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

POSTAL RATE AND FEE CHANGES, 2000	Docket No. R2000–1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS EGGLESTON TO INTERROGATORIES OF
PARCEL SHIPPERS ASSOCIATION
(PSA/USPS–T26-6-7)

The United States Postal Service hereby provides the responses of witness

Eggleston to the following interrogatories of the Parcel Shippers Association:

PSA/USPS–T26-6-7, filed on April 3, 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

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April 17, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS EGGLESTON
TO INTERROGATORIES OF THE PARCEL SHIPPERS ASSOCIATION

PSA/USPS-T26-6. Please refer to your answer to PSA/USPS-T26-4. Please further refer to USPS-T-5, Table 1, footnotes 4 and 6. Finally, please refer to page 377 of LR-I-105.

a. Please confirm that the lower limit of the 95 percent confidence interval for an estimated number can be calculated by subtracting the quantity (1.97 x standard error) from the estimated number.

b. Please confirm that the upper limit of the 95 percent confidence interval for an estimated number can be calculated by adding the quantity (1.97 x standard error) to the estimated number.

c. Please confirm that a coefficient of variation of 50 percent implies that the lower limit of the 95 percent confidence interval is near zero.

d. Please confirm that a coefficient of variation of 50 percent implies that the upper limit of the 95 percent confidence interval is almost twice the estimated number.

e. In the case of the Oversized Volume for the DBMC rate category, where the estimate is 61,808 and the coefficient of variation is 44.30 percent, please confirm that the 95 percent confidence interval ranges from 7,888 to 115,748. If not confirmed, please provide the appropriate figures.

f. Please confirm that if the true value of the Oversized Volume for the DBMC rate category is in the 95 percent confidence interval described in (e) that it could have any value in the range from 7,888 to 115,748.

g. Please provide the coefficient of variation for the calculated Average Oversized Cubic Feet column for each rate category.

h. Please provide the coefficient of variation for the totals in the Oversized Volume column and the Total Oversized Cubic Feet column.

i. Please provide the coefficient of variation and 95 percent confidence interval for the total Average Oversized Cubic Feet across all three rate categories shown on page 377 of LR-1-105.

j. Please confirm that if the true value of the total Average Oversized Cubic Feet is in the 95 percent confidence interval described in (i) that it could have any value in the, range specified in (i).

RESPONSE:

Although the oversize cube was calculated using a small sample size, it is still the best estimate available. It should be noted that in Docket No. R97-1, a regression analysis was used to estimate the average cube, and the result was 8.19. Since this estimate is close to the "corrected" estimate of oversize cube in the current case, there is no reason to believe the current estimate is unreasonable. In addition, by definition, the oversize parcels with the smallest amount of cube are long, thin parcels. These

parcels are difficult to handle, are more likely to be fragile, and may have to be bedloaded instead of combined with other parcels in a container. In these cases, cube is not a good indicator of the incurred cost. Therefore, to the extent that the unknown "true" average cube of oversize parcels is below 8.04, the costs associated with the 8.04 cube could be considered a proxy for additional "handling" costs associated with long, thin parcels.

(a) Confirmed.

(b) Confirmed

(c) Confirmed

(d) Confirmed

(e) Confirmed

(f) The "true value" is fixed. There is a 95 percent chance that it is included in the range 7,888 to 115,748.

(g) The coefficient of variations for the calculated Average Oversized Cubic Feet column are the following:

Intra-BMC: 7.30

Inter-BMC: 10.1

DBMC: 12.1

(h) The coefficient of variation for total oversize volume is 37.20. The coefficient of variation for total oversized cube feet is 45.00.

(i) The average oversized cubic feet over all rate categories is 8.04. The coefficient of variation is 9.4 and the 95 percent confidence interval is (6.55, 9.53).

(j) The "true value" of the total average oversized cubic feet is fixed. There is a 95

percent chance that it is included in the interval (6.55, 9.53).

PSA/USPS-T26-7. Please refer to your answer to PSAIUSPS-T26-4a. Please further refer to Table 2 at page 1 of Attachment A of the Errata filed to USPS-T-26.

a. Please confirm that the average cost for oversized parcels dropped 20-25 percent, as a result of the Errata filed to USPS-T-26 for page 1 of Attachment A, which reduced the average cube of an oversized parcel from 10.84 to 8.04. If not confirmed, please explain.

b. Please provide the average cost for oversized parcels that would result if the true average cube of an oversized parcel were 5.00 instead of 8.04.

RESPONSE:

a. Confirmed.

b. The purpose of my mail processing models is to supply cost differences. Changing the input "cube of oversize parcels" to 5 would result in the following mail processing cost differences:
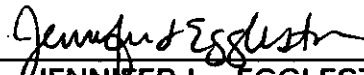
Inter-BMC: $ 5.123

Intra-BMC: $3.450

DBMC: $2.804

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.

_____
JENNIFER L. EGGLESTON

Dated: ___4|17|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.

Scott L. Reiter

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