

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JENNIFER L. EGGLESTON TO INTERROGATORIES OF
PARCEL SHIPPERS ASSOCIATION (PSA/USPS-T25-1-3)

The United States Postal Service hereby files the response of witness Jennifer L. Eggleston to the following interrogatories of the Parcel Shippers Association:
PSA/USPS-T25-1-3, filed on October 25, 2001.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 8, 2001

PSA/USPS-T25-1. Please refer to Table 1 below.

Table 1. DBMC Intermediate Transportation Costs

Zone	TYAR DBMC Intermediate Transportation Cost Per Cubic Foot		
	R2000-1	R2001 -1	% Difference
		[2]	[3]=[2]/[1]-1
Zone 1-2	\$0.3255	\$0.590	81.3%
Zone 3	\$1.0891	\$2.100	92.9%
Zone 4	\$1.5737	\$3.433	118.2%
Zone 5	\$4.3843	\$7.116	62.3%
[1] Docket No. R2000-1, USPS-T-26, Attachment N, Page 1			
[2] USPS-I-R-J-64, 2ptran.xls, worksheet Cost-Sum			

- (a) Please confirm that all of the figures in Table 1 are correct. If not confirmed, please provide the correct figures.
- (b) Please confirm that the Docket No. R2000-1 figures in Table 1 were developed using an FY 1998 Base Year and an FY 2001 Test Year. If not confirmed, please explain fully.
- (c) Please confirm that the Docket No. R2001-1 figures in Table 1 were developed using an FY 2000 Base Year and an FY 2003 Test Year. If not confirmed, please explain fully.
- (d) Please explain in detail why TYAR DBMC Intermediate Transportation Costs Per Cubic Foot increased so significantly from the figures you presented in your Docket No. R2000-1 testimony to those in USPS-LR-J-64. In responding to this interrogatory, please discuss methodological changes, changes in input data, changes in the composition of Parcel Post transportation, and any other relevant changes.

RESPONSE:

(a). Not confirmed. There are no TYAR DBMC intermediate cost-per-cubic-foot estimates provided in either Docket No. R2000-1, USPS-T-26, or Docket No. R2001-1, LR-J-64. I will assume for the purpose of these interrogatories that you meant to refer to TYBR cost estimates. The cost estimates in column 1 are the correct TYBR cost-per-cubic-foot estimates from Docket No. R2000-1, USPS-T-26, Attachment N, page 1. The cost estimates in column 2 are slightly different, probably due to rounding, than the cost-

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per-cubic-foot estimates provided in Docket No. R2001-1, LR-J-64. A corrected table is provided below:

Table 1. DBMC Intermediate Transportation Costs -- Corrected Version

TYBR DBMC Intermediate Transportation Cost Per Cubic Foot			
Zone	R2000-1	R2001 -1	% Difference
	[1]	[2]	[3]=[2]/[1]-1
Zone 1-2	\$0.3255	\$0.590	81.3%
Zone 3	\$1.0891	\$2.101	92.9%
Zone 4	\$1.5737	\$3.434	118.2%
Zone 5	\$4.3843	\$7.117	62.3%
[1] Docket No. R2000-1, USPS-T-26, Attachment N, Page 1			
[2] USPS-I-R-J-64, 2ptran.xls, worksheet Cost-Sum			

(b). Confirmed.

(c). Confirmed.

(d). I am aware of one methodological change in the Parcel Post transportation model that resulted in an increase in the DBMC intermediate transportation cost-per-cubic-foot estimates. I believe this change is the main driver of the cost differences calculated in column 3 of Table 1 of part (a) of this interrogatory.

The methodological change to the Parcel Post transportation model deals with how inter-BMC highway transportation costs were distributed. In the Parcel Post transportation model presented in Docket No. R2000-1, it was assumed that all costs contained in the inter-BMC highway transportation account were costs associated with transporting mail from one BMC to another BMC. Therefore, all highway transportation costs were distributed to the long distance zone-related cost category. Between the

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filing of Docket No. R2000-1 and Docket No. R2001-1, I learned that this was not an accurate assumption. The costs in the inter-BMC highway account also include stops at facilities other than BMCs, and therefore may be used by both intra-BMC and DBMC mail. In fact, only 45 percent of the stop-days of Inter-BMC highway transportation are at BMCs. Therefore, the Parcel Post transportation model was adjusted by distributing 45 percent of inter-BMC highway costs (the same percent as the number of stop-days) to the long distance zone-related cost category. The additional inter-BMC highway transportation costs were distributed to the intermediate cost category. One of the impacts of this change was to increase the amount of intermediate costs allocated to the DBMC rate category.

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PSA/USPS-T25-2. Please refer to Table 2 below.

Table 2. Inter-BMC Long Distance Zone-Related Costs

TYAR Inter-BMC Long Distance Zone-Related Cost Per Cubic Foot			
Zone	R2000-1	R2001-1	% Difference
		[2]	[3]=[2]/[1]-1
1-2	\$0.4898	\$0.3823	-22.0%
3	\$1.0725	\$0.8153	-24.0%
4	\$1.9476	\$1.5262	-21.6%
5	\$3.5758	\$2.5710	-28.1%
6	\$5.2686	\$3.7549	-28.7%
7	\$6.8505	\$5.0835	-25.8%
8	\$10.1262	\$8.2320	-18.7%
[1] Docket No. R2000-1, USPS-T-26, Attachment N, Page 1			
[2] USPS-LR-J-64, 2ptran.xls, worksheet Cost-Sum			

- (a) Please confirm that all of the figures in Table 2 are correct. If not confirmed, please provide the correct figures.
- (b) Please confirm that the Docket No. R2000-1 figures in Table 2 were developed using an FY 1998 Base Year and an FY 2001 Test Year. If not confirmed, please explain fully.
- (c) Please confirm that the Docket No. R2001-1 figures in Table 2 were developed using an FY 2000 Base Year and an FY 2003 Test Year. If not confirmed, please explain fully.
- (d) Please explain in detail why TYAR Inter-BMC Long Distance Zone-Related Transportation Costs Per Cubic Foot decreased so significantly from the figures you presented in your Docket No. R2000-1 testimony to those in USPS-LR-J-64. In responding to this interrogatory, please discuss methodological changes, changes in input data, changes in the composition of Parcel Post transportation, and any other relevant changes.

RESPONSE:

- (a). Not confirmed. There are no TYAR DBMC intermediate cost-per-cubic-foot estimates provided in either Docket No. R2000-1, USPS-T-26, or Docket No. R2001-1,

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LR-J-64. I will assume for the purpose of these interrogatories that you meant to refer to TYBR cost estimates.

(b). Confirmed.

(c). Confirmed.

(d). Please see my response to PSA/USPS-T25-1, part (d). The same methodological change will have the impact of decreasing the estimated inter-BMC long distance zone-related transportation costs per cubic foot.

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PSA/USPS-T25-3. Please refer to USPS-LR-J-64, 2ptran.xls, worksheet Cost-dist.1

- (a) Please confirm that you distributed \$34 million or 55 [percent] of total inter-BMC highway transportation costs to intermediate transportation. If not confirmed, please explain fully.
- (b) Please confirm that intermediate transportation costs are distributed to DBMC, intra-BMC, and inter-BMC parcels. If not confirmed, please explain fully.
- (c) Please explain why it is appropriate to distribute inter-BMC highway transportation costs to DBMC parcels.
- (d) Please describe in detail the method that you used to divide inter-BMC highway transportation costs into intermediate transportation costs and long-distance transportation costs and provide all input data and underlying calculations in an electronic spreadsheet format.

RESPONSE:

- (a). Confirmed.
- (b). Confirmed.
- (c). Please see response to PSA/USPS-T25-1, part (d).
- (d). Please see response to PSA/USPS-T25-1, part (d). The percent of inter-BMC highway transportation costs that were allocated to long-distance costs is equivalent to the percent of stop-days at BMCs in the inter-BMC highway cost account. The table shown below shows how this percent was calculated. As requested, I am also providing this table electronically. It is my understanding that the numbers in the data are found in the electronic SAS log files contained in USPS LR-J-32. Errata will be filed to correct the footnote number 4 on LR-J-64, Attachment B, page 7, to better reflect the source of this percent.

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BY 2000 Inter-BMC Stop-Days

	PQ1	PQ2	PQ3	PQ4	BY2000	Percent
BMC	67,572	68,208	68,436	91,488	295,704	45%
Non-BMC	83,364	83,520	82,248	109,136	358,268	55%
Total	150,936	151,728	150,684	200,624	653,972	100%

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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