998.

RESPONSE. No FY 1999 cost, revenue, volume or other data are used or relied upon in my testimony.

DECLARATION

I, Herbert B. Hunter III, hereby declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.



Herbert B. Hunter III

Date: 2/24/00

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

K N Hollies

Kenneth N. Hollies

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