

**BEFORE THE
POSTAL RATE COMMISSION**

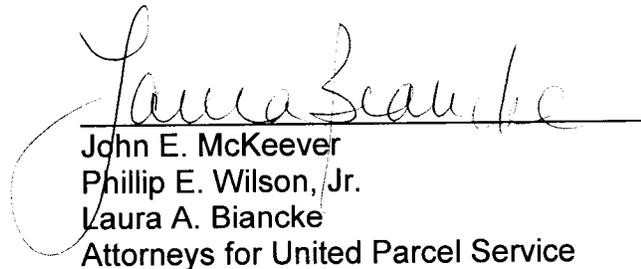
POSTAL RATE AND FEE CHANGES, 2006

DOCKET NO. R2006-1

**INTERROGATORIES OF UNITED PARCEL SERVICE TO
UNITED STATES POSTAL SERVICE WITNESS KIEFER
(UPS/USPS-T37-1 through 8)
(June 13, 2006)**

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby files the following interrogatories directed to United States Postal Service witness Kiefer: UPS/USPS-T37-1 through 8.

Respectfully submitted,



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UPS/USPS-T37-1. Provide the back-up calculations for each of the rate increase figures cited on page 22 of USPS-T-37 in Section VII., Financial Impact of Rates.

UPS/USPS-T37-2. Refer to library reference USPS-LR-L-82, WP-PP-1, in this docket, and Docket No. R2001-1, USPS-T-33, WP-PP-1. Confirm that OMAS volume is no longer being separately identified for inter-BMC parcels in the R2006-1 Parcel Post rate design. If confirmed, explain the reason and explain how OMAS volume is being treated in Postal Service rates. If not confirmed, explain in detail.

UPS/USPS-T37-3. Refer to library reference USPS-LR-L-82, WP-PP-1 and WP-PP-20.

(a) Confirm that the cost of no-additional-fee electronic Delivery Confirmation for Parcel Select is used to arrive at the \$0.107 per piece "Additional Parcel Select Per-Piece Charge" in line [y] of WP-PP-20 via the following steps:

1. Electronic Delivery Confirmation Unit Cost of \$0.1073 per piece;
2. multiplied by 286,738,488 Parcel Select TYBR pieces;
3. multiplied by 80%, the "Share of Parcel Select Using No-Fee Delivery Confirmation;"
4. multiplied by 124.2% Gross Markup Factor (including contingency);
5. divided by 286,738,488 Parcel Select TYBR pieces.

If any step is not confirmed, explain in detail.

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(b) Confirm that the source listed on WP-PP-1 for the Electronic Delivery Confirmation Unit Cost of \$0.1073 per piece on line [17k] is "Estimated value." If not confirmed, explain in detail.

(c) Confirm that the source listed on WP-PP-1 for the "Share of Parcel Select Using No-Fee Delivery Confirmation" on line [13] is "Assumption." If not confirmed, explain in detail.

(d) Refer to library reference USPS-LR-L-59, Attachment 4D and Attachment 14A, page 3.

- i. Confirm that the cost of no-additional-fee electronic Delivery Confirmation for Package Services applied in the final adjustments process is \$0.1467 per piece per Attachment 4D, "Volume Variable Costs Summary – Delivery Confirmation TY 2008(BR)." If not confirmed, explain in detail.
- ii. Confirm that in the final adjustment process in Attachment 14A, "Shift Other Special Services Cost to Respective Subclass," this cost of \$0.1467 per piece is applied to 100% of the Parcel Select volume. If not confirmed, explain in detail.

(e) Confirm that if the cost of electronic Delivery Confirmation is \$0.1467 per piece and is applied to 100% of the Parcel Select volume, then the "Additional Parcel Select Per-Piece Charge" in WP-PP-20 would increase from \$0.107 per piece to \$0.1822 per piece, all else equal. If not confirmed, explain in detail.

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UPS/USPS-T37-4. Refer to library reference USPS-LR-L-82, WP-PP-33 and WP-PP-34.

(a) Confirm that 33% of the Priority Mail volume lost due to the commencement of dimensional weight pricing is assumed to migrate to Inter-BMC Parcel Post. If confirmed, provide the source for this assumption. If not confirmed, explain in detail.

(b) Confirm that 877,033 Priority Mail pieces are assumed to migrate to Inter-BMC Parcel Post in the TYAR, yielding additional Parcel Post revenue of \$9,976,403. If not confirmed, explain in detail.

(c) Refer to library reference USPS-LR-L-59, Attachment 14A, page 18. Confirm that the migrating pieces yield \$17,337,698 of additional Parcel Post costs in the TYAR. If not confirmed, explain in detail.

(d) Provide and describe in detail all studies and analyses regarding the likely loss of Priority Mail volume due to the commencement of dimensional weight pricing, the likely migration of this volume to Parcel Post, or the likely migration of this volume to other Postal Service services or to Postal Service competitors.

UPS/USPS-T37-5. Refer to library reference USPS-LR-L-82.

(a) Confirm that in the Parcel Post rate design you have applied a 100% passthrough for DBMC-entry, DSCF-entry, and DDU-entry worksharing savings. If confirmed, explain why a 100% passthrough was selected. If not confirmed, explain in

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detail, provide the passthrough(s) that you have applied, and explain why you selected these passthrough(s).

(b) Confirm that, assuming a 100% passthrough of worksharing savings, the contribution per piece for workshared categories of Parcel Post in the preliminary rates should be the same as that of the non-workshared categories from which the workshared categories' preliminary rates are derived. If not confirmed, explain in detail.

UPS/USPS-T37-6. Describe in detail all differences in the processing and delivery of Priority Mail pieces and Parcel Post pieces upon reaching the DDU.

UPS/USPS-T37-7. Refer to library reference USPS-LR-L-82.

(a) Confirm that the "pound charges" by rate category derived in workpaper WP-PP-21 include the transportation charges by rate category derived in workpaper WP-PP-15. If not confirmed, explain in detail.

(b) Confirm that the pound charges derived in workpaper WP-PP-21 include a markup, through application of a markup factor of 123%, to the underlying costs. If not confirmed, explain in detail.

(c) Confirm that DBMC destination-entry parcels, DSCF destination-entry parcels, and DDU destination-entry parcels represent workshared rate categories of Parcel Post. If not confirmed, explain in detail.

(d) Confirm that it is standard Postal Rate Commission practice in deriving worksharing category rates to deduct the passed-through worksharing cost savings

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from the rate assigned to the non-workshared rate category. If not confirmed, explain in detail and provide references to where the Commission in its Opinions and Recommended Decisions has accepted alternative practices.

(e) Confirm that deriving preliminary rates by marking up the underlying transportation costs for each individual non-workshared rate category and each workshared rate category results in transportation worksharing cost avoidances being marked up. If not confirmed, explain in detail.

(f) Confirm that the Commission explicitly stated in its Opinion and Recommended Decision in Docket No. R97-1, at 489, that Parcel Post transportation worksharing cost differences should not be marked up in deriving Parcel Post rates. If not confirmed, explain in detail.

(g) Explain in detail why you have chosen to markup transportation worksharing cost avoidances in your derivation of Parcel Post rates.

(h) Confirm that deriving preliminary rates by marking up the underlying transportation costs for each individual non-workshared rate category and each workshared rate category results in contributions per piece for workshared rate categories that are less than the contributions per piece for non-workshared rate categories.

UPS/USPS-T37-8. Refer to library reference USPS-LR-L-82, WP-PP-19 and WP-PP-20.

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(a) Explain in detail your reasoning for deducting each of the following items

in deriving the per piece charge:

- i. Other Revenue – Alaska Bypass Revenue;
- ii. Other Revenue – Combination Enclosure Revenue;
- iii. Other Revenue – Pickup Revenue; and
- iv. Excess Costs of Oversized and Balloon Parcels.

(b) Explain why the unit costs for the Non-Machinable surcharges were used to arrive at the “Surcharges” to deduct in the calculation of the per piece charge.

- i. Explain why the proposed rates for the Non-Machinable surcharges were not used to arrive at the “Surcharges” to deduct.
- ii. Confirm that using the unit costs is a change from the Postal Service’s methodology used in Docket No. R2000-1. If confirmed, explain why the change was made. If not confirmed, explain in detail.