

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

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POSTAL RATE COMMISSION  
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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

UNITED STATES POSTAL SERVICE NOTICE OF FILING WITNESS PRESCOTT'S  
REBUTTAL TESTIMONY (USPS-RT-26) TO SUPPLEMENTAL TESTIMONY OF  
UNITED PARCEL SERVICE WITNESS SELICK  
(August 24, 2000)

Pursuant to Presiding Officer's Ruling No. R2000-1/108 and in conformity with its notice of intent to file rebuttal testimony filed on August 22, 2000, the United States Postal Service hereby gives notice of the filing rebuttal testimony to the supplemental testimony of United Parcel Service witness Sellick, UPS-ST-1. The testimony is provided by witness Richard Prescott, who has previously filed testimony denominated USPS-RT-24. Witness Prescott is prepared to stand cross-examination on both pieces of testimony during his previously scheduled appearance on Monday August 28, 2000.


Electronic copy of this testimony is being furnished to counsel for United Parcel Service to facilitate preparation for Monday's appearance.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Kenneth N. Hollies

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

SUPPLEMENTAL REBUTTAL TESTIMONY OF  
RICHARD L. PRESCOTT  
ON BEHALF OF THE  
UNITED STATES POSTAL SERVICE

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1 I. INTRODUCTION

2 My name is Richard L. Prescott; I previously presented another piece of  
3 *rebuttal testimony (USPS-RT-24) on the RPW Report production process.* My  
4 background is described in that testimony.

5 This testimony rebuts United Parcel Service (UPS) witness Sellick's  
6 supplemental testimony (UPS-ST-1) which, per Presiding Officer's Ruling No.  
7 R2000-1/108, focused upon information made available in library references  
8 USPS-LR-I-401 and 403 only after intervenors' direct cases were filed.

9

10 II. THE BRPW-BASED ESTIMATES OF REVENUE AND VOLUME, WHOSE  
11 INPUTS ARE DOCUMENTED IN LR-I-194, ARE REPLICATED TO NEAR  
12 PERFECTION BY THE PERMIT SYSTEM EXTRACT FOUND IN LR-I-401  
13

14 The RPW Report provides estimates of revenue, volume, and weight  
15 totals. With respect to the reconciliation effort between the data in LR-I-194 and  
16 LR-I-401, the two most critical of these totals, revenue and volume, replicate to  
17 near perfection. My first piece of rebuttal testimony states:

18  
19 The ultimate question answered in the affirmative by LR-I-401 is,  
20 *does its data substantially replicate the CBCIS extract file used for*  
21 *BRPW. Revenue matches to 0.000017%, volume to -0.000343%,*  
22 *and weight to 4.1%. The revenue and volume differences are*  
23 *miniscule. The weight difference is small. These discrepancies in*  
24 *no sense imply that PERMIT System Parcel Post data should not*  
25 *be used.*

26  
27 (USPS-RT-24 at 15, lines 12-17, as revised on August 22, 2000.) Witness

28 Sellick himself agrees that the volume and revenue numbers replicate to near  
29 perfection, conceding that the replication is accurate to within \$1,000 and 1,000

1 pieces. Tr. 37/17007. These numbers correspond to the percentages quoted  
2 above from my previous testimony.

3 With respect to weight, which is a less critical product in the RPW Report,  
4 the replication is not as good. When UPS informally inquired regarding the  
5 weight replication, we conducted additional analysis, which was shared with  
6 UPS, and found initially that three postage statement records contributed 51 of  
7 the 55 million pounds of error cited by witness Sellick. These appear to be  
8 keystroking errors. While I am not familiar with all the details, our contractors  
9 reported to me their understanding that all but 387 pounds of the weight  
10 difference could ultimately be accounted for. Accordingly, I fundamentally  
11 disagree with witness Sellick's assertion that "The Postal Service has been  
12 unable to explain this discrepancy." UPS-ST-1 at 4, lines 21-22.

13 While insignificant discrepancies still remain unexplained, pursuing an  
14 encyclopedic understanding of all the data differences and establishing a  
15 complete concordance are not worthwhile activities at this stage because they  
16 will not change the basic conclusion already described above in the quote from  
17 my earlier testimony: the CBCIS RPW extract-based revenue and volume  
18 estimates, for all practical purposes, match what can be obtained from the  
19 PERMIT System level transaction data.

20

21

22

1     III.     WITNESS SELICK'S SPECULATION THAT THE PERMIT SYSTEM  
2             INCORRECTLY COUNTS STANDARD MAIL (A) PARCELS AS  
3             STANDARD MAIL (B) PARCEL POST LACKS ANY QUANTITATIVE  
4             SUPPORT AND MERIT  
5

6             Witness Sellick (UPS-ST-1 at 6, lines 7-15) deduces from his  
7     understanding of mail classification rules for Standard Mail (A) paid at Standard  
8     Mail (B) rates that such mail is always Standard Mail (A). Then he questions the  
9     PERMIT System data because in FY 1998 and FY 1999 it recorded Standard  
10    Mail (A) items paid at Standard Mail (B) rates as Standard Mail (B).

11            It is not my role to elucidate mail classification policy, but I would point out  
12    that with Docket No. R97-1 implementation (January 1999), the Postal Service  
13    started requiring Standard Mail (A) paid at Standard Mail (B) rates to be  
14    endorsed with the appropriate Standard Mail (B) marking. Thus, *ipso facto*, from  
15    the Postal Service's perspective these items should be considered Standard  
16    Mail (B) and the PERMIT System's procedures are correct: the FY 1998  
17    estimates do not "...incorrectly count some unknown portion of Standard (A)  
18    parcels as Parcel Post" (UPS-ST-1, at 7, lines 7-8) and the costs of such mail  
19    are also properly accounted for as Standard Mail (B).

20            In these circumstances, the changes in DRPW recording rules for  
21    Standard Mail (A) paid at Standard Mail (B) rates that witness Sellick discusses  
22    (UPS-ST-1 at 7, lines 10-15 and elsewhere) make perfect sense. Prior to  
23    Docket No. R97-1 implementation, DRPW classified these items as Standard  
24    Mail (A) primarily based on the presence of the original Standard Mail (A)

1 marking. After the implementation, DRPW recording policy changed and  
2 classification became primarily based on the newly required Standard Mail (B)  
3 endorsements. DRPW followed standard procedure by classifying this mail as it  
4 was endorsed.

5

6 IV. WITNESS SELICK PRESENTS AN INAPPROPRIATE COMPARISON OF  
7 CARRIER COST PARCEL POST VOLUME TO DRPW PARCEL POST  
8 VOLUME  
9

10 Witness Sellick incorrectly claims that "Volume information in the Postal  
11 Service's City Carrier Cost System ... corroborates the DRPW-only results."  
12 UPS-ST-1, at 8, lines 10-11. The Carrier Cost System is not my area of  
13 expertise, but after witness Sellick's supplemental testimony became available,  
14 witness Harahush pointed out to me his response to a question from  
15 Commissioner Goldway concerning the relationship between DRPW and the  
16 Carrier Cost Systems. The following is an excerpt from that response:

17 The RPW system estimates volume of mail for all forms of delivery.  
18 The RCCS estimates volume for rural carrier routes, while the  
19 CCCS estimates volume for city letter routes. As a result, the RPW  
20 system includes mail delivered to customers via other delivery  
21 methods – firm holdouts, box sections, and extremely large mail  
22 recipients, for example. Volumes of mail not delivered on rural and  
23 city letter routes but counted in RPW will contribute to volume  
24 differences shown in the attached table.  
25

26 Response of United States Postal Service Witness Harahush to Questions  
27 Asked During Hearings (May 10, 2000.)

1           Given these definitional differences between DRPW and the Carrier Cost  
2 systems, the data witness Sellick presents do not impugn the use of PERMIT  
3 System permit imprint Parcel Post data in RPW. On the contrary, they support  
4 it. The fact that the Carrier Cost System's results, which by definition do not  
5 represent the universe of Parcel Post volume, align with DRPW implies that  
6 DRPW is missing parcel post volume. This is why the Postal Service uses  
7 PERMIT System permit imprint Parcel Post in the RPW report.

8  
9       V.     WITNESS SELICK'S CRITICISM OF THE PERMIT SYSTEM FOR ITS  
10            INABILITY TO DETERMINE WEIGHT BY RATE CATEGORY AND ZONE  
11            IGNORES THE FACT THE POSTAL SERVICE DOES NOT USE PERMIT  
12            SYSTEM DATA FOR THAT PURPOSE AND IS IRRELEVANT TO  
13            AGGREGATE VOLUME AND REVENUE ESTIMATES  
14

15           In his supplemental testimony at pages 10-14, witness Sellick attempts to  
16 impugn the use of all PERMIT System permit imprint Parcel Post data by  
17 critiquing BRPW Parcel Post estimates of weight by rate category and zone.  
18 "The Postal Service's RPW results assume that BRPW provides accurate weight  
19 estimates by rate category and zone. That is not correct." UPS-ST-1 at 10, lines  
20 13-14. He then proceeds to illustrate the difficulties in using PERMIT System  
21 data to construct weight by rate category and zone distribution.

22           This criticism completely misses the mark because the base year RPW  
23 total estimates are independent of the BRPW weight estimates by rate category  
24 and zone. The base year RPW total estimates depend on BRPW estimates for  
25 total revenue, volume and weight, respectively, not on how any of these three



1 items are distributed across rate category and zone. Therefore, from the  
2 perspective of supporting the use of PERMIT System Parcel Post data in the  
3 RPW report, his technical arguments are irrelevant.

4 It is my understanding that in order to estimate weight by product category  
5 (i.e., "VIP Code") for nonidentical weight-per-piece mailings, a distribution of  
6 total weight to product category based on product volume is required. However  
7 this artifice in no way contributes to the generation of billing determinants; it is  
8 merely part of the creation of the CBCIS RPW extract file. My understanding  
9 from witness Mayes is that while certain types of distributed data are needed for  
10 billing determinant purposes, the strengths and weaknesses of the PERMIT  
11 System in this regard are well understood and PERMIT System data are not  
12 used to distribute weight to rate category and zone; total weight is the sole  
13 PERMIT System input to billing determinants.

14

## 15 VII. SUMMARY AND CONCLUSIONS

16 In this testimony, I address witness Sellick's supplemental testimony in  
17 UPS-ST-1. I show that the data discrepancies issue has no practical or material  
18 impact on the BRPW permit imprint Parcel Post estimates found in the RPW  
19 Report for FY 1998 or FY 1999. Additionally, I show that two of his lines of  
20 argument, (a) Standard Mail (A) paid at Standard Mail (B) rates and (b) the  
21 quality of PERMIT System weight distribution data, are inapplicable or irrelevant.  
22 Finally, his testimony on the similarity of Carrier Cost System and DRPW volume  
23 estimates works against his own argument. In my opinion, his criticisms and

- 1 concerns are incorrect and unwarranted, and PERMIT System permit imprint
- 2 Parcel Post data are the appropriate inputs for the RPW Report production
- 3 process.

## 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.

K N Hollies

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