

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

RECEIVED

APR 10 5 09 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 MEEHAN TO INTERROGATORIES OF  
UNITED PARCEL SERVICE  
(UPS/USPS-T11-21-24 and 26-28)

The United States Postal Service hereby provides the responses of witness Meehan to the following interrogatories of United Parcel Service: UPS/USPS-T11-21-24 and 26-28, filed on March 23, 2000. Interrogatories UPS/USPS-T11-20 was redirected to the Postal Service and UPS/USPS-T11-25 was redirected to witness Raymond.

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



Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990 Fax -5402  
April 10, 2000

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**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?

**Response:**

Redirected to the Postal Service.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**UPS/USPS-T11-21** 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 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.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**Response:**

(a) The cost categories and a general description of how the costs are accrued can be found in LR-I-1, page 6-3, section 6.1.2 and 6.2.1; page 6-4, section 6.2.3; and page 7-1, section 7.0.1. In precise, IOCS terms, I am informed as follows. Training: In CS06&7.xls, tab Input IOCS, line 5, training refers to the combined costs of activity code 6430 (carrier checking in, obtaining accountable mail or keys, checking vehicle, safety meeting) and activity code 6519 (Training – other training). See USPS-LR-I-12, Appendix B, the activity code assignment flowchart for IOCS, pages 5.0,5.1 and 7.3 – 7.6, which shows how these two activity codes are defined in terms of the underlying IOCS sample data. Street Costs: In CS06&7.xls, tab Input IOCS, line number 6, street costs refers to activity code 6710. Activity code 6710 (city carrier street time) is defined in terms of the underlying IOCS sample data on pages 4.0 and 5.0 of the activity code assignment flowchart for IOCS. See USPS-LR-I-12, Appendix B. Total Accrued: The total accrued costs for carriers is the sum of the costs for codes 71, 73, 75, 77, 78, 80, 82, 83, 85, 86, 87, 90, 98, 99, shown in WS 7.0.7 in Workpaper B, page 169. Clock In/Out: This is activity code 6522 in the referenced spreadsheet. Activity code 6522 (clocking in or clocking out) for carriers is defined in terms of underlying IOCS sample data on page 5.0 of the activity code assignment flowchart for IOCS. See USPS-LR-I-12, Appendix B. The accrued costs of each of the above cost categories are the cost weighted sums for those activity codes,

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

for each of the route types. Section VII.A of USPS-LR-I-12 describes and develops cost weighting factors for city carriers.

(b) In USPS-LR-I-14, these route types are defined on pages 10-4 and 10-5.

(c) Confirmed.

(d) Parts (i) and (ii) are confirmed.

(e) – (h) The proportion of Exclusive Parcel Post and Parcel Post Combined costs assigned to parcel post is not available. It is my understanding that the sample design used by Witness Nelson (Docket R97-1, USPS-T-19) did not allow for development of specific keys for each route type. It is my further understanding that IOCS was used to weight the route types that were sampled. Please refer to USPS-LR-H-157 to see the weighting scheme. This analysis was presented in Docket No. R97-1 in the testimony of witness Nelson, USPS-T-19, and accepted by the Commission in its Recommended Decision.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**UPS/USPS-T11-22** Refer to Library Reference USPS-LR-I-I, page 7-4, Section 7.1.4, which indicates that "[volume 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.

**Response:**

- (a) Partially confirmed. Volume variable routine looping/dismount costs are distributed to classes of mail using a combination of 1996 CCS pieces and weight per piece from RPW, except for RPW. Volume variable class costs for Periodicals are distributed to mail subclasses using RPW volumes.
- (b) See Docket No. R97-1, Workpaper 1.10 to USPS-T-19. The distribution key developed in this workpaper was based upon the 1996 CCS and RPW. First, the total number of CCS pieces on park & loop routes were

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

computed. These pieces were then multiplied by each subclass' weight per piece from RPW. Finally, in my workpaper B, page 174, WS 7.0.9, RPW is used to distribute Periodicals cost to subclasses. This detail comports with the more general description found in LR-I-1, page 7-4, Section 7.1.4.

- (c) To the best of my knowledge, no other distribution keys in cost segments 6 and 7 are based on weight of mail.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**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.

**Response:**

- (a) Confirmed. Elemental load costs are distributed using CCS pieces by shape within stop type. The citation for the source of the distribution keys can be found in USPS-LR-I-80, file CS06&7.xls, tab 7.0.8, columns 3-17. The source cited there is USPS-LR-I-16, file CCS-HQ.doc.
- (b) Not applicable.
- (c) Please see the response to OCA/USPS-T12-11c.



**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**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 CsO6&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).

- (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.

**Response:**

- (a) Street support is defined in USPS-LR-I-1 on page 7-2 as follows. "Street support time includes clocking in or clocking out, and that part of street support time spent on such activities as traveling to and from the route and carrier station, obtaining and loading the vehicle, and preparing mail at the vehicle and at relay boxes. Street support time also includes certain of those components identified as other in-office support costs... The significant characteristic of street support time is that it is a fixed property of a typical route so that it varies with the number of routes in the city delivery system as a whole." There are no specific street support activities that fall into load, access, route, and office. Rather, street support activities are a property of the entire route. See LR-I-1, page 6-4,

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

the first full paragraph; page 6-4 section 6.2.3; pages 7-2, 7-8 and 7-9 for a description of the volume variable aspects of street support.

- (b) Parts (i) and (ii) are confirmed.
- (c) SPR street support costs are only 6% of total street support costs, so calculating separate volume variable factors for SPR would not have a significant impact. Using separate volume variable factors for SPR and letter routes would result in an increase of 1.3% in volume variable street support costs, only a 0.2% increase in volume variable cost segment 6 and 7 costs.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**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?
- (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; (ii) Are these activities specifically distributed to parcels?

**Response:**

Redirected to witness Raymond.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

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

**Response:**

The figure I believe you meant to cite for CAG K volume variable costs is \$597 thousand, not \$597 million. The citation and file for the in-office support (component 44) and CAG K (component 45) volume variable cost distributions are shown in Workpaper A-2, p. 46.1.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**UPS/USPS-T11-27.** Refer to your Workpaper B, pages 148 through 150 (WS 7.0.6, Distrib. SPR, MLR, Collect. WC), or the electronic version filed as Library Reference USPS-LR-1-80, 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 8, 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.
- (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.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**Response:**

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) The distribution keys for delivery are different from the distribution keys for collection because the types of mail delivered can be different from those found in collection boxes. For example, due to postal restrictions, only certain mail (typically First-Class single piece, and flat rate pieces like Priority) can be deposited in collection boxes. Other mailings (e.g. bulk mailings) are excluded because they must be tendered through an acceptance clerk. Moreover, security rules have put weight restrictions and return-addressing limitations on pieces that can be dropped in a collection box. The collection key, therefore, is limited to only a few eligible mail subclasses.
- (e) The sources listed in Workpaper B, page 174, tab 7.0.9, columns 1 through 3 are correct. However, in column 2, the percentages for Periodicals and Special Services were changed to zero in the base year testimony of witness Barker in R87-1 (USPS-T-13, W/S 7.1 page 1 of 4 and 2 of 4) and R90-1 (USPS-T-13, W/S 7.0.6.1, column 2), and thereafter; presumably because these types of mail are not found in collection boxes.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

- (f) The distribution keys for special purpose routes were developed through special studies. In some instances, the study only provided distribution to the class level. Therefore, RPW volume was used to distribute the costs to individual subclasses where it was not available.

**Response of United States Postal Service Witness Meehan  
to  
Interrogatories of United Parcel Service**

**UPS/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.**

**Response:**

Relays are special purpose runs from the delivery unit to stock relay boxes, which are used by foot route carriers to refill their mail supply. Relay costs are thus incurred in the support of letter foot routes. Costs for relay runs are developed in CS06&7.xls, tab 7.0.5, line 30, and then transferred to the Letter Route Worksheet in CS06&7.xls, tab 7.0.4.1, line 5 so that the costs can be properly distributed to foot routes on line 6.



**DECLARATION**

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

Karen B Meehan

4/10/00

## 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 "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990 Fax -5402  
April 10, 2000