

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 PLUNKETT TO INTERROGATORIES OF
UNITED PARCEL SERVICE
(UPS/USPS-T36-8-11)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of United Parcel Service: UPS/USPS-T36-8-11, filed on March 7, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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March 21, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T36-8. Refer to your testimony on page 8, where you state: "[b]ecause the Same Day Airport to Airport Service has been suspended, I have not proposed changes to the existing rates." Why is it appropriate to leave Same Day Airport to Airport Service rates unchanged when that service may be resumed before the next rate case?

UPS/USPS-T36-8 Response.

The increases that I have proposed for the other rate categories are based on base year and test year forecast and cost data, which do not exist for Same Day Airport to Airport Service. While it would be possible to propose rate changes based on the existing relationship between Same Day service and the other rate categories within Express Mail, such changes would be based on a presumption that Same Day service would be provided, in the event that it were resumed, under conditions and circumstances similar to those that existed prior to its suspension. As I am unaware of any plans to reintroduce the service, I have no reason to rely on assumptions of this kind. In this docket I have simply proposed maintenance of the status quo so that the service would not have to be reestablished if it were to be resumed; the status quo would also provide a basis for requesting any rate and classification changes necessary to reflect whatever conditions and circumstances might exist at the time resumption were planned. I would also point out that as Same Day service is not expected to have any volume in the test year, any change in rates would have no impact on other rate categories within Express Mail.

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UPS/USPS-T36-9. Refer to your testimony on page 9, where you state that you "manually adjusted rates to preserve reasonable relationships between adjacent weight cells."

- (a) Explain in detail how you "manually adjusted rates to preserve reasonable relationships between adjacent weight cells," and provide all of the specific adjustments you made.
- (b) Define "reasonable relationships" as you use that term.

UPS/USPS-T36-9 Response.

- a. For Post Office to Addressee rates, I set the cells from 22 to 29 pounds to equal the rate in the next lowest increment plus \$1.40. I set the cells for 30 and 31 pounds to equal the rate in the next lowest increment plus \$1.00. For Post Office to Post Office rates, I set the cells from 22-31 pounds equal to the Post Office to addressee rate in the same pound increment less \$2.30. For Custom Designed rates, I set the cells from 23-29 pounds to be 20 cents less than the corresponding Post Office to Post Office rate, and cells from 30-33 pounds were set to be 30 cents less than the corresponding Post Office to Post Office rate.
- b. Reasonable in this case is based on my interpretation of the applicable ratemaking principles. Manual adjustments were used in these cells to maintain a consistent relationship between rate cells within and among the different rate categories.

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UPS/USPS-T36-10. Refer to your testimony on page 13, where you state: "this method would have resulted in rate increases that were excessive." Define what you mean by an "excessive" rate increase.

UPS/USPS/-T36-10 Response.

"Excessive" in this case means out of alignment with the general trend of increases indicated over the full range of rate cells. In quantitative terms this judgement informed the decision to impose constraints on the size of rate increases for specific rate categories as described in pages 13-14 of my testimony.

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UPS/USPS-T36-11. Refer to your testimony on page 13, where you state: "drastic rate changes in these categories would be likely to hamper understanding of the extent to which these destination entry discounts have benefited parcel post mailers." Define what you mean by a "drastic" rate change.

UPS/USPS/-T36-11 Response.

"Drastic" in this case means that, in my opinion, rates changes of this magnitude would have a significant and unfavorable impact on these categories. In quantitative terms this judgement informed the decision to impose constraints on the size of rate increases for specific rate categories as described in pages 13-14 of my testimony.

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: 3/21/00

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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written above a solid horizontal line.

Scott L. Reiter

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