

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

RECEIVED
MAR 3 4 59 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

FURTHER RESPONSE OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3
(March 3, 2000)

The United States Postal Service hereby provides the responses of witness Plunkett to questions 6-9 of Presiding Officer's Information Request No. 3, issued on February 17, 2000. The Postal Service indicated when it filed its response to the other questions on February 28, that it required additional time for these questions.

Each question is stated verbatim and is followed by the response and a declaration from the witness.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999; Fax -5402
March 3, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
PRESIDING OFFICER'S INFORMATION REQUEST 3, QUESTIONS 6-9**

6. In USPS-T-36, Attachment H, the number given as the "Nonmach. Cost Diff. For DDU for over 108" is 1.919 cents and the citation is to USPS-T-27. (a) Please provide a specific page number or attachment in USPS-T-27, or other testimony, where this number originates. (b) The number given as the "Estimated Cubic Feet per Piece for over 108" is 8.193 and the citation is to LR USPS-105. Please provide a specific page number where the 8.193 can be found.

Question 6 Response.

- a. This number is the difference between total modeled costs for DDU pieces over 108" (\$5.558 – see USPS-T-26, Att J, p.1 line 1), and modeled costs for DSCF pieces over 108" (\$3.640 – see USPS-T-26, Att I, p.1 line 9).
- b. The references in this case should have been to USPS-T-26 Attachment A the value should have been 10.84.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
PRESIDING OFFICER'S INFORMATION REQUEST 3, QUESTIONS 6-9**

7. Please refer to USPS-T-36, Attachment G. (a) On page 4, "DESTINATION SCF PARCEL POST Test Year Transportation Costs and Savings by Zone and Weight Increment," the source given at the bottom of the page is DBMC cube per piece from Attachment F. However, the actual cube per piece figure used in the formula is the Inter-BMC cube per piece from attachment F. Please reconcile this apparent anomaly. (b) On page 5, "DESTINATION DELIVERY UNIT PARCEL POST Test Year Transportation Costs and Savings by Zone and Weight Increment," the source given at the bottom of the page is DBMC cube per piece from Attachment F. However, the actual cube per piece figure used in the formula is the Intra-BMC cube per piece from attachment F. Please reconcile this apparent anomaly. (c) Please discuss the rationale for using intra-BMC, inter-BMC, or DBMC cube per piece data to calculate transportation costs for DSCF and DDU. (d) Would an overall parcel post cube per piece better reflect the source of the DSCF and DDU volume? Why or why not?

Question 7 Response.

a & b. The sources were mislabeled and you have identified the correct sources.

c. & d. Ideally, the cube per piece relationships for the DDU and DSCF rate categories would be known, and reliance on a proxy would not be necessary. Intuitively, one might expect the physical characteristics of DBMC parcels to more closely approximate those of DDU and SCF because mailers shipping these pieces have presumably determined that worksharing is preferable. As a practical matter, the choice of cube/piece values for these rate categories has no impact on final rates due to the constraints that I have employed for the newer rate categories. As mentioned in my testimony, these constraints were employed in part because of the lack of empirical data, such as cube per piece, with which to judge the effect of the Docket No. R97-1 rates.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
PRESIDING OFFICER'S INFORMATION REQUEST 3, QUESTIONS 6-9**

8. Please refer to the response of USPS Witness Plunkett to Presiding Officer's Information Request No.1, Question 10. USPS LR-125, H1 does not include the revenue and revenue adjustment factors for parcel post that have been provided in prior year's billing determinants. Please provide these figures.

Question 8 Response. A copy of the worksheet used in the preparation of parcel post billing determinants has been attached.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
PRESIDING OFFICER'S INFORMATION REQUEST 3, QUESTIONS 6-9**

9. LR USPS-I-62, attachment K, "REVENUE ADJUSTMENT," states, "For calculating the unadjusted revenue, Alaska Bypass revenue, OMAS revenue, and revenue from combination enclosures were projected to remain the same percentage of total parcel post revenue, excluding fees, in the test year as they had been in the base year." (a) Please confirm that there is no OMAS volume in Intra-BMC. (b) Please explain the rationale for taking the percentage of OMAS revenue from total parcel post rather than from the inter-BMC and DBMC categories. (c) Please confirm that Alaskan bypass volume is only found in the intra-BMC category. (d) Please explain the rationale for taking the percentage of Alaskan Bypass revenue from total parcel post rather than from intra-BMC.

Question 9 Response.

- a. Confirmed.
- b. The decision to use total parcel post revenues to project OMAS and Alaska bypass revenues was based on a desire to conform to established conventions, and because total parcel post revenue, because it is larger, represents a more stable basis for the projection of these revenues. It is possible to project these volumes from the rate categories with which they are associated.
- c. Confirmed.
- d. See response to part b.

DECLARATION

I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Michael K. Plunkett

Dated: 3/8/00

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.



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
March 3, 2000

Calculation of Parcel Post FY 1998 Revenue Adjustment Factors

Revised RPW for FY 1998

	<u>Revenue</u>	<u>Pieces</u>
Intra-BMC	\$110,021,364	40,189,365
Intra-BMC OMAS	-	-
Inter-BMC	290,905,970	63,060,966
Inter-BMC OMAS	6,898,432	1,253,092
DBMC	527,778,564	209,409,172
DBMC OMAS	1,624,524	303,822
Alaska Bypass	10,445,658	1,931,382
Combination Enclosures	270,851	
Total	\$947,945,363	316,147,799

Billing Determinant Calculated Revenue for FY 1998

	<u>Revenue</u>
Intra-BMC	\$107,577,840
Inter-BMC	298,596,059
DBMC	<u>513,566,486</u>
Total	\$919,740,385

Adjustments to Billing Determinant Revenue for FY 1998

	<u>Revenue</u>
OMAS	\$8,522,956
Alaska Bypass	10,445,658
Combination Enclosures	270,851
Pickup Revenue	234,792

Revenue Adjustment Factors for FY 1998

Intra-BMC	102.21252138%
Inter-BMC	97.36849581%
DBMC	102.76732967%
Total Parcel Post	100.94925930%

Sources and Derivations: RPW revenue from RPW revenue adjustment reports. Calculated revenue from FY 1998 volumes times R94-1 rates. Revenue adjustment factor for intra-BMC calculated by removing prorated share of pickup revenue RPW intra-BMC revenue, then dividing by the billing determinant calculated revenue for intra-BMC. Revenue adjustment factor for inter-BMC calculated by removing prorated share of pickup revenue from RPW inter-BMC revenue, then dividing by the billing determinant calculated revenue for inter-BMC. Revenue adjustment factor for DBMC calculated by dividing RPW DBMC revenue by billing determinant calculated revenue for DBMC. Revenue adjustment factor for all of parcel post calculated by removing OMAS, Alaska Bypass, combination enclosures, and pickup revenue from the RPW total revenue figure, and dividing by the sum of the billing determinant revenues.