

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS EGGLESTON TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(UPS/USPS-T26-1-2)

The United States Postal Service hereby provides the responses of witness Eggleston to the following interrogatories of United Parcel Service:

UPS/USPS-T26-1-2, filed on February 10, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
\_\_\_\_\_  
Scott L. Reiter

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February 24, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON  
TO INTERROGATORIES OF UNITED PARCEL SERVICE

OCA/USPS-T26-1. A review of your testimony at pages 5 (bottom) and 6 suggests that the amount of the worksharing savings that you calculate is enlarged, to some extent, by your inclusion of costs that are "not worksharing-related" (page 6, line 4).

- (a) Is that interpretation correct? If not, please state your position with respect to nonworksharing fixed costs. If OCA's understanding is correct, then state your rationale for including nonworksharing fixed costs in a calculation of the cost savings resulting from worksharing.
- (b) Also explain whether your position is consistent with the Commission's opinion in Docket No. MC95-1 that inclusion of "cost differences unrelated to presorting and prebarcoding . . . are inconsistent with the Postal Service's, as well as the Commission's, intent that these workshare category differentials send accurate signals to potential producers of the costs that the Postal Service avoids as a result of worksharing."

**RESPONSE:**

a. The interpretation is not correct. Although, the fixed CRA adjustment factor is included in the estimated adjusted costs, it has no impact on the estimated worksharing cost savings. This is because the same fixed CRA adjustment factor is applied to each cost estimate. In other words, not including the fixed CRA adjustment factor in the adjusted costs would result in the same estimated worksharing cost savings as calculated in my testimony. The fixed CRA adjustment factor was included in the adjusted cost estimates to be consistent with how the data was presented in Docket No.R97-1, USPS-T-29.

b. Please see response to OCA/USPS-T26-1. Since the fixed CRA adjustment factor has no impact on estimated cost savings, my methodology is consistent with the PRC's position.

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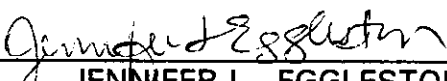
OCA/USPS-T26-2. In the instant proceeding, the Postal Service appears to present an analysis of mail processing costs that leads the Service to conclude that the costs of some mail processing activities vary less than 100 percent with volume. In some cases, these proposed mail processing cost volume variabilities are significantly less than 100 percent. For the purpose of developing cost differentials for Parcel Post worksharing and dropship discounts, for the Parcel Post nonmachinable surcharge and oversize rates, and for Special Standard discounts, does your analysis reflect the differing and wide-ranging volume variabilities for different cost pools? If not, why not? (Explain fully.) If so, explain how your analysis takes these wide-ranging volume variabilities into account.

**RESPONSE:**

All of the cost estimates in my testimony use the variabilities presented by witness Van-Ty-Smith in USPS-T-17, Table 1. These variabilities are used in my model to calculate marginal productivities. This is done by dividing each average productivity by its corresponding variability. Since the productivities vary by cost pool, and each productivity is divided by its corresponding variability, the model easily incorporates the "wide-ranging" variabilities.

**DECLARATION**

I, Jennifer Eggleston, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
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JENNIFER L. EGGLESTON

Dated: 2-24-00

## 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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