

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS MICHAEL W. MILLER TO INTERROGATORIES OF
UNITED PARCEL SERVICE (UPS/USPS-T21-9-12(a)-(c), AND 13)
(July 21, 2006)

The United States Postal Service hereby provides the responses of Postal Service witness Miller (USPS-T-21) to interrogatories UPS/USPS-T21-9-12(a)-(c) and 13. Interrogatory UPS/USPS-T21-12(d) has been redirected to witness Milanovic (USPS-T-9).

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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UPS/USPS-T21-9. Refer to the Attachment to the response to UPS/USPS-T21-4 listing RPW volume data for inter-BMC and intra-BMC parcels in FY2005.

- (a) Confirm that the number of non-machinable intra-BMC pieces in Y2005 was 6,146,976 (mail categories 4190, 510BEBAAAM, and 10BFBAAM), representing 18% of the intra-BMC volume in FY2005 of 34,107,784. If not confirmed, explain in detail.
- (b) Confirm that the number of non-machinable inter-BMC pieces in FY2005 was 10,175,287 (mail categories 4135, 4150, 4180, 510FEBAAM, 510FFBAAM, 510HEBAAM, 510HFBAAM, 510DEBAAM, and 510DFBAAM), representing 13% of the inter-BMC volume in FY2005 of 77,073,589. If not confirmed, explain in detail.
- (c) Refer to library reference UPS-LR-L-82, WP-PP-4 and WP-PP-5, listing the FY2005 billing determinants for intra-BMC and inter-BMC Parcel Post. Confirm that 18.9% of intra-BMC pieces and 13.2% of inter-BMC pieces are listed as nonmachinable. If not confirmed, explain in detail.
- (d) Refer to library reference USPS-LR-L-46, page 7. Confirm that 94.7% of intra-BMC pieces and 94.7% of inter-BMC parcels are listed as machinable in FY2005 and the source is USPS-LR-L-47.
 - i. If confirmed, explain the reason for the mismatch between the intra-BMC and inter-BMC machinable/non-machinable shares from the billing determinants and calculated from the RPW data discussed in parts (a)-(c) of this interrogatory above, in comparison to the estimates contained on page 7 of USPS-LR-L-46.
 - ii. If not confirmed, explain in detail.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed. It is my understanding that in the RPW system any nonrectangular parcel is classified as nonmachinable. In USPS-LR-L-47, parcels are classified as machinable unless one of the following attributes is present: the

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weight exceeds 35 pounds, the length exceeds 34 inches, or the sum of the length and girth exceeds 84 inches. Given that these attributes more accurately reflect those of nonmachinable parcels, the machinable and nonmachinable Parcel Post volume estimates contained in USPS-LR-L-47 are regarded to be more compatible with the use in the cost models than those contained in RPW.

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UPS/USPS-T21-10. Refer to library reference USPS-LR-L-46, page 8.

- (a) Explain in detail the reasons for:
 - i. The 27% increase in cubic feet per piece for machinable Parcel Post pieces from FY2004 (0.425 cubic feet/piece) to FY2005 (0.541 cubic feet/piece).
 - ii. The 35% decrease in cubic feet per piece for non-machinable Parcel Post pieces from FY2004 (2.777 cubic feet per piece) to FY2005 (1.819 cubic feet per piece).
- (b) Confirm that the source of the cubic feet per piece data for Parcel Post is library reference USPS-LR-L-47.
 - i. If confirmed, could the changes from FY2004 to FY2005 be the result of a miscalculation in the volume split between machinable and non-machinable parcels in USPS-LR-L-47? Explain your answer in detail.
 - ii. If not confirmed, explain in detail.
- (c) Provide a hard-copy print-out (.pdf) of the output files in USPS-LR-L-47, and identify the specific pages/lines/columns that serve as the source of the volume and cubic foot data used in USPS-LR-L-46.

RESPONSE:

(a) In Docket No. R2005-1, an adjustment factor was applied to the PERMIT imprint Parcel Post dropship volume data and not the corresponding cubic feet data. In the instant proceeding, this adjustment factor has been applied to both datasets. The adjustment factor represents the ratio of PostalOne volume data to RPW volume data. The Docket No. R2006-1 cubic volume estimates are now more in line with those presented in Docket Nos. R2001-1 and R2000-1 (please see the table at the bottom of USPS-LR-L-46, page 8).

(b) Confirmed. Please see the response to part (a) above.

(c) The missing pages from the CD-ROM version of USPS-LR-L-47 were filed on July 11, 2006. (This material was available in the hardcopy version of USPS-LR-

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L-47.) The output can be found in the "attachment f.pdf" file. The calculations were performed as follows:

InterBMC Volume Percent Estimates (USPS-LR-L-46, page 7)

Total machinable pieces	=	75,796,072 (Table 4, page 12 grand total)
Total nonmachinable pieces	=	4,268,779 - 100,435
	=	4,168,344 (Table 5, page 14 grand total less "O" line total)
Total oversize pieces	=	100,435 (Table 5, page 14 "O" line total)
Machinable percent	=	$75,796,072 / (75,796,072 + 4,168,344 + 100,435)$ = 94.7 %
Nonmachinable percent	=	$4,168,344 / (75,796,072 + 4,168,344 + 100,435)$ = 5.2 %
Oversize percent	=	$100,435 / (75,796,072 + 4,168,344 + 100,435)$ = 0.125 %

IntraBMC Volume Percent Estimates (USPS-LR-L-46, page 7)

Total machinable pieces	=	27,978,170 (Table 1, page 6 grand total)
Total nonmachinable pieces	=	1,560,302 - 30,055
	=	1,530,247 (Table 2, page 8 grand total less "O" line total)
Total oversize pieces	=	30,055 (Table 2, page 8 "O" line total)
Machinable percent	=	$27,978,170 / (27,978,170 + 1,530,247 + 30,055)$ = 94.7 %
Nonmachinable percent	=	$1,530,247 / (27,978,170 + 1,530,247 + 30,055)$ = 5.2 %

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Oversize percent = $30,055 / (27,978,170 + 1,530,247 + 30,055)$
= 0.102 %

DBMC Volume Percent Estimates (USPS-LR-L-46, page 7)

Total machinable pieces = 265,797,297
(Table 7, page 18 grand total)

Total nonmachinable pieces = 4,131,970 - 51,785
= 4,080,185
(Table 8, page 20 grand total less "O"
line total)

Total oversize pieces = 51,785 (Table 8, page 20 "O" line total)

Machinable percent = $265,797,297 / (265,797,297 + 4,080,185 + 51,785)$
= 98.5 %

Nonmachinable percent = $4,080,185 / (265,797,297 + 4,080,185 + 51,785)$
= 1.5 %

Oversize percent = $51,785 / (265,797,297 + 4,080,185 + 51,785)$
= 0.019 %

Machinable Cubic Volume Estimate (USPS-LR-L-46, page 8)

Total machinable cu ft = 199,805,815
(Table 22, page 48 grand total)

Total machinable pieces = 369,571,539
(Table 10, page 24 grand total)

Machinable cu ft / pc = $199,805,815 / 369,571,539$
= 0.541 cu ft / pc

Nonmachinable Cubic Volume Estimate (USPS-LR-L-46, page 8)

Total nonmachinable cu ft = 18,902,856 - 1,117,110
= 17,785,746
(Table 23, page 50 grand total less "O"
line total)

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Total nonmachinable pieces = 9,961,051 - 182,275
= 9,778,776
(Table 11, page 26 grand total less "O"
line total)

Nonmachinable cu ft / pc = 17,785,746 / 9,778,776
= 1.819 cu ft / pc

Oversize Cubic Volume Estimate (USPS-LR-L-46, page 8)

Total oversize cu ft = 1,117,110
= (Table 23, page 50 "O" line total)

Total oversize pieces = 182,275
(Table 11, page 26 "O" line total)

Oversize cu ft / pc = 1,117,110 / 182,275
= 6.129 cu ft / pc

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UPS/USPS-T21-11. Refer to your response to UPS/USPS-T21-1(b)(viii).

- (a) Confirm that non-BMC non-MODS facilities do not include SCFs. If not confirmed, explain in detail.
- (b) Confirm that the costs for manual sortation of parcels at non-BMC non-MODS facilities would be comprised of sortation of parcels at the Destination Delivery Unit to carrier route. If not confirmed, explain in detail.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

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UPS/USPS-T21-12. Refer to your response to UPS/USPS-T21-7 and Docket No. R2005-1, USPS-LR-K-46, page 27.

- (a) Confirm that the Postal Service's calculated DBMC window service cost savings were 20.0 cents per piece in Docket No. R2005-1 based on FY2004 data. If not confirmed, explain in detail.
- (b) Confirm that the 30.1 cents per piece in DBMC window service cost savings in this docket is based on FY2005 data.
- (c) Explain the reasons for the more than 50% increase in the window service cost savings from FY2004 to FY2005.
- (d) Explain the reasons for the increase in Parcel Post Window Service Cost Segment 3.2 costs from \$15.7 million in FY2004 to \$27.2 million in FY2005.

RESPONSE:

(a) Confirmed.

(b) Confirmed.

(c) I do not know the underlying reasons, other than to say that the costs found in USPS-LR-L-86 have increased.

(d) Redirected to witness Milanovic (USPS-T-9).

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UPS/USPS-T21-13. Refer to your response to UPS/USPS-T21-2(e), UPS/USPS-T21-5(d) and UPS/USPS-T21-7(b). What special studies do you believe would be most desirable to undertake to improve/refine the Parcel Post mail processing cost estimates in USPS-LR-L-46?

RESPONSE:

Assuming time and resource constraints were not an issue, I suppose there are a number of special studies that could be conducted to “refine” the model presented in USPS-LR-L-46. I have not, however, conducted such an examination of the model, or attempted to establish priorities regarding the entire range of possible studies.