

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

EXPERIMENTAL PARCEL RETURNS SERVICES

Docket No. MC2003-2

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JAMES KIEFER TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T3-14)

The United States Postal Service hereby files the response of witness James Kiefer to the following interrogatory of the Office of the Consumer Advocate:

OCA/USPS-T3-14, filed on June 18, 2003.

The 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

Brian M. Reimer
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3037; Fax -3084
June 23, 2003

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OCA/USPS-T3-14. The following interrogatory relates to the inclusion of the costs of electronic Delivery Confirmation in Parcel Select RDU and RBMC rates.

- a. Please confirm that the cost of electronic delivery confirmation is currently reflected in the costs and rates of the existing Parcel Select rates. If you are unable to confirm, please explain.
- b. As a simple summary of the method used to develop Parcel Select RDU and RBMC rates, please confirm that the following is correct: (1) you developed forecasted Parcel Select RDU and RBMC volumes; (2) you determined the cost savings for RDU and RBMC products; and (3) you developed a discount reflecting the passthrough of a portion of the mail processing and transportation RDU and RBMC savings which was then subtracted from the current Parcel Select rates to derive the proposed parcel return rates? If you are unable to confirm, please explain.
- c. Please confirm that your proposed discounted rates continue to include the cost of providing electronic Delivery Confirmation. If you are unable to confirm, please provide a summary of your methodology.

RESPONSE:

- a. Confirmed.
- b. Not confirmed.

Item (1) is not correct to the extent that it indicates that a volume estimate was required prior to the development of cost savings and rates. While my workpapers do employ estimates of PSRS volumes as inputs, these are not required to develop the per-piece savings and rates. They are only used to estimate total revenue and cost impacts. The key elements for determining rates are not the total volumes, but the volume distributions which, as was stated in my testimony and workpapers, were taken from Docket No. R2001-1 data. For this reason, the same per-piece savings, discounts and rates would emerge, regardless of the estimated total volume of PSRS parcels.

Item (2) is substantially correct.

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Item (3) is incorrect. As described in my testimony (USPS-T-3, at 9-10) and in my workpapers (WP-PRS-10, See, especially, notes [1] and [2]), the benchmark rates for PSRS RBMC were the Intra-BMC zoned rates. Also, as described in my testimony (at pages 7-8), the RDU regular-sized piece rate is based on passing through a portion of the average savings of all RDU regular-sized parcels from the average revenue that these pieces would have paid using the benchmark rates, *Parcel Post* Intra-BMC Local rates. *Parcel Select* rates were not used as the basis for any PRS rates and do not appear in my workpapers.

- c. Not confirmed. See the response to part (b) above. Since the benchmark for PSRS rates is not Parcel Select rates, but Parcel Post Intra-BMC rates, the proposed rates do not include any costs for electronic Delivery Confirmation. My methodology for developing regular-sized PSRS rates is summarized in my testimony (USPS-T-3, at 7-10). A briefer summary is contained in the response to part (b), above.

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.

Brian M. Reimer

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