

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

RECEIVED
APR 5 4 29 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DANIEL TO INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-T28—2-3)**

The United States Postal Service hereby provides the response of witness Daniel to the following interrogatories of United Parcel Service: UPS/USPS-T28—2-3, filed on March 22, 2000.

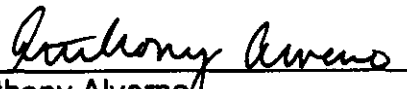
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anthony Alverno
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax -6187
April 5, 2000

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

UPS/USPS-T28-2. Refer to USPS-LR-I-97, the spreadsheet entitled, "Development of Roll Forward Final Adjustments" (LR97fnad.xls) and specifically to the "Transportation" worksheet.

- (a) Refer to the Parcel Post line of column "Rollforward AR01 Unit Cost" (cell R65), and confirm that the Test Year After Rates (2001) costs for transportation and postal owned vehicles from the roll-forward model are used to derive the figure 107.1. If you do not confirm, explain in detail.
- (b) Refer to the "Inter BMC," "Intra BMC," "DBMC," "DSCF," "DDU," "Inter BMC Oversize," "Intra BMC Oversize," "DBMC Oversize," "DSCF Oversize," and "DDU Oversize" lines of column "Rollforward AR01 Unit Cost" (cells R66 to R75), and confirm that cells R66 to R75 reflect Test Year Unit Costs multiplied by 107.1 (cell R65) divided by 108.4 (cell N65), the Parcel Post line of column "Test Year Unit Cost." If you do not confirm, explain in detail.
- (c) Confirm that the 108.4 in cell N65 is the average Parcel Post "Test Year Unit Cost" based on the 2001 "Before-Rates Volume Forecast" (volume mix) from witness Tolley. If you do not confirm, explain in detail.
- (d) Explain in detail why witness Tolley's 2001 "After-Rates Volume Forecast" (volume mix) (USPS-T-6, Attachment A) is not used to derive the average Parcel Post Test Year Unit Cost to be applied in place of the 108.4 figure used in cells R66 to R75.
- (e) In the formula for cell R65, what is the source of the hard-coded figure 1.172, and why is this figure used?
- (f) Refer to the "Mail Processing" worksheet in LR97fnad.xls. In the formula for Parcel Post in column "Rollforward BR01 Unit Cost" (95.05, cell M67), and in the "TY Unit Cost" column for "Inter BMC" (142, cell N68), "Intra BMC" (109, cell N69), "DBMC" (86, cell N70), "DSCF" (50, cell N71), "DDU" (35, cell N72), "Inter BMC Oversize" (939, cell N73), "Intra BMC Oversize" (665, cell N74), "DBMC Oversize" (496, cell N75), "DSCF Oversize" (360, cell N76), and "DDU Oversize" (108, cell N77), what is the source of the hard-coded figure 1.151 which appears for each, and why is this figure used?

RESPONSE:

- a. Confirmed.
- b. Confirmed. For clarification, the TY Unit Costs tie to TY *Before Rates* costs.
- c. Confirmed. For clarification, the TY Unit Costs tie to TY *Before Rates* costs.
- d. The 108.4 figure is a TY *Before Rates* cost and is consistent with the parcel post transportation unit costs developed in witness Eggleston's testimony (USPS-T-26). The 2001AR Total Mixed costs in column Q are calculated using the after rates volumes.

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

- e. The hard-coded figure 1.172 is the vehicle service final adjustment piggyback factor for parcel post found in Attachment 12 of witness Smith's testimony (USPS-T-21).
- f. The hard-coded figure 1.151 is the mail processing final adjustment piggyback factor for parcel post found in Attachment 12 of witness Smith's testimony (USPS-T-21). The mail processing costs developed in USPS LR-I-98 Section 4a are direct labor only. As described in USPS-T-28, page 34 lines 4-5, indirect costs such as supervisors are expected to vary with direct labor costs in the short term and are therefore included in the calculation of final adjustments.

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

UPS/USPS-T28-3. Refer to USPS-LR-I-98, Section 4 (LR98SEC4c.xls), worksheet 'Cost-dist 3,' entitled "Division of Parcel Post Transportation Costs." Explain how the "Percentage of DBMC parcels entered at destination SCFs" (Row 16) of 7.11 percent was taken into account in the Parcel Post final adjustment for transportation in USPS-LR-I-98. If it was not used, explain in detail why not.

RESPONSE:

This percentage is reflected in the unit costs estimates of DBMC mail calculated in USPS LR-I-98. It is my understanding that this percentage lowers the average number of intermediate DBMC legs which, holding all else equal, lowers the intermediate costs distributed to DBMC, thereby lowering the total DBMC unit cost. The unit cost estimates developed in USPS LR-I-98 are input directly into the transportation page of USPS LR-I-97.

DECLARATION

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


SHARON DANIEL

Dated: 4/5/00

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.


Anthony Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax -6187
April 5, 2000