

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  
(UPS/USPS-T25-67) (January 4, 2002)

The United States Postal Service hereby files the response of witness Jennifer L. Eggleston to the following interrogatory of United Parcel Service:

UPS/USPS-T25-67, filed on December 21, 2001.

The Postal Service hereby withdraws its objection to this interrogatory, which it had filed on December 31, 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  
January 4, 2002

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
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**UPS/USPS-T25-67.**

Refer to your response to interrogatory UPS/USPS-T25-37.

(a) Confirm that, in the Parcel Post rate design, Witness Kiefer uses the Parcel Post transportation-related costs per cubic foot by rate category and zone that you derive in library reference USPS-LR-J-64, Attachment B, page 15, to calculate the transportation-related costs per piece by rate category, zone and weight in library reference USPS-LR-J-106, WP-PP-15. If not confirmed, explain.

(b) Confirm that the Parcel Post "TY03" cubic feet by rate category and zone shown in library reference USPS-LR-J-64, Attachment B, page 6, reflect the Test Year Before Rates volume totals by rate category projected by Witness Tolley, as spread to weight cell and zone in library reference USPS-LR-J-106, WP-PP-9. If not confirmed, explain.

(c) Confirm that the Parcel Post "TY03" cubic feet by rate category and zone in library reference USPS-LR-J-64, Attachment B, page 6, reflect the Test Year Before Rates mix of volume by rate category. If not confirmed, explain.

(d) Confirm that the Parcel Post "TY03" cubic feet by rate category and zone shown in library reference USPS-LR-J-64, Attachment B, page 6, do not reflect the Base Year mix of volume by rate category. If not confirmed, explain.

(e) Confirm that the Parcel Post Test Year Before Rates transportation related costs shown in library reference USPS-LR-J-64, Attachment A, page 8, of \$387,206,000 in Cost Segment 14, and \$69,555,000 plus piggyback of 1.516 in Cost Segment 8, for a total of \$493,258,000, are prior to final adjustments contained on page USPS-T-25, Table X-1. If not confirmed, explain.

(f) Confirm that in library reference USPS-LR-J-65, Attachment I, final adjustments are derived for the Parcel Post Test Year Before Rates costs in Cost Segment 14 and Cost Segment 8 as a result of the change in mix among rate categories in Parcel Post from the Base Year to the Test Year Before Rates. If not confirmed, explain.

(g) Confirm that the final adjustments for Parcel Post in Cost Segment 8 shown on Table X-1 of USPS-T-25 (revised 11/27/01) should be modified slightly to match those shown in library reference USPS-LR-J-64, Attachment I, page 16.

(h) Confirm that the Parcel Post final adjustments are negative \$78,356,000 for Cost Segment 14 and negative \$11,784,000 for Cost Segment 8 for the Test Year Before Rates. If not confirmed, explain.

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- (i) Confirm that the total Parcel Post Test Year Before Rates transportation related costs, after final adjustments, are:
  - (i) \$308,850,000 for Cost Segment 14,
  - (ii) \$58,171,000 for Cost Segment 8,
  - (iii) \$88,187,000 for Cost Segment 8, after application of the 1.516 piggyback factor,
  - (iv) For a total of \$397,037,000. If not confirmed, explain.

(j). Confirm that Parcel Post Unit Cost per Cubic foot estimates for transportation costs presented in Table IV-3 of USPS-T-25, page 20, when multiplied by the "TY03" cubic feet by rate category and zone shown in library reference USPS-LR-J-64, Attachment B, page 6, will yield a total cost of \$493,258,000. If not confirmed, explain.

(k) Confirm that Parcel Post Unit Cost per Cubic foot estimates for transportation costs presented in Table IV-3 of USPS-T-25, page 20 when multiplied by the "TY03" cubic feet by rate category and zone shown in library reference USPS-LR-J-64, Attachment B, page 6, should yield a total cost of \$397,037,000 (i.e., after application of final adjustments). If not confirmed, explain.

(l) Confirm that in library reference USPS-LR-J-64, Attachment A, page 1, the Parcel Post Base Year volume mix shares by rate category are applied to the Test Year modeled mail processing cost per piece estimates by rate category to derive the weighted average modeled Test Year costs to compare to the Test Year Before Rates CRA Costs per piece for Mail Processing. If not confirmed, explain.

- (i) Confirm that, in this calculation, the Test Year Before Rates CRA costs per piece for mail processing costs used are not net of the final adjustments for mail processing presented in USPS-T-25, Table X-1. If confirmed, explain why this is so. If not confirmed, explain.

(m) Confirm that, in a manner similar to that used in library reference USPS-LR-J-64, Attachment A for mail processing, Parcel Post transportation-related costs per cubic feet should be derived with the Test Year Before Rates cubic feet by rate category and zone shown in library reference USPS-LR-J-64, Attachment B, page 6, reflecting the Base Year mix. If not confirmed, explain.

(n) Confirm that the Parcel Post transportation-related costs per cubic foot by rate category and zone in library reference USPS-LR-J-64, page 15, and applied by Witness Kiefer in the Parcel Post rate design, would be approximately 20% lower if a Base Year mix was used in deriving the Test Year Before Rates cubic feet by rate

(o) Provide a calculation of Parcel Post transportation-related costs per cubic foot by rate category and zone using a Base Year mix of the Test Year Before Rates cubic feet by rate category and zone in library reference USPS-LR-J-64, Attachment B, page 6.

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RESPONSE:**

(a). It is my understanding that witness Kiefer uses the Parcel Post transportation cost per cubic foot estimates developed in LR-J-64, Attachment B in his development of Parcel Post rates. I do not know the specifics of his methodology.

(b)&(c). Confirmed that the Parcel Post "TY03" cubic feet by rate category and zone shown in library reference USPS-LR-J-64, Attachment B, page 6, reflect the TYBR volumes as spread to weight cell and zone in library reference USPS-LR-J-106, WP-PP-9. It is my understanding that witness Kiefer develops these distributions using TYBR rate category volumes and Base Year billing determinants.

(d). Confirmed that the Parcel Post "TY03" cubic feet by rate category and zone shown in library reference USPS-LR-J-64, Attachment B, page 6, do not reflect the Base year volume distributions by rate category; however, they do reflect the Base Year volume distribution of weight and zone within each rate category.

(e). I will assume for the purpose of answering this interrogatory that you meant to refer to Attachment B. I can confirm that the Parcel Post transportation and vehicle service driver costs used in the Parcel Post transportation model are TYBR costs before final adjustments. However, the numbers used in this interrogatory for cost segment 8 and total transportation costs are not correct, probably due to rounding. The correct value for piggybacked cost segment 8 is \$106,051,780, and for total transportation costs is \$493,258,780.

(f). I will assume for the purpose of answering this interrogatory that you meant to refer to LR-J-64, Attachment I. Confirmed. However, final adjustments are not

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limited to the change in volume mix between base year and TYBR. Final adjustments are calculated for FY 2001, FY 2002, FY 2003-TYBR, and FY 2003-TYAR.

(g). Confirmed.

(h). Not Confirmed, however the difference appears to be due to rounding. The TYBR Parcel Post final adjustments shown in LR-J-64 are negative 78,355,771 for cost segment 14 and negative 11,784,381 for cost segment 8.

(i). I will assume for the purpose of answering this interrogatory that you are referring to the CRA costs shown in LR-J-64, Attachment I, page 3 net of the final adjustments shown on LR-J-64, Attachment I, page 16 - revised November 27, 2001. Parts (i) - (iii) are not confirmed, however, the difference appears to be due to rounding. The appropriate values for each subpart are the following:

(i) \$308,850,229

(ii) \$58,170,619 and

(iii) \$ 88,186,658

(iv) for a total of \$397,036.89.

These values are simply the results of subtracting one number from another, and does not imply that these are the "CRA costs" used by other witnesses in the rate case.

(j). I will assume for the purpose of answering this interrogatory that the beginning of this interrogatory starts with the words "Confirm that Parcel Post" and not "For a Total of ". Not Confirmed, however the difference appears to be due to rounding. The purpose of the Parcel Post transportation model is to distribute \$493,257,780 to the Parcel Post rate categories. Therefore by the nature of the design, the product of the

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estimated cost per cubic feet and the cubic feet per rate category should and does equal \$493,257,780.

(k). Not confirmed. No cost model results are net of final adjustments. This is due to the fact that cost model results are a necessary input to the final adjustments model.

(l). Confirmed.

(i). Confirmed. No cost model results are net of final adjustments. This is due to the fact that cost model results are a necessary input to the final adjustments model.

(m). Not Confirmed. The Parcel Post mail processing model shown in LR-J-64, Attachment A uses Base Year percentages to weight the modeled costs. The Parcel Post transportation model shown in LR-J-64 uses actual volumes (not percentages), and therefore a TYBR distribution was needed. The only TYBR Parcel Post volume distribution available was the one developed by witness Keifer in LR-J-106.

(n)&(o). I will assume for the purpose of answering these subparts of this interrogatory the following:

- this interrogatory is referring to the total unit cost per cubic foot estimates shown on LR-J-64, Attachment B, page 15, and
- by "using Base Year Mix" refers to estimating TYBR Parcel Post rate category volumes by multiplying the total TYBR Parcel Post volume estimate by the Base Year "percent of volume by rate category".

Confirmed that using the Base-Year volume mix to estimate a TYBR volume mix in the Parcel Post transportation model results unit cost per cubic foot estimates that are

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approximately 20% lower than shown on LR-J-64, Attachment B, page 15. The following table shows this comparison.

	<b>LR-J-64, Attachment B, page 15</b>	<b>UPS/USPS-T25- 67 (o)</b>	<b>% Difference</b>
<b>Inter-BMC</b>			
Zone 1/2	\$3.8862	\$3.1604	-18.7%
Zone 3	\$4.3193	\$3.4681	-19.7%
Zone 4	\$5.0302	\$3.9731	-21.0%
Zone 5	\$6.0749	\$4.7154	-22.4%
Zone 6	\$7.2589	\$5.5565	-23.5%
Zone 7	\$8.5874	\$6.5003	-24.3%
Zone 8	\$11.7360	\$8.7372	-25.6%
<b>Intra-BMC</b>			
Local Zone	\$1.8724	\$1.5390	-17.8%
Zone 1/2	\$3.4900	\$2.8633	-18.0%
Zone 3	\$3.4900	\$2.8633	-18.0%
Zone 4	\$3.4900	\$2.8633	-18.0%
Zone 5	\$3.4900	\$2.8633	-18.0%
<b>DBMC</b>			
Zone 1/2	\$1.3055	\$1.0813	-17.2%
Zone 3	\$2.7885	\$2.2758	-18.4%
Zone 4	\$4.0958	\$3.3288	-18.7%
Zone 5	\$9.8154	\$7.9359	-19.1%
<b>DSCF</b>	\$0.8060	\$0.6792	-15.7%
<b>DDU</b>	\$0.1390	\$0.1171	-15.7%

## **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  
January 4, 2002