

**BEFORE THE
POSTAL RATE COMMISSION**

POSTAL RATE AND FEE CHANGES, 2006

DOCKET NO. R2006-1

**RESPONSES OF UNITED PARCEL SERVICE WITNESS LUCIANI
TO FOLLOW-UP INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
(PSA/UPS-T2-11 through 13)
(October 30, 2006)**

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby files the responses of UPS witness Ralph Luciani to the following follow-up interrogatories of the Parcel Shippers Association: PSA/UPS-T2-11 through 13.

Respectfully submitted,

John E. McKeever
Phillip E. Wilson, Jr.
Laura A. Biancke
Attorneys for United Parcel Service

DLA Piper US LLP
One Liberty Place
1650 Market Street, Suite 4900
Philadelphia, PA 19103-7300
(215) 656-3310
(215) 656-3301 (FAX)

RESPONSES OF UNITED PARCEL SERVICE WITNESS LUCIANI
TO FOLLOW-UP INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION

PSA/UPS-T2-11. Please refer to USPS-LR-L-46 Addendum Revised 8/2/06, page 3. Please also refer to your response to PSA/UPS-T2-1(c) where you state,

“It is my understanding that some of the plants, stations and branches are part of the MODS system.”

Finally, please refer to USPS-T-11, page 27, lines 13 through 17 where it states,

“However, the mail processing activities for post-offices, stations, and braches at MODS and non-MODS facilities are consolidated into one group (PO/STA/BR) by combining the MODS LDC 41-44 and 48 cost pools with the non-MODS facilities. This consolidation leaves the MODS offices with essentially ‘plant’ activities defined in great deal by MODS operations.”

(a) Please confirm that the MODS cost pools shown in Addendum Revised 8/2/06, page 3 do not include costs for post offices, stations, and branches (PO/STA/BR) that are part of the MODS system. If not confirmed, please explain fully.

(b) Please confirm that the costs for post offices, stations, and branches that are part of the MODS system are included in the Non-MODS cost pools on USPS-LR-L-46, Addendum Revised 8/2/06, page 3. If not confirmed, please explain fully.

(c) In your response to PSA/UPS-T2-1(c), did you mean “post offices, stations, and branches” as opposed to “plants, stations, and branches”? If not, please explain the relevance of “plants” to your response to PSA/UPS-T2-1(c).

RESPONSE:

(a) Confirmed that the costs in MODS cost pools for post offices, stations and branches in the MODS system are transferred to Non-MODS cost pools in the Postal Service version (USPS-LR-L-46). The costs in MODS cost pools for post offices, stations and branches in the MODS system are not transferred to Non-MODS costs pools in the PRC version (USPS-LR-L-103; see USPS-T-11, page 27, lines 6-7).

(b) See response to part (a).

(c) Yes.

RESPONSES OF UNITED PARCEL SERVICE WITNESS LUCIANI
TO FOLLOW-UP INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION

PSA/UPS-T2-12. Please refer to USPS-LR-L-46 Addendum Revised 8/2/06, page 3. Please also refer to your response to PSA/UPS-T2-1(d) where you state,

“Based on the available data, I am not able to conclude that DDU-entry can avoid the costs for miscellaneous and support operations at MODS facilities, such as verification activities, computerized forwarding and the staging of empty equipment for use by associate offices.”

Please list all MODS cost pools from USPS-LR-L-46 Addendum Revised 8/2/06, page 3 in which “costs for miscellaneous and support operations at MODS facilities, such as verification activities, computerized forwarding and the staging of empty equipment for use by associate offices” are generally incurred.

RESPONSE:

I am not familiar enough with the activities embodied within each MODS cost pool to provide a definitive list. These operations are likely to be MODS cost pools that capture miscellaneous and support operations, such as those listed in section 3.1.2.3 of USPS-LR-L-1. In addition, the MISC Non-MODS pool is categorized as fixed and includes Bulk Mail Acceptance activities (see USPS-T-11, page 6).

RESPONSES OF UNITED PARCEL SERVICE WITNESS LUCIANI
TO FOLLOW-UP INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION

PSA/UPS-T2-13. Please refer to your response to PSA/UPS-T2-4(e) where you state, “No. Based upon available data, a 209.7 million estimate is reasonable for Parcel Post rate design purposes.” Please also refer to page 16 of your testimony where you testify regarding the appropriate cost to be used to perform the Parcel Post Parcel Return Service Final Adjustment. Is 209.7 million a reasonable estimate of TYAR Parcel Select no-fee delivery confirmation volume for final adjustment purposes? If not, please provide the volume estimate that should be used for final adjustment purposes and explain fully why a different estimate should be used for final adjustment purposes than for rate design purposes.

RESPONSE:

An estimate of 209.7 million would be reasonable for TYAR Parcel Select no-fee delivery confirmation volume for final adjustment purposes if the Postal Service methodology for forecasting delivery confirmation volume allowed separately-estimated TYAR volumes to be applied for the other delivery confirmation subclass categories as well. It appears from Postal Service interrogatory responses (UPS/USPS-T23-4, Tr. 15/4530-1, and UPS/USPS-T23-6, Tr. 15/4741) that the Postal Service relies on Base Year shares in this calculation, and believes that it is unable to do otherwise given the delivery confirmation forecasting methodology applied. I have not studied the forecasting technique used, and cannot provide additional explanation beyond that provided by the Postal Service in its interrogatory responses.