

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
TO UNITED PARCEL SERVICE WITNESS LUCIANI (USPS/UPS-T2-3-12)
(September 20, 2006)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service hereby directs the following interrogatories to United Parcel Service witness Luciani: USPS/UPS-T2-3-12.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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USPS/UPS-T2-3 In your autobiographical sketch you state, "Over the past eleven years, I have visited and observed operations at Postal Service facilities on a number of occasions, including two visits to the Washington BMC and visits to two different Sectional Center Facilities, three Associate Offices/Delivery Units, and an Air Mail Center." Please estimate the dates that these eight field visits occurred. Also, please provide the names of the Sectional Center Facilities, Delivery Units, and Air Mail Center that you visited.

USPS/UPS-T2-4 In your testimony on page 2, lines 22 to 23, you state, "The Postal Service's mail processing cost model for Parcel Post is based on outdated studies..." Please confirm that the age of a study does not necessarily compel a conclusion that the results from that study are no longer accurate or reliable. If you do not confirm, please explain how age alone is a sufficient reason to reject the results of a study.

USPS/UPS-T2-5 Please refer to page 7, lines 16 to 20, of your testimony, in which you state at footnote 14, "The possibility that a small number of Parcel Post pieces may be entered at a DDU is not as unrealistic as witness Miller suggests in this interrogatory response." Have you conducted any field observations at mailer facilities or analyzed mailer data concerning the number of pieces of Parcel Post entered per delivery unit? If so, please indicate the number of facilities observed, the dates of observations, and summarize your findings.

USPS/UPS-T2-6 Please refer to page 7, lines 16 to 20, of your testimony, in which you state at footnote 14, "The possibility that a small number of Parcel Post pieces may be entered at a DDU is not as unrealistic as witness Miller suggests in this interrogatory response."

(a) Please confirm that the interrogatory response you reference is the response to UPS/USPS-T21-6(c). If you do not confirm, please explain.

(b) Is it your testimony that because DDU-entry mailers are allowed to enter as little as one Parcel Post parcel at a time at a DDU, the pieces-per-container figure for the Move Containers from Dock operation at the DDU for that mail should be revised? If this is not your testimony, please explain.

(c) Please confirm that the container in which a given mailing is entered at a Delivery Unit may not necessarily be the container in which that mailing is housed when it is moved from the dock to the parcel sorting operation. For example, after being entered and accepted, DDU mail pieces could be placed in rolling stock that already contains mail dispatched from the BMC or plant. If you do not confirm, please explain.

USPS/UPS-T2-7 On page 8, lines 1 to 2, you discuss the delivery unit costs associated with sorting parcels from the 5-digit level to the carrier route level.

(a) Please describe your understanding as to what occurs in this operation.

(b) To your knowledge, has this operation changed since 1982? If so, how has it changed?

USPS/UPS-T2-8 In your testimony on pages 7 to 9 you criticize various cost model inputs. Have you conducted any studies which indicate that any, or all, of these inputs are invalid? If so, please provide the results of those studies and indicate which cost model input each study affects.

USPS/UPS-T2-9 In your testimony on page 11, lines 16 to 17, you state, "There is simply no relevant available knowledge of where in the postal system the modeled costs are being misestimated." Please confirm that any of the cost model inputs you describe on pages 7 to 9 could underestimate, exactly estimate, or overestimate the actual values. If you do not confirm, please explain.

USPS/UPS-T2-10 In your testimony on page 9, lines 10 to 12, you state, "Beginning with Docket No. R2001-1, the Postal Service has applied a 'CRA Proportional Adjustment Factor' to increase its modeled mail processing cost avoidances for DBMC-entry parcels, DSCF-entry parcels, and DDU-entry parcels."

(a) Please confirm that the reason the CRA Proportional Adjustment Factor is applied to the modeled costs is to, as you state on lines 13-14 of page 9 of your testimony, "true up" those costs with the CRA costs. If you do not confirm, please explain.

(b) Please confirm that your statement on page 9, lines 10 to 12, of your testimony does not mean that the reason CRA Proportional Adjustment Factors are used in the cost models is to increase mail processing cost avoidances, but means rather that the specific CRA Proportional Adjustment Factors calculated in the Parcel Post cost models since Docket No. R2001-1 have had the effect of increasing those cost avoidances. If you do not confirm, please provide citations from the parcel cost witnesses' testimonies in Docket Nos. R2001-1, R2005-1, and/or R2006-1 which indicate that the reason CRA Proportional Adjustment Factors are applied in the cost models is to increase mail processing cost avoidances.

(b) Please confirm that CRA adjustment factors have historically been relied upon by both the Postal Service and the Commission when estimating costs for cards/letters, flats, and parcels. If you do not confirm, please explain.

USPS/UPS-T2-11 In your testimony on page 9, lines 13 to 16, you state, "The size of the factor the Postal Service uses to 'true up' the modeled costs with cost numbers contained in its Cost and Revenue Analysis Report ('CRA') costs pools strongly suggests that something is wrong with the Postal Service's Parcel Post mail processing cost model."

(a) Please confirm that any cost model is going to represent a simplified version of reality. If you do not confirm, please explain.

(b) Please confirm that it is possible that some tasks included in the costs pools that have been classified as "proportional" may include tasks that are not included in the cost models. If you do not confirm, please explain.

USPS/UPS-T2-12 In your testimony on page 11, lines 7 to 9 you state, "While a few percentage points of adjustment up or down to the modeled worksharing cost avoidances may be acceptable, the application of a 19.4 % gross-up factor to inflate all worksharing cost avoidances is problematic." In using the word "few," is it your view that a CRA Proportional Adjustment Factor which falls in the range of 0.97 to 1.03 would be deemed acceptable, and anything outside that range would be deemed unacceptable? If your response is anything other than an unqualified "yes," please define and provide a rationale for what you believe to be an acceptable CRA proportional adjustment factor range.