

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

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
UNITED PARCEL SERVICE WITNESS NEELS  
(USPS/UPS-T1-4-6)

Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to United Parcel Service witness Neels: USPS/UPS-T1-4-6.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Susan M. Duchek

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May 26, 2000

USPS/UPS-T1-4. Please refer to your testimony, UPS-T-1, at page 62. You indicate in note 1 to the table that "[v]olume variability is defined as:

$$\frac{\partial \ln C}{\partial \ln FHP} = \frac{\partial \ln C}{\partial \ln TPH} \cdot \frac{\partial \ln TPH}{\partial \ln FHP}.$$

- a. Does your equation omit a subscript (say, "i") indicating the cost pool?
- b. If your response to part (a) is affirmative, confirm that the equation from note

1 may be rewritten as:  $\frac{\partial \ln C_i}{\partial \ln FHP_i} = \frac{\partial \ln C_i}{\partial \ln TPH_i} \cdot \frac{\partial \ln TPH_i}{\partial \ln FHP_i}$ . If not, please provide

a version of the equation that correctly specifies the omitted subscript(s).

USPS/UPS-T1-5. Please refer to your testimony, UPS-T-1, at page 74, lines 20-21. You state that "Postal Service witnesses have argued that increases in cost associated with growth in the number of addresses have no relevance to ratemaking." Please refer further to your testimony at page 75, lines 14-15, where you indicate that growth in the number of delivery points is "costly to accommodate."

- a. Provide detailed citations to the Postal Service testimony you reference in the statement from page 74 quoted above. If you can provide none, what is the basis for the statement?
- b. Do you believe that there are "increases in cost associated with growth in the number of addresses" for mail processing? If not, explain in detail the meaning of the statement from page 75 quoted above.
- c. If there are "increases in cost associated with growth in the number of addresses," how are those costs causally attributable to a subclass of mail as

volume-variable (or marginal cost)? Provide a detailed justification of your response.

- d. If there are "increases in cost associated with growth in the number of addresses," how are those costs causally attributable to a subclass of mail as incremental cost? Provide a detailed justification of your response, including a reconciliation of your response with the discussion of incremental cost provided by witness Sappington in UPS-T-6.

**USPS/UPS-T1-6.** Refer to your analysis of the relationship between FHP and TPF (or TPH, as appropriate).

- a. Confirm that a piece of mail may receive subsequent handlings in cost pools other than the cost pool in which it is recorded for FHP, e.g., pieces without a mailer applied barcode that are initially processed on OCR equipment and receive subsequent handlings on BCS equipment. Explain fully any answer other than an unconditional confirmation.
- b. Does your analysis of the relationship between FHP and TPF account for the fact that the FHP count for a piece and subsequent TPF volume may appear in different cost pools? If so, please explain how.

## 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 cursive script, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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