

BEFORE THE
POSTAL RATE COMMISSION

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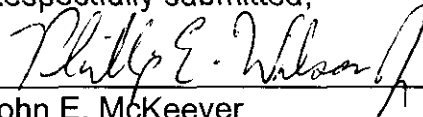
POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

INTERROGATORY FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MEEHAN
(UPS/USPS-T11-20 through 28)
(March 23, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatory directed to United States Postal Service witness Meehan: UPS/USPS-T11-20 through 28.

Respectfully submitted,



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UPS/USPS-T11-20. Explain how the Input Keys are calculated for the sub-classes of Periodicals in your Workpaper B, pages 240-249 (WS C/S 14, Inputs-Keys), lines 11 through 15, or the electronic version filed as Library Reference USPS-LR-I-80, file CS14.xls, tab Inputs - Keys, lines 11 through 15. Specifically, how does one calculate the distribution keys for "In County" (line 11), "Outside County - Regular" (line 13), "Outside County - Non-Profit" (line 14), and Outside County - Classroom" (line 15) from the distribution key for mailcode "J," titled "2C Periodicals," as calculated by the TRACS programs?

UPS/USPS-T11-21. Refer to Library Reference USPS-LR-I-80, file Cs06&7.xls, tab Input IOCS. Lines 5 through 8 present training, street, total accrued, and clock in/out costs for the following routes: Parcel Post Combined, Exclusive Parcel Post, Collection, OMMS, and Other. There is also a total across all routes for each cost category.

(a) Define the following cost categories: training, street, total accrued, and clock in/out. Include in the definition how the costs are accrued in each category.

(b) Define the following route types: Parcel Post Combined, Exclusive Parcel Post, Collection, OMMS, and Other.

(c) Refer to Library Reference USPS-LR-I-80, file Cs06&7.xls, tab Input IOCS, line 7. Confirm that the \$469,835,000 total accrued volume variable Special Purpose Route (SPR) costs are allocated across classes/subclasses of mail. In

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other words, variability factors are applied to total SPR costs, and the resulting volume variable costs are distributed across classes/subclasses of mail.

(d) Refer to your Workpaper B and Library Reference USPS-LR-I-80, file Cs06&7.xls, tab Input IOCS, line 7. Confirm (i) that volume variable cost is not calculated for each individual route cost (i.e., \$37,391,000 total accrued for Exclusive Parcel Post), and (ii) that the volume variable fraction of each individual route cost (such as Exclusive Parcel Post) is not specifically allocated solely to parcels (rather, the volume variable fraction of the total SPR costs -- i.e., \$470 million total accrued, including the \$37 million for Exclusive Parcel Post -- is allocated across all classes/subclasses of mail, including Parcel Post).

(e) What proportion of Exclusive Parcel Post costs is ultimately assigned to Parcel Post?

(f) What proportion of Parcel Post Combined costs is ultimately assigned to Parcel Post?

(g) If Exclusive Parcel Post costs are assigned to classes/subclasses of mail other than Parcel Post, state why and provide supporting materials documenting any analyses that support this method.

(h) If Parcel Post Combined costs are assigned to classes/subclasses of mail other than Parcel Post, state why and provide supporting materials documenting any analyses that support this method.

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UPS/USPS-T11-22. Refer to Library Reference USPS-LR-I-1, page 7-4, Section 7.1.4, which indicates that “[v]olume variable routine looping/dismount costs are distributed to classes and subclasses of mail on the basis of the estimated weight of mail carried on routine loops/dismounts, as determined from CCS and RPW.” Refer also to your Workpaper B, page 174 (WS 7.0.9, Development of Other Distribution Keys), col. 8, or the electronic version filed as Library Reference USPS-LR-I-80, file Cs06&7.xls, tab 7.0.9, column 8. The source listed for the distribution key for volume variable routine looping/dismount costs is based on the number of pieces from an analysis performed for the R97-1 rate case. If the number of pieces from the R97-1 analysis is only measured for a class of mail, then that number is distributed to subclasses using the number of pieces from the RPW. See your Workpaper B, page 174 (WS 7.0.9, Development of Other Distribution Keys), col. 3, or the electronic version filed as Library Reference USPS-LR-I-80, file Cs06&7.xls, tab 7.0.9, column 3.

(a) Confirm that the volume variable routine looping/dismount costs are distributed to classes/subclasses of mail using the number of pieces from the R97-1 analysis and/or the number of pieces from the RPW.

(b) If not confirmed, provide the source and a detailed explanation of the distribution key based on the estimated weight of mail carried on routine loops/dismounts, as determined from CCS and RPW.

(c) For cost segments 6 and 7, identify all of the distribution keys that are based on estimated weight of mail.

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UPS/USPS-T11-23. Refer to the testimony of Postal Service witness Daniel, USPS-T-28, page 8, lines 25-31, and page 9, lines 1-2, where she states that "costs for the elemental load portion of street delivery costs are allocated on the basis of weight within shape."

(a) Confirm that the distribution key used to allocate elemental load time costs in the base year calculations is measured by number of pieces and not by weight. Provide the citation to the distribution key in Library Reference USPS-LR-I-80, file Cs06&7.xls.

(b) If the distribution key used to allocate elemental load time costs in the base year calculations is measured by weight, provide a citation to the distribution key in Library Reference USPS-LR-I-80, file Cs06&7.xls, and provide the source for the distribution key.

(c) Explain why the elemental load time costs are distributed by number of pieces instead of by weight.

UPS/USPS-T11-24. Refer to your Workpaper B, page 125 (WS 7.0.1, summary of Cost Components), or the electronic version filed as Library Reference USPS-LR-I-80, file Cs06&7.xls, tab 7.0.1, columns 7-10, lines 14-28, where support costs are distributed across four categories: load, access, route, and office for both letter routes and Special Purpose Routes (SPR).

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(a) Define Street Support. Specifically, describe street support activities that fall into each of the following categories: load, access, route, and office for letter routes and SPR. Also, describe the volume variable aspects of each category.

(b) Confirm (i) that volume variable factors are calculated using the ratio of combined volume variable costs for SPR and letter routes to total costs for each of the four categories, and (ii) that these variability factors are then applied to the respective total street support costs in order to derive volume variable street support costs for the respective category.

(c) Provide an explanation as to why the volume variable factors are not calculated separately for SPR and for letter routes.

UPS/USPS-T11-25. Refer to page 36 of the testimony of Postal Service witness Raymond, USPS-T-13, at 36. Witness Raymond defines one of the activities included in street support as obtaining and loading the vehicle. For each of the following questions, provide any written documentation or guidelines that support the response.

(a) What are the activities that the carrier is doing at the vehicle?

(b) What is the typical order of preparing/organizing Priority Mail for the route? Does the carrier sort Priority Mail for the route in the carrier station or in the vehicle?

(c) What is the typical order of preparing/organizing Express Mail for the route? Does the carrier sort Express Mail for the route in the carrier station or in the vehicle?

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(d) What is the typical order of preparing/organizing the letters for the route? Does the carrier sort the letters for the route in the carrier station or in the vehicle?

(e) What is the typical order of preparing/organizing flats for the route? Does the carrier sort the flats for the route in the carrier station or in the vehicle?

(f) What is the typical order of preparing/organizing parcels for the route? Does the carrier sort the parcels for the route in the carrier station or in the vehicle?

(g) How does the carrier know that a particular stop has a parcel, e.g., does the carrier organize the vehicle to reflect parcels at particular stops?

(h) Suppose there are a number of large parcels for a given route, and the carrier has to make several trips to the vehicle to load the parcels and has to spend more time organizing the parcels in the vehicle.

(i) To which category – load, access, route, or office – are these activities assigned?

(ii) Are these activities specifically distributed to parcels?

UPS/USPS-T11-26. Refer to page 24 of your Workpaper A-1, which indicates that total volume variable costs for in-office support and CAG K are zero. Refer also to page 46 of your Workpaper A-2, which indicates that total volume variable costs for in-office support and CAG K are \$552,910,000 and \$597,000,000, respectively. Provide

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the citation and files for the variability factor used to calculate the volume variable costs for these two categories.

UPS/USPS-T11-27. Refer to your Workpaper B, pages 148 through 150 (WS 7.0.6, Distrib. SPR, MLR, Collect. VVC), or the electronic version filed as Library Reference USPS-LR-I-80, file Cs06&7.xls, tab 7.0.6. Refer also to your Workpaper B, pages 174 and 175 (WS 7.0.9, Development of Other Distribution Keys) or the electronic version filed as Library Reference USPS-LR-1-80, file Cs06&7.xls, tab 7.0.9.

(a) Confirm that Load Collect SPR (Workpaper B, page 148; tab 7.0.6, column 1), Time at Stop-Collect SPR (Workpaper B, page 149; tab 7.0.6, column 10), and Access Collect-SPR (Workpaper B, page 149; tab 7.0.6, column 13) costs are distributed across classes of mail using a distribution key from R84-1 (Workpaper B, page 174; tab 7.0.9, column 2) and across subclasses of mail using a distribution key from RPW (Workpaper B, page 174; tab 7.0.9, Column 1). If not confirmed, explain in detail the correct distribution and provide the precise references that support the distribution.

(b) Confirm that Load SPR Non-Accountable Deliveries (Workpaper B, page 148; tab 7.0.6, column 5) costs are distributed across classes of mail using a distribution key from R97 (Workpaper B, page 174; tab 7.0.9, column 4) and across subclasses of mail using a distribution key from RPW (Workpaper B, page 174; tab 7.0.9, column 3). If not confirmed, explain in detail the correct distribution and provide the precise references that support the distribution.

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(c) Confirm that Time at Stop Deliveries SPR (Workpaper B, page 148; tab 7.0.6, column 9), and Access Deliveries SPR (Workpaper B, page 149; tab 7.0.6, column 12) costs are distributed across classes of mail using a distribution key from R97 (Workpaper B, page 174; tab 7.0.9, column 6) and across subclasses of mail using a distribution key from RPW (Workpaper B, page 174; tab 7.0.9, Column 3). If not confirmed, explain in detail the correct distribution and provide the precise references that support the distribution.

(d) Provide an explanation as to why the distribution keys used for deliveries are different from those used in collection.

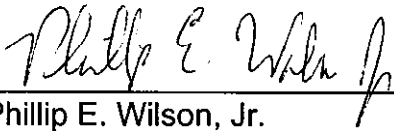
(e) Confirm that the sources listed in Workpaper B, page 174; tab 7.0.9, columns 1 through 3, are correct. If not confirmed, provide a precise reference to a page number or transcript number.

(f) For several of the cost categories, one distribution key is used to distribute the volume variable costs to classes of mail, and then another distribution key, namely RPW, is used to distribute the volume variable costs within the subclass of mail (Workpaper B, page 174; tab 7.0.9, columns 2, 4, and 6). Provide an explanation as to why RPW is used to distribute the class costs to subclasses of mail.

USP/USPS-T11-28. Define "relay," including the difference between Special Purpose Route ("SPR") and letter route relay costs. Also, provide an explanation why these relay costs are transferred between letter routes and SPR.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.



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Attorney for United Parcel Service

Dated: March 23, 2000
Philadelphia, Pa.

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