

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 INTERROGATORY  
OF UNITED PARCEL SERVICE, REDIRECTED FROM  
WITNESS JAMES M. KIEFER (UPS/USPS-T33-15 (b)-(g))

The United States Postal Service hereby files the response of witness Jennifer L. Eggleston to the following interrogatory of United Parcel Service, which has been redirected from witness James M. Kiefer:

UPS/USPS-T33-15 (b)-(g), filed on November 19, 2001.

The 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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Brian M. Reimer  
Attorney

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-3037 Fax -5402  
December 3, 2001

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**UPS/USPS-T33-15.**

Refer to library reference USPS-LR-J-106 and library reference USPS-LR-J-64, Attachment A, page 1.

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- (b) Confirm that the Postal Service proposes for the first time in this docket to apply a CRA multiplier to the derivation of the Parcel Post DBMC destination entry, DSCF destination entry, DDU destination entry, OBMC presort and BMC presort worksharing mail processing cost avoidances. If not confirmed, explain in detail.
- (c) Confirm that application of a CRA multiplier increases the amount of these worksharing cost avoidances by 28.6%. If not confirmed, explain in detail.
- (d) Confirm that the DDU destination entry mail processing cost avoidance in comparison to DBMC destination entry would decline from \$1.133 to \$0.881, or 25 cents per piece if the CRA multiplier were not applied. If not confirmed, explain in detail.
- (e) Confirm that the DBMC destination entry mail processing cost avoidance in comparison to intra-BMC would decline by from 73.4 cents to 57.1 cents, or 16 cents per piece if the CRA multiplier were not applied. If not confirmed, explain in detail.
- (f) Confirm that, in total, the mail processing cost avoided by a DDU destination entry parcel in comparison to an intra-BMC parcel would decline by 41 cents if the CRA multiplier were not applied.
- (g) How confident are you that use of the new CRA multiplier provides a conservative estimate of the Parcel Post DBMC destination entry, DSCF destination entry, DDU destination entry, OBMC presort, and BMC presort worksharing cost avoidances? Explain the basis for your answer.

....

**RESPONSE:**

(b). Please see response to UPS/USPS-T25-5.

(c). Not confirmed. Please see errata filed on November 27, 2001. The impact of the proportional CRA adjustment factor is to increase the *modeled* cost avoidances by

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approximately 23 percent. However, It should be noted that the purpose of the CRA adjustment factors is to make the cost estimates more accurate by tying modeled costs to CRA unit costs.

(d). Not confirmed. Please see errata filed on November 27, 2001. The weighted average (machinable and non-oversize nonmachinable) estimated mail processing cost avoidance of DDU compared to DBMC is 108.4 cents. The weighted average *modeled* cost avoidance (not including the impact of the CRA adjustment factors) is 88.1 cents. The difference between the estimated cost avoidance and the modeled cost avoidance is 20.3 cents.

(e). Not confirmed. Please see errata filed on November 27, 2001. The weighted average (machinable and non-oversize nonmachinable) estimated mail processing cost avoidance of DBMC compared to intra-BMC is 73.9 cents. The weighted average *modeled* cost avoidance (not including the impact of the CRA adjustment factors) is 60.0 cents. The difference between the estimated cost avoidance and the modeled cost avoidance is 13.9 cents.

(f). Not confirmed. Please see errata filed on November 27, 2001. The weighted average (machinable and non-oversize nonmachianble) estimated mail procesing cost avoidance of DDU compared to intra-BMC is 182.3 cents. The weighted average *modeled* cost avoidance (not including the impact of the CRA adjustment factors) is

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148.1 cents. The difference between the estimated cost avoidance and the modeled cost avoidance is 34.2 cents.

(g). The use of CRA adjustment factors to tie modeled costs to CRA costs is not new. The only "new" aspect of the CRA adjustment factors for Parcel Post is the use for the first time in the estimation of BMC presort, DSCF, and DDU cost avoidances. Since both the proportional and fixed CRA adjustment factors are used to tie modeled costs back to CRA costs, the purpose is to make the modeled costs more accurate. There is no reason to believe that this leads to overstating the true cost savings.

## 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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Brian M. Reimer

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-3037 Fax -5402  
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