

**BEFORE THE  
POSTAL RATE COMMISSION**

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**POSTAL RATE AND FEE CHANGES, 2001**

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**DOCKET NO. R2001-1**

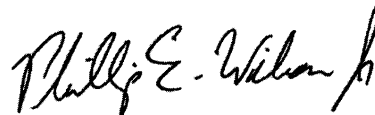
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**INTERROGATORIES OF UNITED PARCEL SERVICE TO  
UNITED STATES POSTAL SERVICE WITNESS KIEFER  
(UPS/USPS-T33-33 through 43)  
(December 10, 2001)**

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Pursuant to the Commission's Rules of Practice, United Parcel Service hereby files and serves the following interrogatories directed to United States Postal Service witness Kiefer: UPS/USPS-T33-33 through 43.

Respectfully submitted,



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UPS/USPS-T33-33. Refer to library reference USPS-LR-J-106, WP-PP-1, line 18(a), 18(b) and 18(c), workpaper WP-PP-20, and USPS-T-25, Table X-1: Final Adjustments (\$000).

(a) Confirm that the TYBR Total Adjusted Volume Variable Cost of \$1,124,669,905 shown in workpaper WP-PP-1 is net of \$163,429 thousand of TYBR Parcel Post final adjustments. If not confirmed, explain.

(b) Confirm that the TYBR Total Purchased Transportation Costs of \$387,206,000 is not net of the \$78,379 thousand TYBR Parcel Post transportation cost final adjustment. If not confirmed, explain.

(c) Confirm that the TYBR Total Purchased Transportation Costs used in WP-PP-1 should be net of final adjustments in order to properly derive piece-related costs in workpaper WP-PP-20. If confirmed, explain why the figure is not net of final adjustment. If not confirmed, explain in detail.

(d) Confirm that the TYBR Total Vehicle Service Driver Costs in workpaper WP-PP-1 of \$106,051,780 are not net of TYBR Parcel Post Vehicle Service Driver final adjustments of \$11,787 thousand.

(e) Confirm that the TYBR Total Vehicle Service Driver Costs in workpaper WP-PP-1 should be net of final adjustments in order to properly derive piece related costs in workpaper WP-PP-20. If confirmed, explain why the figures are not net of final adjustments. If not confirmed, explain in detail.

UPS/USPS-T33-34. Refer to library reference USPS-LR-J-106, workpaper WP-PP-1, line 18(c).

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(a) Confirm that a piggyback factor of 1.516 has been applied to the TYBR Vehicle Service Driver costs.

(b) Explain why a piggyback factor was applied to the TYBR Vehicle Service Driver costs.

(c) Explain in detail why the final adjustment piggyback factor for Vehicle Service Drivers of 1.141 (see USPS-T-15, Attachment 11) was not applied instead of 1.516.

UPS/USPS-T33-35. Refer to your response to interrogatory UPS/USPS-T33-1(c), (f), and (i) where costs for the 3-pound Destination Delivery Unit (“DDU”) destination entry parcel are referred to as “unadjusted.”

(a) Are you referring only to the mail processing costs, including piggyback, for DDU destination entry pieces of 34.6 cents per piece obtained from Witness Eggleston’s Parcel Post analysis contained in library reference USPS-LR-J-64, Attachment A, or are there other costs that need to be “adjusted”? If there are other costs, identify each cost that should be “adjusted”.

(b) Confirm that you are referring to the final adjustment process, which in the case of Parcel Post, has been performed by Witness Eggleston, in library reference USPS LR-J-64, Attachment I. If not confirmed, explain in detail the adjustment(s) to which you are referring.

(c) Confirm that the final adjustments for Parcel Post adjust Test Year Parcel Post costs for the differing volume mix by rate category from the Base Year to the Test Year. If not confirmed, explain.

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(d) Confirm that, in adjusting Parcel Post costs, the final adjustments use Witness Eggleston's Parcel Post mail processing and transportation cost estimates by rate category derived in library reference USPS-LR-J-64, Attachment A and B. If not confirmed, explain.

(e) Why will the application of final adjustments to Parcel Post overall costs impact the underlying cost by rate category of Parcel Post derived by Witness Eggleston?

UPS/USPS-T33-36. Refer to your response to interrogatory UPS/USPS-T33-1(g) and to workpapers WP-PP-20 and WP-PP-1 from library reference USPS-LR-J-106. Confirm that the mark-up included in the per piece component of your preliminary Parcel Post rates, including that applicable to Destination Delivery Unit ("DDU") destination-entry parcels, is  $\$564,137,378 \times (1.03) \times (15.26\%) / 405,633,782$  pieces, or 21.9 cents per piece. If not confirmed, explain in detail.

UPS/USPS-T33-37. Refer to your response to interrogatory UPS/USPS-T33-1(e) and to workpaper WP-PP-20 from library reference USPS-LR-J-106. Confirm that the delivery confirmation cost assessed to each Parcel Select piece, including Destination Delivery Unit ("DDU") destination-entry parcels, in deriving preliminary rates is 3.8 cents per piece (including contingency and the markup used to derive preliminary rates). If not confirmed, explain in detail.

UPS/USPS-T33-38. Refer to your response to interrogatory UPS/USPS-T33-1(f) regarding the per piece costs used in the calculation of the cost of a 3-pound

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Destination Delivery Unit (“DDU”) destination entry piece not being adjusted to “remove weight-related non-transportation costs.”

(a) Confirm that, in your Parcel Post rate design, weight-related non-transportation costs are removed from the per piece charges and replaced by weight-related non-transportation costs included in the per pound charges. If not confirmed, explain.

(b) Refer to workpaper WP-PP-20 from library reference USPS-LR-J-106. Confirm that the weight-related non-transportation costs removed from the per piece charges in your Parcel Post rate design is 12.1 cents (obtained by dividing \$49,060,830 of weight-related non-transportation costs by the number of TYBR pieces of 405,633,782), excluding contingency. If not confirmed, explain.

(c) Refer to workpaper WP-PP-16, from library reference USPS-LR-J-106. Confirm that the weight-related non-transportation cost for a 3-pound DDU destination entry parcel applied in your Parcel Post rate design is 6.9 cents per piece, excluding contingency. If not confirmed, explain.

(d) Confirm that in your Parcel Post rate design the costs applied to a 3-pound DDU parcel in deriving preliminary rates is reduced by 5.2 cents (12.1 cents minus 6.9 cents), excluding contingency, by application of the weight-related non-transportation cost calculation. If not confirmed, explain.

UPS/USPS-T33-39. Refer to your response to interrogatory UPS/USPS-T33-1(f). Confirm that, prior to any potential “adjustment” to the 34.6 cent mail processing cost for Destination Delivery Unit (“DDU”) destination-entry parcels:

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(a) The total of city and rural carrier, mail processing, and transportation costs for a 3-pound DDU destination entry piece is 78.5 cents ( $37.7 + 34.6 + 6.2$ ) per piece (excluding contingency). If not confirmed, explain.

(b) Accepting the need to adjust non-transportation costs for weight would reduce the cost of 78.5 cents per piece cost by 5.2 cents per piece (excluding contingency) for a 3-pound DDU parcel. If not confirmed, explain.

(c) This yields a cost for a 3-pound DDU destination entry piece of 73.3 cents per piece ( $78.5 - 5.2$ ) excluding contingency, and 75.5 cents per piece with a 3.0% contingency applied. If not confirmed, explain in detail.

(d) Adding to this total the delivery confirmation charges (including markup and contingency) of 3.8 cents per piece, the per piece markup used in deriving preliminary rates of 21.9 cents per piece, and the per pound markup used in deriving preliminary rates of 2.2 cents per piece, yields a total cost, including the markup used in deriving preliminary rates, for a 3-pound DDU destination entry piece of \$1.03.4. If not confirmed, explain.

UPS/USPS-T33-40. Refer to your response to interrogatory UPS/USPS-T33-1(i) regarding taking "into account the impacts of revenue offsets, such as from surcharges," in deriving the cost plus markup of a 3-pound Destination Delivery Unit ("DDU") destination entry piece.

(a) Confirm that preliminary rate markups per piece are used both in the bottom-up calculation in interrogatory UPS/USPS-T33-1 of the cost, plus markup, of a

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3-pound DDU destination entry piece and the preliminary rate you derive for a 3-pound DDU destination entry piece. If not confirmed, explain.

(b) Explain why a bottom-up cost analysis that applies the same markup as used in preliminary rates needs to take into account the impact of revenue offsets when the results of the bottom-up cost analysis is being compared to the preliminary rate.

UPS/USPS-T33-41. Refer to your response to interrogatory UPS/USPS-T33-1(i). Confirm that, in your Parcel Post rate design, in the absence of rate change constraints, preliminary Parcel Post rates will equal final Parcel Post rates. If not confirmed, explain in detail.

UPS/USPS-T33-42. Refer to your response to interrogatory UPS/USPS-T33-1(h)(iii) and workpaper WP-PP-21, from library reference USPS-LR-J-106.

(a) Confirm that intra-BMC (Bulk Mail Center) Zone 1 through 5 pieces 3-pound pieces have a per pound charge of \$1.5825 per piece applied in deriving preliminary rates. If not confirmed, explain.

(b) Confirm that the preliminary rate markup (using the markup factor of 15.26%) embodied in this per pound charge for a 3-pound intra-BMC Zone 1 through 5 piece is 21.0 cents. If not confirmed, explain.

(c) Explain why the preliminary rate markup in the per pound charge for a 3-pound piece should be 21.0 cents for an intra-BMC piece, but only 2.2 cents for a Destination Delivery Unit (“DDU”) destination entry piece when DDU destination entry is a workshared rate category.

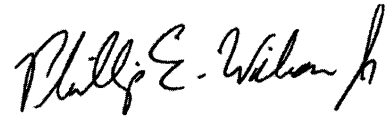
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UPS/USPS-T33-43. Refer to Witness Eggleston's response to UPS/USPS-T25-26 regarding the uncertainty associated with the cube and the corresponding costs for 1-pound Parcel Post parcels (e.g., extremely light parcels cannot be sorted using a parcels sorting machine). Given this uncertainty, why is it appropriate for there to be a different rate for 1 and 2 pound Parcel Post pieces?



CERTIFICATE OF SERVICE

I hereby certify that on this date I have caused to be served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Rules of Practice.



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Phillip E. Wilson, Jr.

Dated: December 10, 2001  
Philadelphia, PA

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