

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

PARCEL RETURN SERVICE

Docket No. MC2006-1

**RESPONSES OF POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T2-1-8, 11)**

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories the Office of the Consumer Advocate, filed on November 3, 2005: OCA/USPS-T2-1-8, 11. Responses to OCA/USPS-T2-9-10 are forthcoming.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-1. Please refer to attachment G of your testimony, the table titled "Postage Due Sampling Ratio, USPS Sample Size by Volume Range[1]."

- a. Please confirm that, for the range 1 – 19, all 19 pieces were counted. If you are unable to confirm, please specifically identify the number of pieces counted and the derivation of all calculated values.
- b. Please confirm that for the range 20 – 99, 16 pieces (20 percent rounded) were counted. If you are unable to confirm, please specifically identify the number of pieces counted and the derivation of all calculated values.
- c. Please confirm that for the range 100 – 199, 15 pieces (15 percent) were counted. If you are unable to confirm, please specifically identify the number of pieces counted and show the derivation of all calculated values.
- d. Please confirm that for the range 200 – 299, 10 pieces (10 percent) were counted. If you are unable to confirm, please specifically identify the number of pieces counted and the derivation of all calculated values.

RESPONSE:

The referenced table is the guide that should be followed when PRS sampling activities are performed. It is my understanding that no study has been conducted to verify field compliance. When the term "were counted" is used in these interrogatories, it is assumed that the term "should be sampled" is what the author actually meant.

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.

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OCA/USPS-T2-2. The following interrogatory refers to Attachment C, page 2, footnote 1, of your testimony and Attachment C, page 2, footnote 1 of USPS witness Eggleston's, Docket No. MC2003-2 testimony. The source you both reference for your "productivities (units per Wkhr)" is Docket No. R97-1, LR-H-132, page 329. However, none of the productivities you use in your Attachment C, page 2 match those used by witness Eggleston. Please fully explain why the unloading productivities and the dump containers and sack shake out productivities are not the same as used by witness Eggleston though you both reference the same source. Include in your response the derivation of all calculated values, cite all sources relied upon and provide copies of those sources not previously filed in this docket.

RESPONSE:

The productivities in question are "marginal" productivities that have been adjusted to reflect the Postal Service volume variability cost methodology (i.e., the actual productivity values are divided by volume variability factors). If you look at the formula in the cells, the base productivity figures filed in the instant proceeding are identical to those relied upon in Docket No. MC2003-2. The reason the marginal productivity values differ is the fact that different volume variability factors were used. Witness Eggleston relied on Docket No. R2001-1 volume variability factors. In the instant proceeding, I have relied on Docket No. R2005-1 volume variability factors.

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OCA/USPS-T2-3. In your testimony in Docket No. R2005-1 (USPS-T-20 at 3), you note that that Singulation Scan Induction Units (SSIU) have been added to the Secondary Parcel Sorting Machine (SPSM) and that updated Government Fiscal Year (GFY) 2003 Productivity Information Management System (PIMS) productivities were used in the models.

- a. Please provide a copy of the GFY 2003 PIM if one has not been previously filed or provide a reference to the Commission's files if it has been filed.
- b. Please fully explain how the impact of the SSIU has affected the Secondary Parcel Sort. Cite all source documents referenced, provide copies of all source documents not previously filed in this docket, and the derivation of all calculated values.

RESPONSE:

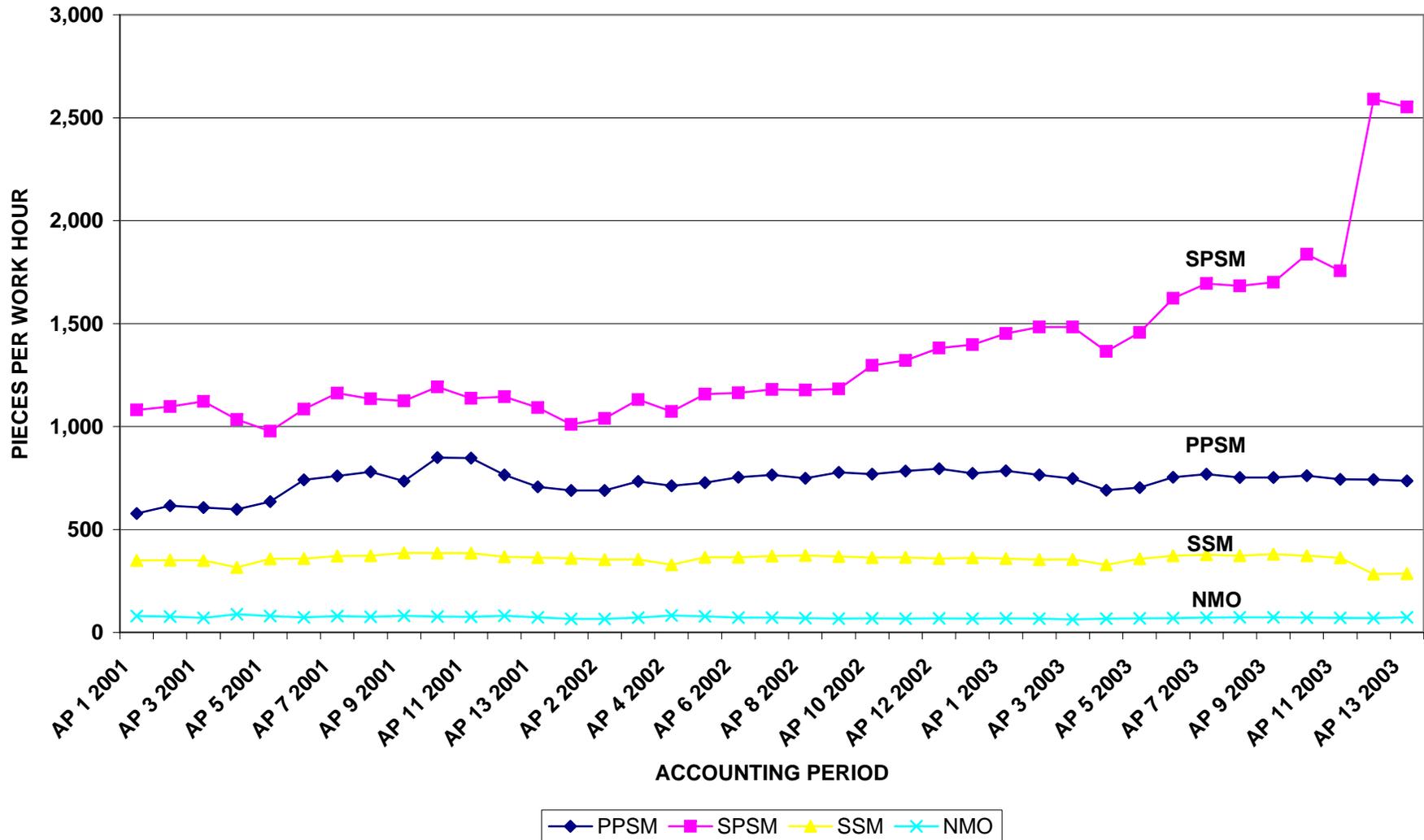
(a) Please see Attachment 1.

(b) Please see Attachment 1 and the response to Docket No. R2005-1, POIR No. 4, Question 5.

FY 2003 PIMS DATA

<u>Description</u>	<u>Op. No.</u>	<u>Value</u>
PPSM Total Volume	120	1,079,067,306
Workhours	120	1,448,700
Productivity	120	744.852
SPSM Total Volume	130	931,329,398
Workhours	130	559,583
Productivity	130	1,664.328
SSM Total Volume	140	376,627,015
Workhours	140	1,081,212
Productivity	140	348.338
NMO Total Volume	201 / 202	121,663,627
Workhours	201 / 202	1,772,233
Productivity	201 / 202	68.650

**PIMS PRODUCTIVITIES FOR PPSM, SPSM, SSM, NMO OPERATIONS
 AP 1 FY 2001 - AP 13 FY 2003**



AP / FY	PPSM	SPSM	SSM	NMO
AP 1 2001	577	1,081	349	79
AP 2 2001	615	1,097	350	77
AP 3 2001	606	1,121	350	71
AP 4 2001	598	1,034	315	88
AP 5 2001	635	977	357	80
AP 6 2001	741	1,084	359	73
AP 7 2001	759	1,162	371	80
AP 8 2001	780	1,134	373	75
AP 9 2001	734	1,125	386	80
AP 10 2001	849	1,193	386	77
AP 11 2001	846	1,138	385	75
AP 12 2001	764	1,145	368	80
AP 13 2001	707	1,091	363	73
AP 1 2002	689	1,010	359	66
AP 2 2002	689	1,040	353	65
AP 3 2002	734	1,131	354	72
AP 4 2002	712	1,073	329	82
AP 5 2002	727	1,158	365	78
AP 6 2002	753	1,163	364	72
AP 7 2002	765	1,180	371	72
AP 8 2002	749	1,177	374	69
AP 9 2002	778	1,182	369	67
AP 10 2002	768	1,296	363	68
AP 11 2002	784	1,321	364	67
AP 12 2002	795	1,382	359	68
AP 13 2002	772	1,397	362	66
AP 1 2003	784	1,452	358	68
AP 2 2003	765	1,483	353	66
AP 3 2003	747	1,484	355	62
AP 4 2003	691	1,365	328	66
AP 5 2003	703	1,456	357	67
AP 6 2003	754	1,622	372	69
AP 7 2003	769	1,695	377	71
AP 8 2003	752	1,682	372	72
AP 9 2003	752	1,700	380	72
AP 10 2003	761	1,836	373	71
AP 11 2003	744	1,756	362	70
AP 12 2003	743	2,590	283	70
AP 13 2003	735	2,553	285	73

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OCA/USPS-T2-4. The following refers to your testimony, in this docket, at pages 2 and 3. You state, "Window service adjustments have then been made using Docket No. R2005-1 Base Year 2004 data." Please fully explain the window service adjustments that were made. Include in your response, each adjustment made, the rationale for that change, the derivation of all calculated values, cite all sources and provide copies of all source documents not previously filed in this docket.

RESPONSE:

The use of the word "adjustments" may have caused confusion. The methodology used in the instant proceeding is identical to that relied upon by witness Eggleston in Docket No. MC2003-2, with the exceptions that I describe on pages 2 and 3 of my testimony.

Witness Eggleston, however, relied on data from Docket No. R2001-1. I rely on base year 2004 data from Docket No. R2005-1 to complete my analysis. Therefore, the data contained in column G in Attachment B pages 2 and 3 of my cost study differ from those relied upon by witness Eggleston in Docket No. MC2003-2.

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OCA/USPS-T2-5. The following refers to your testimony Attachment C, page 2 and USPS witness Eggleston's testimony, Attachment C, page 2, in Docket No. MC2003-2. The variabilities used in witness Eggleston's testimony differ from the variabilities you use in your testimony for: (1) BMC Platform, (2) BMC Other, (3) PSM, (4) SSM, (5) NMO Distribution at BMCs, (6) Platform Non-BMC, (7) NMO Distribution at Non-BMCs, and (8) LDC43.

- a. If the variabilities used in your testimony Attachment C, page 2, as listed above, differ from the variabilities utilized in the recent Commission opinion in Docket No. R2005-1, please resubmit all pages of your Attachment C using the same variability values as used by the Commission for the rates recommended in that opinion and include in your response a variability for SPBS that is comparable to the SSB variability used by the Commission in the opinion.
- b. If in response to part a, above, you resubmit page 2 of Attachment C using different variabilities, please update all related Tables, Attachments and workpapers impacted by the change in your testimony in this docket.

RESPONSE:

(a)-(b) Witness Eggleston's analysis relied upon Docket No. R2001-1 volume variability data. My analysis relied upon Docket No. R2005-1 volume variability data and is compatible with the cost study filed as USPS-LR-K-46 in that docket. In looking at the Commission's Docket No. R2005-1 Opinion and Recommended Decision as well as the associated library references filed on November 1, 2005, it is my understanding that no cost studies were filed in support of rate design. Consequently, no PRC version of the Parcel Post cost model inputs are available.

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OCA/USPS-T2-6. The following refers to your testimony, Attachment C, page 4. You cite footnote "21/" for probabilities that PRS mail is processed on either a PPSM or a SPSM; however, you have omitted the note. Please provide a cite to the source of the probabilities, provide a copy of the source document if one has not been previously filed in this docket, and the derivation of all calculated values.

RESPONSE:

In looking at both my records and the file that is posted on the Commission website, footnote "21/" in Attachment C, page 4 does appear to have a citation which indicates that the source of the data were the "August 2005 BMC PRS Survey."

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OCA/USPS-T2-7. The following refers to your testimony, Attachment C, page 5. "Rows (1&2)" of Attachment C, page 5, references Docket No. R2001-1, LR-J-64, Attachment A, page 6. Docket No. R2001-1, LR-J-64, Attachment A, page 6 indicates that the value for "inter-BMC that is retail" is 36.7 and is a proxy for the percent of Parcel Post entered at an AO.

- a. Please explain why you use 25.6 percent for inter-BMC that is retail instead of the 36.7 used by USPS witness Eggleston in Attachment C, page 5, of her testimony in Docket No. MC2003-2.
- b. If the value you use (25.6 percent) is a calculated value, please provide the derivation, cite all sources relied upon and provide copies of those source documents not been previously filed in this docket.

RESPONSE:

(a) The formula relied upon by witness Eggleston is identical to that used in the instant proceeding. The calculation relies on volume data in the table above the formulas on the same page. Given that the volumes witness Eggleston relied upon were FY 2000 volumes and the volumes I have relied upon are FY 2004 volumes, the results differ.

(b) The formula was based on FY 2000 ODIS data. The data were used to estimate the percentage of Inter-BMC that was entered via retail channels. The results of that analysis showed that 5.4 percent of the total Parcel Post mail volume consisted of Inter-BMC "retail" pieces. In the analysis, the term "retail" was defined as single-piece Parcel Post mail pieces bearing stamps or PVI indicia. The formula is shown below:

$$0.054 * (\text{BY Total Parcel Post volume}) / (\text{BY Inter-BMC Parcel Post volume})$$

Given that Inter-BMC is not a part of the PRS analysis, it should be noted that this figure has no bearing on the PRS cost study results.

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OCA/USPS-T2-8. The following refers to your testimony, Attachment C, page 5. "Rows (1&2)" of Attachment C, page 5, references Docket No. R2001-1, LR-J-64, Attachment A, page 6. Docket No. R2001-1, LR-J-64, Attachment A, page 6 indicates that the value for "intra-BMC that is retail" is 32.2 percent and is a proxy for the percent of Parcel Post entered at an AO.

- a. Please explain why you use 38.5 percent for intra-BMC that is retail instead of the 32.2 used by USPS witness Eggleston in Attachment C, page 5, of her testimony in Docket No. MC2003-2.
- b. If the value you use (38.5 percent) is a calculated value, please provide the derivation, cite all sources relied upon and provide copies of those source documents if they have not been previously filed in this docket.

RESPONSE:

(a) The formula relied upon by witness Eggleston is identical to that used in the instant proceeding. The calculation relies on volume data in the table above the formulas on the same page. Given that the volumes witness Eggleston relied upon were FY 2000 volumes and the volumes I have relied upon are FY 2004 volumes, the results differ.

(b) The formula was based on FY 2000 ODIS data. The data were used to estimate the percentage of Intra-BMC that was entered via retail channels. The results of that analysis showed that 3.2 percent of the total Parcel Post mail volume consisted of Intra-BMC "retail" pieces. In the analysis, the term "retail" was defined as single-piece Parcel Post mail pieces bearing stamps or PVI indicia. The formula is shown below:

$$0.032 * (\text{BY Total Parcel Post volume}) / (\text{BY Intra-BMC Parcel Post volume})$$

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OCA/USPS-T2-11. Please refer to storage cost estimates in your testimony at page 5.

- a. For calculating the daily cost of storage space, please explain why you chose to use 303 delivery days rather than the 250 days per year formerly used by witness Eggleston.
- b. What “other postal analyses” use 303 days per year?

RESPONSE:

(a) My reasoning for making this change is explained in Docket No. MC2006-1, USPS-T-2, page 5 at lines 5-20. In order to be consistent, it is my understanding that the 303 delivery days figure should probably have been used in Docket No. MC2003-2. The 250 days figure looks, in my opinion, to reflect the number of work days per year per employee (total possible work days less vacation and holidays).

(b) I have not attempted to determine exactly what analyses rely on the 303 delivery days per year figure; it is my understanding that any analysis which requires a delivery days per year figure typically relies on the figure I have used in the instant proceeding. Furthermore, it appears more reasonable to me. The Postal Service (predominantly) processes and delivers mail six days per week, excluding holidays. When one multiplies 6 days per week by 52 weeks per year, the total number of days is 312 days. When the number of postal holidays (10) is subtracted, the number of delivery days per year is 302. I do not know why 303 delivery days per year, rather than 302, is the official figure used for estimating purposes.

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.

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November 17, 2005