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

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 FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION
(FGFSA/USPS-T26-1-4
AND FGFSA/USPS-T36-2-4 REDIRECTED FROM WITNESS PLUNKETT)

The United States Postal Service hereby provides the responses of witness Eggleston to the following interrogatories of the Florida Gift Fruit Shippers Association: FGFSA/USPS-T26-1-4, filed on March 23, 2000, and FGFSA/USPS-T26-2-4, filed on March 23, 2000, and redirected from witness Plunkett.

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 5, 2000

**RESPONSE OF UNITED POSTAL SERVICE WITNESS EGGLESTON TO
INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T-26-1. Refer to Attachment P. In the determination of the cost summaries for machinable parcels, how is the cost of the computerized sorting and handling equipment, as well as the cost of the computer programmers, technical support personnel and operators, reflected?

RESPONSE:

I am assuming that you are asking about the inclusion of the Singulate, Scan, Induction Units (SSIUs) that are also commonly referred to as parcel singulators. In the mail processing models in my testimony, it is assumed that 3 percent of SSIUs will be installed by the test year. SSIUs are included in the model by adjusting the number of handlings for the proportion of time that a parcel will be "handled" by a SSIU. In other words, the probability that a parcel will be handled on the secondary PSM only includes the proportion of parcels that will be handled by a person. These probabilities are on shown in reference 12 on page 5 of Attachment P.

It is my understanding that indirect costs, such as the cost of computer programmers, technical support and operators are included in the PSM piggyback factor.

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FGFSA/USPS-T-26-2. Refer to your Attachment N. Transportation cost for Intra-BMC is the same for each zone. Explain how the transportation costs do not increase from zone to zone.

RESPONSE:

As explained in section V2 of my testimony, Parcel Post transportation costs are divided into zone related and non-zone related costs. Essentially, costs are considered to be zone related when the distance a parcel actually travels is directly related to zone.

Costs are considered to be non-zone related, when the distance a parcel travels is not directly related to zone. Please note that this is not the same as saying that non-zone related costs do not increase as the actual distance traveled increases. It is saying that non-zone related costs do not necessarily increase as zone increases, since distance traveled does not necessarily increase as zone increases.

As can be seen in Table V-1 on page 19 of my testimony, both the local and intermediate costs of intra-BMC are characterized as being non-zone related.

Therefore, costs are not directly related to zone. Therefore on average, the cost per cubic feet is the same for each zone.

For a more detailed explanation of zone and non-zone related costs see Docket No. R97-1, USPS-T-16, Section IIB. Please note in R97-1 these costs were referred to as distance and non-distance related costs.

**RESPONSE OF UNITED POSTAL SERVICE WITNESS EGGLESTON TO
INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T-26-3. If two identical parcels – one rated Intra-BMC and the other rated DBMC – are transported from the same BMC to the same SCF, on the same vehicle,

- a. explain how the transportation cost for each parcel can be different.
- b. Since the Intra-BMC parcel also received transportation from the originating SCF to the BMC, explain how the transportation cost for the Intra-BMC parcel can be less than that for the DBMC parcel.

RESPONSE:

a. It is *possible* that three individual parcels, travelling from the same BMC to the same SCF could incur the same costs. The results of my transportation cost model should not be interpreted as saying one specific leg of transportation will have different costs for the different rate categories. The purpose of my transportation model is to estimate the average cost per cubic foot for each Parcel Post rate category. The Parcel Post transportation model cannot be used to estimate the cost of a specific leg of transportation from one BMC to one plant or even used to estimate the cost of an individual parcel.

(b) Please see response to a.

**RESPONSE OF UNITED POSTAL SERVICE WITNESS EGGLESTON TO
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FGFSA/USPS-T-26-4. Refer to your Attachment P, pages 10 and 11 for the Intra-BMC model. A comparison of the Wtd Modeled Cost shows that the cost for machinable parcels is 0.0985 and for nonmachinable is 0.0340. Does this show that the cost for a nonmachinable is less than that of a machinable parcel? If not, please explain.

RESPONSE:

No. The "Wtd Modeled Cost" is the modeled costs times a weighting factor. The weighting factors are also referred to as volume percentages and are calculated on page 6 of Attachment P. The purpose of the "Wtd Modeled Cost" is to calculate the "Weighted Average Model Cost" on row 1, page 1, of Attachment P. This is used to compute the CRA proportional adjustment factor.

To compare the modeled cost of machinable and nonmachinable parcels, the "Model Cost" of each model should be compared. These are displayed directly above "Model Weight" on the mailflow/cost summary pages. The modeled unit cost of a machinable Special Standard parcel is 36.13 cents. The modeled unit cost of a nonmachinable Special Standard parcel is 83.4 cents. Therefore, the modeled cost of nonmachinable Special Standard parcels is 47.3 cents higher than the modeled cost of a machinable Special Standard parcel. It should be noted that if I were asked to compare the estimated costs of machinable and nonmachinable parcels, I would compare the estimated volume variable unit costs. This would be the modeled costs, times the proportional CRA-adjustment factor of 1.04 plus the fixed CRA adjustment factor of .211. Therefore the estimated cost difference between a machinable and nonmachinable parcel is 49.2 cents.

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REDIRECTED FROM WITNESS PLUNKETT**

FGFSA/USPS-T36-2. Refer to your Attachment G. Transportation cost per piece for intra-BMC is the same amount for all zones for each weight increment, but for DBMC the transportation cost per piece increases in each zone. Fully explain how the transportation costs does not increase from zone to zone.

RESPONSE:

Please see response to FGFSA/USPS-T26-2.

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FGFSA/USPS-T36-3. Are Intra-BMC and DBMC parcels combined together at the destination BMC and transported to the postal facilities served by that BMC in the same vehicles? If not, please explain.

RESPONSE:

A DBMC parcel and an Intra-BMC parcel handled at the same BMC and travelling to the same SCF may or may not travel on the same vehicle. It is my understanding that one of the reasons they may be on different vehicles is that there may be several vehicles leaving for the same facility a day. However, if by "combined" you meant that both parcels are sorted into the same container, then obviously both parcels would travel on the same vehicle.

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FGFSA/USPS-T36-4. If two identical parcels - one rated Intra-BMC and the other rated DBMC - are transported from the same BMC to the same SCF, on the same vehicle, explain how the transportation cost for each parcel can be different.

RESPONSE:

Please see my response to FGFSA/USPS-T26-3.

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: 4/5/00

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.

A handwritten signature in cursive script, appearing to read "Scott L. Reiter", is written above a solid horizontal line.

Scott L. Reiter

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