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

Postal Rate and Fee Changes Pursuant to Public Law 108-18	Docket No. R2005-1

DIRECT TESTIMONY
OF
ELIANE VAN-TY-SMITH
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

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AUTOBIOGRAPHICAL SKETCH

My name is Eliane Van-Ty-Smith. I am a Mathematical Statistician at the Postal Service. My education includes a B.A. in Philosophy and Languages, and a M.Sc. in Mathematical Statistics from Ohio State University. I have also taken coursework in Administration and Economics. I have been with the Postal Service since the end of 1989.

Much of my work at the Postal Service has been in support of the CRA and rate cases, particularly for Mail Processing and IOCS-based analyses. During the Docket No. R97-1 rate case, I provided support to witness Degen's testimony and interrogatories. I also produced LR-H-146 in that docket. In Dockets No. R2000-1 and No. R2001-1, I gave direct testimony on the mail processing costing procedures and Base Year Inputs presented in USPS LR-I-106 and USPS LR-J-55.

A PURPOSE AND SCOPE OF TESTIMONY.

The purpose of my testimony is to summarize USPS LR-K-55, which is an updated version of USPS LR-J-55 in Docket No. R2001-1. LR-K-55 fulfills the same role in this docket as LR-J-55 did in Docket No. R2001-1. It documents the mechanics of the procedures by which the Postal Service proposes to create cost pools for mail processing operations, and distribute the costs in such pools to mail classes, subclasses and rate categories. It also documents additional analyses of IOCS data that were the sources of inputs for the Base Year CRA or for other cost studies.

The main inputs into the development of mail processing volume-variable costs are the econometric volume-variability factors derived by witness Bozzo (USPS-T-12, USPS-LR-K-56), and the IOCS SAS data file which appears as part of USPS-LR-K-9. The In Office Cost System (IOCS), the data system that generates the IOCS SAS data file, is described in the testimony of witness Shaw (USPS-T-2). Other inputs include the productive hourly rates for the Base year and the Test year from witness Tayman (USPS-T-6, USPS-LR-K-50).

The mail processing volume-variable costs by cost pool provided in LR-K-55 are the starting points for witness Kay's development of incremental costs (USPS-T-18). Aggregated at the CRA level, the mail processing volume-variable costs and the subclass distribution keys based on such costs are integrated into witness Meehan's base year costs (USPS-T-9) which are rolled-forward into the test year by witness Waterbury (USPS-T-10). Disaggregated by shape and rate categories for selected subclasses, the mail processing volume-variable costs are rolled forward into the test year by witness Smith (USPS-T-13). LR-K-55 also updates other types of information coming out of the methodology for mail processing costs which are used by witness Smith (USPS-T-13), witness Waterbury (USPS-T-10), and by the cost study witnesses, such as witnesses Mayes (USPS-T-25), Miller (USPS-T-19), Wesner (USPS-T-24), Hatcher (USPS-T-22), and Moser (USPS-T-23), as the source of inputs for some of their cost studies. Details on how the cost study witnesses use my outputs can be found in their testimonies and supporting documentation.

LR-K-55 is subdivided into eight parts. The purpose associated with each part is summarized below. The bulk of the library reference is concentrated in Parts I to III, which address the development of mail processing subclass and rate category volume-variable costs. Parts IV to VII focus on the development of various base year and test year inputs, which represent outcomes from the application of the mail processing methodology described in Parts I-III. Part VIII uses relevant base year inputs to produce disaggregated test year wage rates for clerks and mailhandlers.

Methods representing an update or change from the Postal Service proposed methodology in Docket No. R2001-1 are also itemized below. Additional information on how these updates or changes are specifically implemented can be obtained from the detailed description of the SAS program objectives in each section of LR-K-55. Since most of the mail processing methodology in this docket is an updated and reconfigured version of the one proposed in Docket No. R2001-1, many of the descriptions of the procedures which follow reiterate sections of my testimony in Docket No. R2001-1, USPS-T-13.

B DEVELOPMENT OF MAIL PROCESSING SUBCLASS VOLUME-VARIABLE COSTS.

The derivation of the mail processing volume-variable costs is largely based on the Postal Service mail processing method presented in the testimonies of witnesses Degen and Bozzo in Docket No. R2000-1 (USPS-T-16 and USPS-T-15). Discussion of the rationale for the method can be found in their testimonies and in their responses to interrogatories submitted in that case, in witness Bozzo's testimony in the last case (USPS-T-14 in Docket No. R2001-1), and in witness Bozzo's testimony in this case, USPS-T-12.

B.1 DISAGGREGATION OF COST SEGMENT 3 (C/S 3) COSTS INTO COST POOLS. (PART I OF LR-K-55)

Part I of LR-K-55 documents the procedure used to partition C/S 3 clerk and mailhandler accrued costs into: 1) mail processing cost pools; 2) window services; 3) claims and inquiries; and 4) administrative and support services.

Except for updates and some reconfiguration in mail processing cost pools outlined in the following section, the procedure in this docket is based on the cost partitioning method proposed by the Postal Service and recommended by the Commission in Dockets No. R97-1, No. R2000-1, and No. R2001-1. The method uses data whereby C/S 3 clerk and mailhandler expenses are reported by finance number and LDC (Labor Distribution Code), and the labor hours for the employees at MODS 1&2 facilities are clocked into MODS operations which are then mapped into LDCs. The starting point for the cost partitioning method involves the following steps:

--C/S 3 costs are first separated into costs for the BMCs, the MODS, and non-MODS offices based on finance numbers.

--The aggregated accrued costs for the MODS finance numbers are further subdivided into LDC costs. Each LDC is identified with one of four functions: mail processing, window services, claims and inquiries, and other administrative and support services. For the mail processing function,[1] most of the LDC costs are further partitioned into operation groupings or cost pools, using the shares of MODS operation hours by LDC from the MODS file.

--For the BMCs and the non-MODS finance numbers, the aggregated costs for the finance numbers in each facility group, obtained from C/S 3 accrued labor expenses, are further partitioned into operations, based on *tallies*[2] associated with the IOCS Uniform Operation Codes. Each IOCS

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[1] In Docket No. 2001-1, the LDCs for the mail processing function were defined as follows: 11-14 (automated, mechanized and manual distributions at mail processing facilities); 15 (RBCS); 17-18 (allied and other at mail processing facilities); 41-43 (automated, mechanized and manual distributions at Customer Service Facilities); 44 (Post Office Box Distribution); 48 (Administrative or Miscellaneous activities at stations, branches and associate offices); 49 (Computerized Forwarding System); and 79 (Mailing Requirements and Business Mail Entry).

[2] Throughout this document, the term *tally* refers to the IOCS dollar weight adjusted 1) to the cost pool accrued cost for MODS offices, and 2) to the aggregate facility accrued cost for BMCs and non-MODS offices. The tally IOCS dollar weight is stored in IOCS field F9250 (see USPS LR-K-9, section VII).

Uniform Operation code is identified with one of the four functions cited above. For the mail processing function,[3] the tallies are further partitioned into cost pools, using the responses from IOCS questions 18 and 19.

Within the framework described above, the following are updates and changes to the Docket No. R2001-1 procedures:

1. In FY 2003, it was no longer possible to separate activities for clerk messengers from those for other clerks. Component 3.4 in C/S 3, which identified the expedited delivery function costs accrued by clerk messengers in LDC 24 for both MODS and non-MODS offices in Docket No. R2001-1, was therefore eliminated. The costs associated with expedited delivery are reported along with all other clerk costs.[4]

2. To reflect the 2001 conversion of contract-operated PMPCs (Priority Mail Processing Centers) into postal-operated PMPCs, the converted PMPC finance numbers are identified separately from the MODS finance numbers and comprise a separate cost pool.

   The disaggregation of the PMPC clerk and mailhandler costs parallels the procedure introduced for the ISCs (International Service Centers) in Docket No. R2001-1 and is repeated in this docket as follows. For both PMPCs and ISCs, the aggregated costs are subdivided into costs by LDC. The accrued costs for the mail processing LDCs are then combined to obtain the accrued costs for the ISC and PMPC mail processing cost

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[3] The IOCS Uniform Operation Codes for the mail processing function are: 01 (preparation of mail); 07-08 (platform work and mail acceptance); 02-05 (outgoing and incoming distributions); 11 and 20 (post office box distribution); 15-16 and 27-29 (distribution to carriers); and the miscellaneous operation codes 00 (business reply), 06 (nixie), 12-13 (caller service), 14 (central mail mark up), 18 (registry only), 21-23 (Express Mail and other accountable work).

[4] See the section relating to component 3.4 of Cost Segment 3 in the FY 04 Summary Description of USPS Development of Costs by Segments and Components (USPS LR-K-1).

pools. The non-mail processing LDC accrued costs are combined with the administrative LDC accrued costs from the remaining MODS offices.

The process for structuring non-ISC and non-PMPC mail processing cost pools for the remaining MODS finance numbers is described in items 3 through 5 below.

3. In this docket, mail processing activities for post-offices, stations, and branches at MODS and non-MODS facilities are consolidated. The reconfigured group includes the non-MODS facilities, as well as the activities formerly in the MODS-based cost pools for LDC 41-44 and 48[5]—MODS 1&2 post-offices, stations and branches. The IOCS-based non-MODS approach used in Docket No. 2001-1 is used in this docket to partition the combined costs for MODS LDC 41-44 and 48 and the non-MODS facilities into cost pools: these costs are first disaggregated into functions (mail processing, window services, claims and inquiries, and other administrative and support services [6]) on the basis of the tally's IOCS uniform operation code; then, the mail processing costs are further classified into cost pools, using the tally's response from IOCS questions 18 and 19. The IOCS-based cost pool approach, used previously for the non-MODS group, provides a better characterization of operations than MODS for the LDC 41-44 and 48, since MODS operation definitions for post-offices, stations, and branches do not distinguish manual sorting operations by shape or sorting labor from allied labor.

   With this reconfiguration, the mail processing cost pools are represented by five groups: BMCs, PMPCs, ISCs, Plants, and Post-offices, Stations and Branches (PO/STA/BRs). The mail processing definition is based on

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[5] In Docket No. 2001-1, each of the MODS LDC 41-44 was an individual cost pool while MODS LDC 48 was further partitioned into cost pools using the shares of MODS operation hours by LDC from the MODS file. In this docket, each of MODS LDC 41-44 and 48 represents an individual pool cost to which the tally IOCS dollar weights are adjusted. Since ISCs and PMPCs rarely report hours to LDC 41-44 and 48, they are excluded from these cost pools.

[6] One effect of the application of the IOCS-based definition to MODS 41-44 and 48 is that total accrued mail processing costs for both USPS and PRC versions are comparable.

IOCS for BMCs and PO/STA/BRs, and on MODS operations for PMPCs, ISCs and Plants. Because PMPCs, ISCs, and Plants report predominantly Function 1 hours, they are frequently referred to as 'Plants.' However, they are considered as separate groups for the purpose of computing subclass distribution keys (see section B.2.3).

The non-mail processing costs can be viewed, as in Docket No. 2001-1, to consist of those for BMCs, MODS (which include ISCs and PMPCs), and non-MODS facilities. However, for this docket, the non-mail processing costs for the non-MODS facilities are augmented by the tallies in MODS LDC41-44 and 48 that are associated with non-mail processing IOCS uniform operation codes.

Updates to the individual mail processing cost pools at the plants are itemized below.

4. The non-ISC, non-PMPC mail processing cost pools at the plants are updated in this docket, to reflect changes in operations since Docket No. 2001-1. The LSM operations no longer appear as a BY 2004 cost pool since the LSMs have been phased out. Two new cost pools have been added to reflect new equipment in use: a) the AFSM 100 operations are identified as a cost pool separate from the FSM 1000s and the FSM 881s operations; the AFSM 100 cost pool also includes the LDC 15 VCR flat keying operations which support the AFSM 100 operations; b) the 'tray sorters and robotics' cost pool captures the activities associated with increased usage of those mechanized processes.

5. In this docket, the non-ISC, non-PMPC allied cost pools at the plants are reconfigured to mirror the LDC 17 work center groupings incorporated in the 2002 standardization of the LDC 17 operations. Some of the cost pools consist of some of the same MODS operation numbers that were listed in Docket R2001-1 such as Platform, Manual Sortation-Sacks/Outsides, Presort. The scanning operations are consolidated to include in addition to the ADCS activities, the SWYB (Scan Where You Band) operations. Other cost pools have been further disaggregated or have been remapped into new cost pools: the collection mail preparation is separated from the metered mail preparation; the flat mail preparation,

the dispatch unit, and the opening unit's manual transport are identified as distinct cost pools.

A list of all the pools and their costs is provided in Table 1 in the Attachment. The derived pool costs in Part I of LR-K-55 are the starting points for the development of other costs in subsequent sections of the library reference.

B.2 VOLUME-VARIABLE COSTS AND SUBCLASS DISTRIBUTION KEYS FOR THE MAIL PROCESSING COST POOLS. (PART II OF LR-K-55).

Part II of LR-K-55 describes the method used to distribute the mail processing pool costs, obtained in Part I, to the CRA subclasses.[7] The subclass volume-variable costs derived in Part II are subsequently adjusted in Part V of LR-K-55 to reflect the redistribution of the volume-variable premium pay costs to the pref mail.

The basic foundation for the methodology used in Docket No. 2001-1 remains in this docket as follows. The total cost for each of the mail processing pools from Part I is multiplied by a volume-variability factor to obtain the volume-variable cost for each cost pool (see Table 1 in the Attachment). A pool-specific distribution key is then applied to the volume-variable cost to obtain costs in that pool for each subclass. The resulting subclass costs are summed over all the cost pools to obtain subclass volume-variable mail processing costs (before premium adjustments).

The method used to derive mail processing volume-variable costs by subclass can be expressed by the following formula:

$$\textit{Mail Processing Subclass Volume-Variable Cost} =$$

$$\sum_{pool} \textit{Cost}_{pool} \; X \; \textit{Volume-Variability Factor}_{pool} \; X \; \textit{Subclass Distribution Key Factor}_{pool}$$

The first term in the formula comes from the pool costs in Part I of LR-K-55, which, for the plants, are generated independently of IOCS, from labor expense and MODS operational data. The second term in the formula comes from two

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[7] The term "subclasses", throughout this testimony, refers to the mail classes, subclasses and rate categories exhibited in the B Workpapers and the "Cost Segments and Components" report.

sources: for most of the cost pools, the volume-variability factors are based on the results from witness Bozzo's econometric studies (USPS-T-12), or on the cost-weighted average of the econometric volume-variability factors; for a few cost pools, they are computed from IOCS activity data or extracted from a previous study. The third term in the formula relies totally on IOCS data: neither the MODS system nor any other system has subclass information for these cost pools. By sampling employees' activities at random times and collecting data on the characteristics of the mail they process, the IOCS provides information to measure proportions of handlings by subclasses, rate categories, and cost pools.

The process used to generate the non-econometric volume-variability factors and the distribution keys for the cost pools in this docket is based on the procedures described in LR-K-55 and is summarized below. The process differs from the one proposed in Docket No. R2001-1 to the extent that it incorporates the updated and reconfigured cost pools described in section B.1, the application in section B.2.1 of volume-variability factors derived by witness Bozzo's econometric studies and described in his testimony (USPS-T-12), and the modifications to the distribution keys identified in section B.2.3.

The costs resulting from this process are shown in Table 3 in the attachment. Table 3 lists the subclass volume-variable costs (*Vol-Var Costs*) and distribution factors (*Col Pct*) by cost pool for each of the three mail processing groups, BMCs, Plants, Post-offices, stations, and branches.[8]

B.2.1. Cost Pool Volume Variability Factors.

The volume-variability factors determine what portions of the pool costs vary with the mail volume, and therefore what portions of the pool costs are to be distributed to the subclasses.

In this docket, the econometric volume-variability factors are updates of those presented by Dr. Bozzo in Docket No. R2001-1; but for the manual operations at the plants, they are derived from a new econometric methodology described in his testimony (USPS-T-12, see section II B for further discussion).

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[8] The 'total' subclass volume-variable costs for each mail processing group are inputs to W/S 3.1.1.a of the B Workpapers (USPS LR-K-5).

These factors apply to fourteen cost pools[9] at the plants. The fourteen cost pools correspond to twelve of the same thirteen cost pools cited in Docket No. 2001-1, but in this docket one of the thirteen cost pools (LSM) is eliminated and two new ones are added (AFSM 100 and Cancellation) – see Table 1.These fourteen cost pools for which the volume-variability factors are derived econometrically by witness Bozzo represent about 50 percent of the mail processing costs at the plants and 34 percent of the total C/S 3 mail processing costs. The volume-variability factors for the AFSM 100 and FSM/1000 in Dr. Bozzo's testimony are listed as slightly over 100% as point estimates, but they are applied at 100%. The 100% is still within the standard error of the estimate; volume-variable pool cost does not exceed the accrued pool cost; and operations staff are not aware of any process that would cause the volume-variability to be over 100% for automated operations (see USPS-T-29, Section III).

For nearly all remaining cost pools, the cost-weighted average of the econometric volume-variability factors is applied, as a replacement for the IOCS-based, pool specific, volume-variable fractions used in Docket No. 2001-1. The cost-weighted average of the econometric volume-variability factors is derived by taking the ratio of the aggregate volume-variable pool costs to the aggregate total pool costs, using the cost pools for which Dr. Bozzo has derived the econometric volume-variability factors in this docket. The rationale for this application can be found in witness Bozzo's testimony (USPS-T-12,

section III E).

The exceptions to the application of the cost-weighted average of the econometric volume-variability factors consist of the two Registry cost pools at the non-BMC facilities and the out-of-office activities in the Express Mail cost pool at post-offices, stations, and branches. For the two Registry cost pools, the volume-variability factors are derived as they were in Docket No. 2001-1, on the

[9] The detailed cost pools for which the econometric volume-variability factors are derived consist of the following: automated (BCS/DBCS, BCS/, OCR); mechanical flat (AFSM 100, FSM/1000, FSM/); manual distributions for letter, flat, parcel and priority mail (MANF, MANL, MANP, PRIORITY); priority and non-priority SPBS (SPBSPRIO, SPBS OTH); and the collection mail preparation (1CANCEL). In Docket No. 2001-1, Dr. Bozzo proposed the continued use of the RBCS (LD 15) volume-variability factor presented in Docket No. R97-1, and he has not changed his recommendation.

basis of the IOCS tally activities.[10] For the out-of-office portion of the Express Mail cost pool, the volume-variability factor pertaining to Component 3.4 in Docket No. 2001-1 is used.

The volume-variability factors and the volume-variable costs for the mail processing cost pools are listed in Table 1 in the attachment. The asterisks flag the volume-variability factors derived from Dr. Bozzo's econometric analyses (USPS-T-12). The volume-variability factors in C/S 3 are reflected in the volume-variable costs for the CRA cost components and costing studies which are based on C/S 3 mail processing volume-variable costs, such as mail processing supervision in C/S 2, equipment maintenance and depreciation in C/S 11 and C/S 16. These factors are also applied to the Rollforward model.

B.2.2. Cost Pool Assignment for IOCS Tallies.

A first step in generating the IOCS-based distribution keys is to associate the tallies with the mail processing cost pools implicit in the derivation of those keys. The process used to assign the IOCS tallies to the cost pools parallels the procedure outlined for Part I of USPS LR-K-55 (see section B.1 above).

The starting point for the basic procedure remains as follows:

--The IOCS tallies are grouped into tallies for BMCs, MODS, and non-MODS facilities, based on the finance numbers sampled in IOCS.

--For the MODS sampled finance numbers, the tally contains information on the MODS operation code in which the sampled employee is clocked at

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[10] This procedure is based on the Postal Service's pre-Docket No. R97-1 method, but is applied by cost pool. This method first assigns tallies to cost pools. Then it separates non-overhead tally activities into those that are non-volume-variable and those that are 100 percent volume-variable (see LR-K-1 for a list of these activity codes). The percent of the pool volume-variable cost is determined by the percent of tallies associated with the activities in the cost pool which are classified as volume-variable. Costs associated with 'overhead' activities are considered volume-variable to the same degree as non-overhead activities. 'Overhead' activities correspond to IOCS activity codes 6521-6523, i.e., breaks/personal needs, clocking in/out, and empty equipment-related work. The handling portion of the IOCS empty equipment activity, however, is not included as 'overhead' here since the tallies are treated as mixed-mail tallies.

the time of the IOCS reading.[11] The MODS operation code recorded with each IOCS tally is then used to assign the tallies to the MODS cost pools. The tally assignment to the MODS cost pools in IOCS[12] uses the mapping of MODS operation codes to cost pools from Part I of LR-K-55. Each cost pool is assigned to an LDC. The LDCs are grouped into the four C/S 3 functions: mail processing, window services, claims and inquiries, and other administrative/support services.

--For the BMC and non-MODS sampled finance numbers, the cost pool tally mapping, which relies on the IOCS Uniform Operation codes and on Questions 18 and 19 responses, is the basis for partitioning the total BMC and non-MODS costs into cost pools.

This basic procedure is modified in this docket to incorporate the updates and reconfigurations described in section B.1 above:

1. While the BMC cost pools in this docket are similar to those in Docket No. R2001-1, the MODS mail processing activities are further disaggregated into PMPC, ISC, and non-ISC non-PMPC offices, based on the finance numbers sampled in IOCS. The PMPC and ISC cost pool tallies, which are mapped into mail processing LDCs, are combined into a PMPC mail processing cost pool (PMPC) and an international mail processing cost pool (INTL ISC). The remaining PMPC and ISC tallies (2ADM PMP, 2ADM ISC) are combined into the non-ISC, non-PMPC administrative services tallies. (See item 2 in Section B.1 above).
2. Tallies for observed employees clocked into LDC 41-44 and 48 pools at the sampled MODS finance numbers in IOCS are combined with the non-

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[11] The MODS operation codes are stored in Field F114 in the IOCS file.

[12] About 1.4 percent of the tallies from the sampled MODS offices in IOCS either do not have MODS code, have “invalid” MODS codes which are not listed in the MODS manual, or have MODS codes which are not applicable to C/S 3 LDCs. These tallies are then remapped into cost pools, based on the responses to IOCS questions 18 and 19 and on the IOCS Uniform Operation codes. The remapping also uses a value stored in F1 which identifies if the finance number is a mail processing or customer service facility: this information is used to assign the responses to IOCS Question 19 to either a Function 1 or a Function 4 cost pool.

MODS tallies to represent the activities at post-offices, stations and branches. The IOCS-based non-MODS approach from Docket No. 2001-1 is used in this docket to partition the combined tallies for MODS LDC 41-44 and 48, and non-MODS facilities into mail processing cost pools and non-mail processing functions (see number 3 in Section B.1 above). As a result, the cost pools in this group are defined similarly to those in the non-MODS facilities in Docket No. 2001-1, but are augmented by the IOCS-based re-mapping of tallies for LDC 41-44 and tallies into these cost pools. The one variation in cost pool nomenclature introduced in this docket involves separating out-of-office activities from in-office activities in the Express Mail unit as these two types of activities are subject to distinct volume-variability factors and distinct subclass distribution keys (see section B.2.1 above; see section B.2.3 below).

3. Tallies for observed employees clocked into LDC 11-18, 49 and 79 operations at the sampled MODS finance numbers are mapped into plant cost pools, using the tally MODS operation code and incorporating the changes described in items 4 and 5 of section B.1. above.

As noted in Dockets No. R2000-1 and No. R2001-1, most RBCS (LDC 15) costs are incurred in remote encoding centers, which are not sampled in IOCS. Therefore, the tallies in the LDC 15 cost pool are not used to represent the subclass distribution of volume-variable cost in that cost pool.

B.2.3. Cost Pool Distribution Keys.

The mail processing subclass distribution factors indicate the proportions of the volume-variable costs associated with each cost pool to be assigned to each subclass or rate category. The individual subclass percentages for any cost pool distribution key sum to one. The distribution key for a cost pool represents the percentages of tallies by subclass for that pool. These percentages are derived through successive steps that were described in my testimony in Docket No. R2001-1 and are re-incorporated in the text below.

Apart from the plant support cost pools, the RBCS operations,[13] and the out-of-office activities for the Express Mail cost pool at post-offices, stations, and

branches, all distribution keys are based on the combined direct tallies, distributed mixed-mail tallies, and distributed not-handling tallies in the cost pools.

In this docket, as in Dockets No. R2001-1, No. R2000-1, and No. R97-1, the distribution factors are based entirely on the IOCS tallies. All tallies in a cost pool are used to form the cost pool distribution key. The tallies are classified into three types of tallies: direct, mixed, and not-handling tallies. This classification is based on the type of information observed and reported by the data collector when conducting a reading. The level of detail of the collected information varies with the observed activity. When an IOCS data collector is asked to sample an employee at a specific time, the employee may or may not be handling mail. When handling mail, the employee may be observed to handle one or many pieces of mail, an "item" or a "container."[14] An item or a container may have identical mail, many kinds of mail in it, or be empty at the instant of observation. When not handling mail, the employee may be observed to be between handlings at the instant of observation, monitoring the operation of the equipment, on the way to obtain empty equipment, on break, or performing incidental administrative duties, to cite a few examples. (See Table 2 in the attachment for the proportion of tallies in these various categories).

The 'direct' tallies are piece, item, or container readings with recorded subclass or mail class information.[15] The 'mixed' tallies are item or container

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[13] The distribution key for the RBCS cost pool is based on direct tallies in the BCS-OSS operations 971-978, 271-278, 925-926, 295-296, 916-917, 311,313, 315, 317.

[14] The term "item" refers to the IOCS single item categories listed in Question 21B. Items are defined as bundles, trays, pallets, con-cons, or sacks of various colors. The term "container" refers to the IOCS container categories listed in Question 21C. Containers are defined as APCs, OTRs, hampers, nutting trucks/dollies, utility carts, wiretainers, postal paks, or multiple items handled by the sampled employee.

[15] A single subclass (and its shape) is recorded when the sampled employee is observed handling a single piece of mail, an item or a container with identical pieces of mail, or an item where the top piece rule applies (i.e. a bundle, a letter or flat tray). A subclass is also recorded when mail is processed at piece-sorting equipment. Many subclasses are recorded for an item where the piece contents

handling tallies with no recorded subclass or mail class information.[16] Mixed tallies contain information, such as mail shapes or item types. Not-handling tallies convey no such information. Mixed tallies and not-handling tallies are subsequently distributed to subclasses or mail classes, using all available tally information associated with the characteristics of the mail handled. Such information includes the cost pool operations where the mail is handled and the recorded piece shapes, item,[17] and container types of mail processed in those cost pool operations.

For certain cost pools, such as the allied cost pools, item/container data collected for the handling tallies is congruent with the mixed mail activity codes (i.e. 5610-letter, 5620-flat, 5700-parcel, 5750-all shapes) assigned to the handling tallies on the basis of Question 19 operations. The data also provides additional information recorded by the data collector on mail shapes and types of containerization that can be used to distribute the 5750-tallies to subclasses (see

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are counted by subclasses and shapes (i.e. a sack, a pallet, a small parcel tray, a concon). In subsequent processing of the IOCS data, each counted item tally is subdivided into as many tallies as there are subclasses by shape recorded for the item. The dollar weight for the item tally is then prorated over the subdivided tallies on the basis of the piece counts in the item.

[16] More specifically, these include tallies associated with uncounted mixed-mail items, mixed-mail containers, and empty items/containers. The content of a mixed-mail container is 'identified' by the percentages of volume occupied by shapes of loose mail pieces and/or types of items. A mixed-mail container is 'unidentified' if the volume contents are unknown or partially recorded. For subclass distribution purposes, uncounted items are grouped with empty items, and unidentified containers with empty containers: only the type of containerization (either item type or container type) is known for these tallies. See Table 2 in the attachment for the proportion of tallies in these various categories.

[17] It should be noted that in Docket No.R97-1, both witnesses Cohen and Sellick have compiled tables, based on IOCS direct tallies, which show sack type and mail class associations. We find comparable associations for the Base Year 2004: about 65 percent of the mail processing direct tallies for blue and orange sacks are associated with Express Mail (another 20 percent is associated with Priority); 84 percent of those for brown sacks with Periodicals; 74 percent of those for green sacks with First Class; 93 percent of those for international sacks with International Mail; 84 percent of those for orange and yellow sacks with Priority; and 59 percent of those for white sacks with Standard Mail.

Table 1[18], rebuttal testimony of witness Degen in Docket No. R2000-1). Table 4 in the attachment, updates Degen's Table 1 to incorporate the Base Year 2004 IOCS data. The results in Table 4 are consistent with those obtained in Dockets No. R2000-1 and No. R2001-1 in that the Question 19 method provides shape/class information for 14 percent of the handling mixed mail costs in allied operations, but the item and container data provide shape/class information for another 75 percent of mixed mail costs. This information is used in distributing handling allied costs to subclasses.[19]

Within the framework described above, the distribution key procedures introduced in this docket vary from those used in Docket No. 2001-1 to the extent that they evolve from the updating/restructuring of the cost pools and from the application of the econometric volume-variability factors to the cost pools (see sections B.2.1 and B2.2 above). The variations can be characterized by two types of modifications:

1. One type of modification results from considering PMPCs and ISCs as entities with operations analogous to but distinct from those for the plants in that they are specific to a particular mail class.[20] Consequently, ISC and PMPC mail processing distribution keys are based strictly on subclasses identified within their own respective cost pools. Non-ISC, non-PMPC mail processing distribution keys at the plants are based strictly on subclasses at non-PMPC, non-ISC cost pools. Only across-pool distribution keys are affected in this context.

2. Another modification results from applying the cost-weighted average of the econometric volume-variability factors to the allied cost pools, thereby

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[18] Docket No. R2000-1, Tr. 38/17324 (Aug. 23, 2000).

[19] This approach uses more detailed information than the mixed mail codes used by the Commission in Dockets No. R2001-1, R2000-1 and R97-1.

[20] ISCs and PMPCs, similarly to the plants, reported hours to automated, mechanical, manual, allied, and other miscellaneous operations pertaining to each of the Function 1 mail processing LDC 11-15, 17 and 18. These operations are however focused on the mail class those facilities were to set up to process. Therefore, those three types of facility are kept separate for the purpose of deriving subclass distribution keys.

reducing the need to have broad-based distribution keys for not-handling tallies in most of the allied cost pools.

The two modifications outlined above affect some of the subclass distribution keys for mixed and not-handling tallies, and the subclass distribution key for the Function 1 Support cost pool. They are annotated, when relevant, in sections B.2.3.a through B.2.3.c below, which describe an updated version the procedures used in Docket No. 2001-1.

B.2.3.a. Distribution of Mixed Tallies to Subclasses.

In this docket, as was proposed by the Postal Service in Docket No. 2001-1, mixed tallies are distributed to subclasses by first partitioning the direct and mixed-mail tallies into the same categories of piece shapes, item types, and container types as recorded by the data collector. Mixed item tallies are partitioned into item types. Mixed non-empty container tallies are further partitioned into piece shapes and item types, using information based on the data collector's recorded percentage of the container's volume (cube) occupied by shapes of loose mail pieces and/or types of items. Mixed empty container tallies are partitioned into container types.

Mixed item and non-empty container tallies are then distributed to subclasses in proportion to the direct tally subclasses from the same item types and piece shapes.[21] Empty container tallies are distributed to subclasses in proportion to the subclasses from the direct and distributed non-empty container tallies of the same container types.

Except for four cost pools, mixed item and non-empty container tallies are distributed to subclasses based on direct piece and item tally subclasses from the same cost pool. If there are no direct tallies of the same item type in the cost pool, the distribution is based on direct tallies of the same item type across all cost pools within a mail processing grouping. Five mail processing groupings are

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[21] The same direct item distribution keys are used, *by item type*, for uncounted item tallies, empty item tallies, or items in non-empty container tallies. In the same cost pool, for example, mail subclasses identified with direct yellow sack tallies are used to distribute the tally portions of containers occupied by yellow sacks, as well as the tallies for uncounted or empty yellow sacks not in containers.

used for this second level distribution in this docket: BMCs; PMPCs; ISCs; and plants, and post-offices, stations, and branches.[22]

For four cost pools, a broader across-pool subclass distribution key is used for the mixed tallies. The four exceptions consist of the platform cost pool at the BMCs; the one at the plants; the manual transport cost pool at the plants; and the 'Allied' cost pool at post-offices, stations, and branches. For the plant platform and manual transport pools, non-empty container tallies are distributed in proportion to the direct piece and item tally subclasses from all plant allied labor pools.[23] For the BMC platform pool, item and non-empty container tallies are distributed in proportion to the direct piece and item tally subclasses from all BMC cost pools. For the 'Allied' cost pool at post-offices, stations and branches, non-empty container tallies are distributed in proportion to the direct piece and item tally subclasses from all cost pools in this group, excluding the 'Registry' and the 'Miscellaneous' pools.

B.2.3.b Distribution of Not-Handling Tallies to Subclasses.

In this docket, as was proposed by the Postal Service in Dockets No. R2001-1, No. R2000-1, and No. R97-1, the not-handling tallies for *non-allied, non-support* cost pools were distributed to subclasses using the direct and distributed mixed tallies within the same cost pool. Consequently, for non-allied, non-support cost pools, it is not necessary to include the not-handling tallies in the pool-specific distribution key. The same volume-variable costs could be obtained by multiplying the volume-variable cost fraction of the pool by a distribution key based simply on handling tallies. In Dockets No. R97-1, No. R2000-1, and No. R2001-1, the Commission adopted the Postal Service

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[22] The percent of dollar-weighted item tallies distributed across all cost pools within a facility grouping is: 1.4 percent for BMCs, 1.2 percent for PMPCs, 2.3 percent for ISCs, 2.4 percent for plants, 3.5 percent for post-offices, stations, and branches. For PMPCs and ISCs, if there is no distribution key for the second level, all subclasses within a cost pool are augmented proportionately by the undistributed amount.

[23] Not all containers are 'worked' on the platform. Some are rolled directly to other allied operations where they are 'worked'. Therefore, the direct piece and item subclasses used to distribute non-empty containers on the platform are extended to those in all allied operations.

distribution method for non-allied, non-support cost pools for its version of mail processing volume-variable costs. The Commission's volume-variable costs consist of the Postal Service accrued pool costs excluding the portions represented by the 'migrated' and 'fixed' tallies (as defined by the IOCS activity codes).

In this docket, with the exception of the platform operations at the plants and the BMCs, the Postal Service proposes to distribute the not-handling tallies for the allied cost pools to subclasses, based on the handling tallies in the allied cost pools. This represents a departure from the last two dockets when the not-handling tallies for the *allied* cost pools were distributed to subclasses, based on the aggregated handling tallies in all distribution and allied operations for each of the BMC, MODS, and non-MODS facility groupings. The use of broad-based distribution keys for the allied operations in Dockets No. 2000-1 and No. 2001-1 had been to address the Commission's concerns in Docket No.97-1 about distributing large amounts of not-handling tallies in the allied cost pools and about over-representing the direct tallies in the allied cost pools. The application of the cost-weighted average of the econometric volume-variability factors, which reduces the allied pool costs, mitigates concerns about an over-representation of the allied cost pools' volume-variable costs (see discussion of the rationale in USPS-T-12, section III E).

The not-handling tallies for the platform cost pools are distributed using the same procedure as was implemented in Docket No. 2001-1. For plant and BMC platforms, the not-handling tallies are distributed to subclasses, on the basis of the aggregated handling tallies in all distribution and allied operations in each of the BMC and plant groups. For the plants (ISCs and PMPCs excluded), the basis for the platform cost pool distribution key consists of all handling tallies for the LDC 79 "Bulk Mail Acceptance" unit and the Function 1 (LDC 11-18) operations, excluding the Registry and Business Reply Units. For the BMCs, the basis for the platform cost pool distribution key consists of all BMC mail processing handling tallies.

B.2.3.c Distribution Of Volume-Variable Costs To Subclasses For The Support And Miscellaneous Cost Pools.

In this docket, as was proposed by the Postal Service in Docket No. R2001-1, the two support cost pools at the plants are consolidated into one

"piggyback" cost pool (see discussion in USPS-T-12, section III E). The two plant support cost pools are quasi-administrative pools characterized by a high percentage of not-handling-mail activities.[24] The volume-variable costs for the "piggyback" cost pool are distributed to subclasses in proportion to the volume-variable costs for subclasses in the cost pools they support. The supported cost pools include neither the ISC nor the PMPC mail processing cost pools, since these facilities have their own support operations.

More specifically, the "Mail Processing Support" and "Miscellaneous" cost pools (1SUPPORTand 1MISC) are combined into a Function 1 support cost pool. The volume-variability factor for the pool is the cost-weighted average of the econometric volume-variable factors (see B.2.1 above). The handling tallies in these pools are not used in the distribution keys (see Witness Degen's testimony in Docket No. R2000-1 for the rationale). Instead, the distribution key shares for the Function 1 support cost pool are the subclass shares of volume-variable costs in the supported operations. Thus, the volume-variable cost for the Function 1 support pool is distributed in proportion to all Function 1 and LDC 79 volume-variable costs.

For the Miscellaneous cost pool at post-offices, stations, and branches, the handling tallies are used and the distribution key for the not-handling tallies is based on all mail processing handling tallies at post-offices, stations, and branches.

B.2.3.d Distribution of Volume-Variable Costs to Special Services.

In this docket, the same method as the one proposed by the Postal Service in Docket No. R2001-1 is used to examine the mail processing cost pool and the mail subclass to determine when it is appropriate to assign a Special Service cost to the piece of mail being processed.

Special Service costs are assigned when the mail pieces with paid special services are processed by employees clocked into the Special Service-related

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[24] For the base year 2004, the percentage of not-handling-mail activities ranges from 92 percent for the Function 1 "Mail Processing Support" cost pool (1SUPPORT) to 73 percent for the Function 1 "Miscellaneous" cost pool.

cost pools.[25] In the distribution and allied operations, with certain exceptions, the same mail pieces are processed as ordinary mail pieces of the same subclasses; therefore they are assigned the underlying subclass costs rather than the Special Service costs.

The exceptions are when the mail pieces are themselves detached Postal Service forms used in the provision of special services.[26] With those forms, Special Service costs are incurred in any cost pool in which the forms are processed. Another exception is the Special Handling service cost which is incurred in any cost pool, provided the underlying subclass is eligible to receive the service, i.e. the subclass must be Package Services.

With this method, the Special Service handling tallies are treated like any other subclass handling tallies. They are included in the distribution keys for mixed-mail and not-handling tallies in all cost pools where Special Service costs are incurred, the majority of which occurred, by definition, in the Special Service cost pools.

B.3. DEVELOPMENT OF SUBCLASS VOLUME-VARIABLE COSTS BY AUTOMATION AND PRESORT CATEGORIES, BY COST POOL AND BY SHAPE (PART III OF LR-K-55)

In Part II of LR-K-55, the mail-processing volume-variable costs are generated at the IOCS class activity code level, but aggregated at the CRA subclass level. In Part III of LR-K-55, details by shape and automation categories are provided for specified CRA subclasses in each cost pool.

The specified classes are First-Class, Periodicals, Standard Mail, and Package Services. The shapes are letter/card, flat, and IPP/parcel. The

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[25] The special service-related cost pools for the plants are the special service cost pools in LDC 18 and 49. For post-offices, stations, and branches, they consist of the Registry and Miscellaneous cost pools.

[26] The detached forms are:
- Form 3811 (Return Receipt),
- Form 3547 (Notice to Mailer of Correction in Address) in conjunction with Form 3579 (Undeliverable 2nd, 3rd or 4th Class Matter),
- Form 3804 (Merchandise Return),
- Form 3806 (Registry Receipt),
- Form 3849d (Undeliverable COD).

automation and presort categories are considered only for the letter/card shape. These categories consist of: 1) the "Automation Carrier-Route" for Presort First Class (the "Automation Carrier-Route" for Standard Mail is already represented as a separate subclass in the CRA) and 2) the "Automation Non-Carrier-Route" and the "Non-Automation Non-Carrier Route" for both Presort First Class and Standard Mail. For First-Class, Single Piece, the mail processing volume-variable costs are identified separately by metered and non-metered indicia.

The disaggregated subclass volume-variable costs thus obtained are used by Witness Smith (USPS-T-13) to develop test year costs by shape (see USPS LR-K-53). These costs are then used by other witnesses to reconcile model costs to the Base Year CRA. [27]

C DEVELOPMENT OF SPECIAL INPUTS FOR THE BASE YEAR AND THE TEST YEAR.

C.1 SPECIAL INPUTS INTO THE CRA COSTS BY SEGMENT AND COMPONENT (PART IV AND PART V OF LR-K-55).

Parts IV and V of LR-K-55 provides various base year inputs to complete the development of the subclass volume-variable costs by cost segment and component.

C.1.1 Inputs Into Cost Segment 3.

C.1.1.a. Base Year Administrative And Window Service Cost Inputs into B Workpapers (PART IV OF LR-K-55).

Part IV of LR-K-55 partitions the Administrative[28] and Window Service costs into activities based on IOCS data. These costs are inputs into W/S 3.2 and

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[27] Other disaggregated categories include those for special services: i) consistent with the caller service treatment at the Window Services, costs for caller service at the platform are identified separately and rolled into the mail processing costs for the 'P.O. Box / Caller Service' CRA category; and ii) although not shown separately from the 'Other Services' CRA category, costs for the manual delivery confirmation at the Window Services are identified in this library reference as a component cost for this category.

[28] PMPC and ISC administrative costs are combined with non-PMPC and non-ISC administrative costs, although the mixed mail distribution for tallies with

W/S 3.3 of Witness Meehan's B Workpapers, and subsequently, to the "Cost Segments and Components" Report which generates Administrative and Window Service volume-variable costs by subclasses.

In W/S 3.2, the inputs enable the Window Service activities to be classified into various pools where respective volume-variability factors and distribution keys are applied to the costs to obtain subclass volume-variable costs.

In W/S 3.3, the inputs enable the Administrative Service activities to be classified with those directly associated with subclasses, or with other not-handling-mail activities, some of which are determined to be non-volume variable. The Administrative costs are thus partitioned into components in W/S 3.3 and uploaded to the COBOL CRA base year model where they are applied to component-specific distribution keys to obtain volume-variable subclass costs by cost segment and component.

In this docket, as in Docket No. 2001-1, the mail processing cost pools for BMCs, and post-offices, stations and branches include their shares of 'on breaks' and 'clocking in and out' costs.[29] The amounts for non-mail processing 'on breaks' and 'clocking in and out' are entered in the input costs of witness Meehan's B Workpapers. The 'clocking in and out' amounts are all included in the Administrative Service costs and are subsequently distributed to Window Services, Claims and Inquiries and Other Administrative costs in W/S 3.0.1 of witness Meehan's B Workpapers(see USPS LR-K-5).

C.1.1.b. Premium Pay Adjustment for Mail Processing Cost Component 035 (PART V OF LR-K-55).

The Premium Pay adjustment procedure involves the development of the Sunday and Night Differential pay factors and distribution keys to adjust the mail processing subclass volume-variable costs for premium pay. The Premium Pay factors are applied to the National Payroll Premium Costs to obtain non-BMC mail processing premium costs for Platform and Non-Platform operations (see W/S 3.0.13 of Witness Meehan's B Workpapers, USPS-LR-K-5). The distribution

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activity codes 5610, 5620, 5700, and 5750 is done separately for the ISCs and the PMPCs from the remaining administrative costs.

[29] These are the costs associated with activity codes 6521 and 6522.

keys are used to back out the premium costs from the mail processing volume-variable costs for non-preferred mail and attribute them to the preferred mail.

Except for incorporating updates implemented in Parts I and II of LR-K-55, the methodology used in this docket is the same one introduced in Docket No. R2001-1 which reflected the technical modifications intended to more accurately implement the Commission's recommended procedure from Docket No. R87-1. The intent of the R87-1 Postal Rate Commission opinion is for the premium pay adjustment to apply to non-BMC mail processing costs. The following steps are involved in this procedure (see the premium pay adjustment worksheet in Part V of LR-K-55)

i. Night Differential and Sunday Premium pay accrued costs are first partitioned into BMC/non-BMC using factors derived all premium pay tallies (i.e., direct, mixed-mail, and not-handling tallies[30]). Non-BMC premium pay costs are multiplied by the average volume-variability factor for non-BMC facilities to obtain the non-BMC premium pay volume-variable costs. Non-BMC premium pay volume-variable costs are further partitioned into platform/non-platform using factors derived from premium pay tallies adjusted to the volume-variable pool costs.

ii. The total non-BMC premium pay volume-variable costs are then backed out from the non-BMC mail processing volume-variable costs for each subclass in proportion to the subclass volume-variable cost.

iii. The Night Differential and Sunday premium pay costs for non-BMC facilities are distributed to the corresponding premium pref mail subclasses for non-platform and to all premium subclasses for platform using premium pay tallies adjusted to the volume-variable pool costs.

iv. The subclass mail processing volume-variable costs without premium costs from step ii are combined with the corresponding subclass distributed premium pay volume-variable costs from step iii. The combined costs are then added to the BMC volume-variable costs to form the premium pay adjusted volume-variable costs for mail processing. These

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[30] The IOCS tally data base, and thus the proportions of non-direct premium tallies, were not available to the Commission in Docket No. R87-1 when the original procedure was established. See PRC Op, R87-1, Vol.1 at 193.

costs are entered as component 35 into the COBOL CRA model that produces the “Cost Segments and Components” report.

C.1.2 Inputs Into Other Cost Segments.

C.1.2.a. Computer Forwarding System and Central Mail Mark-Up Distribution Key and Volume-Variability (Part V of LR-K-55).

This distribution key is used to distribute Cost Segment 2 supervisor and technician costs associated with the ‘Central Mail Mark-Up and Computer Forwarding System’ operations. The procedure used in this docket is unchanged from the one used in Docket No. 2001-1. The distribution key is based on the combined subclass volume-variable costs for the LDC 49 cost pool at the plants and for the IOCS uniform operation code 14 at post-offices, stations and branches. The volume-variability factor applied to these operations is the cost weighted average of the econometric volume-variability factors.

C.1.2.b. Facility Space Distribution Keys (Part V of LR-K-55).

In this docket, the subclass mail processing distribution keys by cost pool in Table 3 (*Col Pct)* in the attachment are used to distribute the facility space costs in Cost Segment 15 to subclass (see witness Smith, USPS-T-13). Except for a few cost pools, each mail processing cost pool or group of cost pools in Table 3 is associated with a facility space cost component in Cost Segment 15 (see Table 3, *facility space component*). The same subclass distribution keys used for C/S 15 are also applicable to C/S 11, 16, 18, and 20.

The application of Table 3 subclass distribution keys to the facility space categories was made possible as a result of an updated facility survey conducted since Docket No. 2001-1 which is described in witness Smith’s testimony. The updated survey partitioned the facility space into the same MODS operation space categories that are used for the labor cost pools in Cost Segment 3.

C.1.2.c Equipment Volume-Variabilities (Part VI of LR-K-55).

The accrued and volume-variable costs from Table 1 are combined into relevant pools to obtain the volume-variabilities for the applicable equipment

groupings that are used into C/S 11, 16, 18, and 20 (see witness Smith's testimony, USPS-T-13)

C.2 SPECIAL INPUTS FOR COSTING STUDIES AND THE ROLLFORWARD (PARTS VII AND VIII OF LR-K-55).

C.2.1 Premium Pay Factors for Cost Avoidance Studies (Part VII of LR-K-55).

The premium pay adjustment worksheet in Part V of LR-K-55 is also used to develop the premium pay factors by subclass for the cost avoidance studies. Two types of premium pay factors are needed for these studies. The first type consists of the subclass ratio of volume-variable costs with premium to volume-variable costs without premium for non-BMC facilities. The second type consists of the first type but with the BMC subclass volume variable costs added to the numerator and to the denominator of the ratio. The computation is based on the one used in LR-J-52 in Docket No. 2001-1.

C.2.2 Operation-Specific Crosswalk Matrix (Part VII of LR-K-55).

Part VII of LR-K-55 generates a matrix that distributes clerk and mailhandler mail processing volume-variable costs for each of the MODS-based cost pools to the IOCS-based equipment categories. The information is used to develop the MODS-based cost pools' piggyback factors for the Base Year and the Test Year, but only for equipment costs (see Witness Smith's testimony, USPS-T-13, LR-K-52). In Docket No. R2001-1, this matrix was used for all mail processing indirect costs.

C.2.3 Cost Pool Overhead Factors For Modeled Costs (Part VII of LR-K-55).

Part VII of LR-K-55 develops pool-specific overhead factors to be applied to modeled costs. The basic methodology is unchanged from the one used in Docket No. R2001-1, and incorporates the updated and reconfigured cost pools introduced in this docket.

C.2.4 Inputs Into the Rollforward Model (Part VII of LR-K-55).

The subclass volume-variable costs derived in Parts II and III of LR-K-55 form the basis for selected distribution keys which are used to derive cost savings or cost increases by subclass in the Rollforward model. The distribution

keys are derived either for selected individual cost pools (such as the letter-shaped subclasses for the LDC 49 cost pool) or selected combination of cost pools (such as LDC 17 operations and the Function 4 activities). For the Function 1 distribution key for BPI (Breakthrough Productivity Initiative) savings, cost pools are aggregated into the six groups described in Section II E of witness McCrery's testimony (USPS-T-29). A subclass distribution key is derived for each group and is weighted in proportion to the opportunity hours in the group. The aggregate of the weighted distribution keys constitutes the distribution key for the Function 1 BPI savings.

C.2.5 C/S 3 Disaggregated Wage Rates (Part VIII of LR-K-55).

Part VIII of LR-K-55 provides disaggregated base year and test year wage rates for Cost Segment 3. The wage rates and corresponding hours from Part I of LR-K-55 are reconciled to the clerk and mailhandler wage rates and GFY hours for the base year and the test year from USPS LR-K-50.

D. PROPOSED CHANGES RELATIVE TO PRC METHODOLOGY.

The methodological differences between this testimony, USPS-LR-K-55, *MODS-Based Costing Description,* and USPS-LR-K-100, the PRC version of *MODS-based Costing Description,* are listed below.

To the extent that, in response to Commission Rule 53, I discuss and compare PRC versions of costing materials in this testimony, I do not sponsor those materials, or in any way endorse the methodologies used to prepare them. In its Order No. 1380 adopting the roadmap rule, the Commission included the following statements regarding the role played by Postal Service witnesses under these circumstances:

> The comparison required by this exercise cannot be equated with sponsoring the preexisting methodology. It merely identifies and gives context to the proposed change, serving as a benchmark so that the impact can be assessed. … [W]itnesses submitting testimony under Rule 53(c) sponsor the proposed methodological changes, not the preexisting methodology. That they may be compelled to reference the preexisting methodology does not mean that they are sponsoring it. Order No. 1380 (August 7, 2003) at 7.

Therefore, although I may be compelled to refer to the PRC methodologies and versions corresponding to the Postal Service proposals which are the subject of my testimony, my testimony does not sponsor those PRC materials.

The differences are grouped and addressed as follows: 1) Reconfiguration of MODS and non-MODS mail processing cost pools; 2) Mail processing costs, accrued and volume-variable; 3) Distribution of mixed mail costs in the Allied Operations; 4) Assignment of Special Service costs; and 5) Support cost pools at the Plants. With the exception of difference 1) which is introduced in the USPS version for the first time in this docket, the other differences are long-standing differences that date back to Docket No. R97-1. What impact those differences, individually and collectively, have on mail processing subclass volume-variable costs is shown in Tables 5 and 5.1-5.3 in the Attachment.

1. Reconfiguration of MODS and non-MODS mail processing cost pools.

The PRC version, as was done in the USPS version of LR-J-55 in Docket No. 2001-1, partitions Cost Segment 3 (C/S 3) into three major types of facilities: the BMCs, the MODS, and non-MODS offices. The USPS version in this docket reconfigures two of these three types as discussed in the next paragraph. This reconfiguration is not present in the PRC version.

While leaving intact the costs for administrative and window services derived for the BMCs, the MODS and non-MODS facilities, the USPS version reconfigures the mail processing cost pools into three groups: the BMCs; the Plants; and the Post-Offices, Stations, and Branches (PO/STA/BR). The mail processing cost pools for the BMCs remain unchanged. However, the mail processing activities for post-offices, stations, and branches at MODS and non-MODS facilities are consolidated into one group (PO/STA/BR) by combining the MODS LDC 41-44 and 48 cost pools with the non-MODS facilities. This movement leaves the MODS offices with essentially ‘plant’ activities defined in great details by MODS operations. In conjunction with this movement, the USPS version employs the IOCS-based cost pool approach, previously used for the non-MODS group, to provide a better characterization of operations than MODS for the LDC 41-44 and 48 cost pools. The IOCS-based approach provides more details since MODS operation definitions for post-offices, stations and branches do not distinguish either manual sorting operations by shape or sorting labor from

allied labor. In addition, IOCS data allow in-office activities to be distinguished from out-of-office activities for the Express Mail cost pool in the newly formed PO/STA/BR group.

Tables 5, 5.1, 5.2, and 5.3 in the attachment reflect the impact of these methodological differences for each of the three major mail processing groups described above: Plants; Post-Offices, Stations, and Branches; and the BMCs. Tables 5.1, 5.2, and 5.3 further disaggregate the subclass volume-variable costs into comparable subgroups which display the several areas of methodological differences described below.

2. Mail Processing Costs, Accrued and Volume-Variable.

To obtain the mail processing volume-variable cost for a cost pool, the PRC version relies on IOCS-based *classification* of sampled employees' activities into mail processing versus non-mail processing costs and into volume-variable versus 'fixed' costs. For the BMCs and the non-MODS offices, the accrued mail processing cost for a pool is the same as the total pool cost (the SAS programs in the PRC version produce the pool cost but without the clocking in/out cost which is distributed in the PRC B Workpapers, since clocking in/out is reported under 'administrative' services in IOCS). For MODS-based labor cost pools, the PRC version reduces the total pool accrued cost by an amount based on the pool 'migrated' tallies (i.e. IOCS-defined administrative or window service activities excluding clocking in/out) to obtain the accrued mail processing cost. For all three groups, the pool accrued mail processing cost is further reduced by an amount based on the IOCS-defined 'fixed' tallies.

The PRC version then distributes the pool cost for the remaining tallies to subclasses to obtain the volume-variable costs for all subclasses. It should be noted that: 1) the clocking in/out costs for MODS are included in the pool costs generated by the SAS programs, but for the BMCs and the non-MODS facilities, it is in the B Workpapers that the volume-variable portion of the clocking in/out costs is added to the subclass volume-variable costs; 2) the Registry costs generated by the SAS programs contain fixed costs that are deducted in the B Workpapers before the clocking in/out costs are apportioned; and 3) additionally, in the B Workpapers, a sizable portion of the final Registry volume-variable cost is reallocated to USPS mail based on RPW (Revenue, Pieces and

Weight) data, and a more insignificant amount to First Class Single Piece and Priority through the 'normal feature' adjustment.

To obtain the USPS version of the mail processing volume-variable cost for a cost pool, witness Bozzo (USPS-T-12) *measures* for a given cost pool how total labor hours vary with volume, and LR-K-55 applies the econometrically derived volume-variability factor to the total pool cost (the SAS programs include the clocking in/out costs for the BMCs and the PO/STA/BRs in the pool total cost). Volume-variability factors are econometrically derived for fourteen distribution cost pools at the Plants, and the ensuing cost-weighted average of the econometric volume-variability factors is used for nearly all other cost pools. The exceptions are 1) the Registry cost pools which use the IOCS-based 'fixed' activities and 2) the out-of-office activities for the Express Mail Unit which rely on the volume-variability for Component 3.4 from Docket No. 2001-1. The volume-variable costs are then distributed to subclasses based on the IOCS tally distribution key for the cost pool.

Table 5 shows the PRC version of accrued mail processing and volume-variable costs by cost pool and can be compared to Table 1.

3. Distribution of Mixed Mail Costs in the Allied Operations.

In allied operations, unlike non-allied operations, the PRC version does not use IOCS tally information on the types of containerization handled (item type and container type) to allocate mixed mail and not-handling costs to subclass. Instead, the PRC version relies on the mixed mail and not-handling tallies with IOCS activity codes 5610 (letter), 5620 (flat), 5700 (ipp/parcel), and 5750 (all shapes). Since these IOCS codes are assigned based on the tally shape-related distribution operations of IOCS Question 19, the great majority of mixed mail and not-handling tallies in the allied cost pools would not be in a shape-related distribution operation. Consequently, they would not be assigned a specific shape code but rather would be assigned the activity code 5750 which does not identify a specific shape. To distribute the mixed mail tallies by shape, the PRC version then uses the proportion of direct tallies of the same shape in all mail processing cost pools within a group of facilities. As a result, the same distribution key is applied to the great majority of the mixed mail costs in any allied cost pool, irrespective of the nature of the operations and unadjusted to the proportion of the types of containerization processed in the allied operations.

The USPS version uses IOCS item and container information consistently in all cost pools. IOCS item and container information provides additional shape and class association for mixed mail tallies with activity code 5750 in the allied operations (see Table 4). Thus, the direct tallies by piece shape, item type, and container type for the mail processed within an allied cost pool are used to distribute the mixed mail costs to the same piece shape and item type and container type within that cost pool. The direct and distributed mixed mail operations within a cost pool are then used to distribute the not-handling costs within that cost pool. A broader distribution key based on all allied direct tallies by piece shape and item type is used to distribute the costs for the piece shapes and item types in the mixed mail containers for the platform cost pools at both the Plants and the BMCs and for the manual transport operations at the Plants. The not-handling costs for the platform cost pools at the BMCs and the Plants are then distributed to the subclasses, based on all handling tallies in the mail processing cost pools within each group.

4. Assignment of Special Service Costs.

To assign a Special Service cost to the piece of mail being processed, the PRC version relies on the IOCS-based ‘encirclement’ rules which examine the mail processing operation and the mail subclass to determine when it is appropriate to make the Special Service cost assignment. The operations or activities designated by these ‘encirclement’ rules rely on IOCS Question 18 activity information for the BMCs and non-MODS facilities but they rely on MODS-based cost pools for the MODS facilities. In those instances where the IOCS-based operations are not consistent with the MODS operations, the IOCS-assigned Special Service code is replaced by the mail class activity code. Mixed mail costs are generally not distributed to Special Service tallies. For Registry, the Postal Service’s pre-R97-1 worksheet continues to be used to apportion the costs into volume-variable and ‘fixed,’ and the Registry volume-variable costs are further reduced by the RPW proportion of Registry volume data that is USPS mail.

The USPS version assigns the Special Service when the mail pieces with paid special services are processed by employees clocked into the Special Service-related cost pools at the Plants or by employees assigned to Special Service operations at Post-Offices, Stations, and Branches (see section B.2.3.d).

Elsewhere, as in the automated, mechanized, manual distribution, and the allied operations, the same mail pieces are processed as ordinary mail pieces of the same subclasses; therefore, they are assigned the underlying subclass costs rather than the Special Service costs. The exceptions occur when the mail pieces are themselves detached Postal Service forms used in the provision of special services or when Special Handling is involved (see section B.2.3.d for more details). For the Registry special service, the Postal Service assigns the Registry handling tally to USPS mail if IOCS determines that the underlying subclass is USPS mail. With this method, all Special Service handling tallies are treated like other subclass handling tallies: Special Services get their shares of the mixed mail and not-handling costs in the cost pools where Special Service costs are incurred, and the cost pool volume-variability factors apply to the Special Service costs as they would for any other subclasses in these cost pools. The SAS programs generate these costs and no additional adjustment is needed through the B Workpapers.

5. Support Cost Pools at the Plants.

In the PRC version, the IOCS-based approach results in 47 percent of the ‘miscellaneous’ pool cost and 87 percent of the ‘support’ pool cost to be reallocated to non-mail processing functions (see Table 5). The remaining mail processing handling tallies for these cost pools are treated as for any other distribution cost pools: the mixed handling tallies are distributed to the direct handling tallies by piece shape, item type, and container type. The not-handling tallies however are distributed to all handling tallies in the Function 1 cost pools.

In the USPS version, the ‘miscellaneous’ and ‘support’ cost pools are considered to be support activities for the plant mail processing operations (other LDCs and MODS operation codes apply to the administrative and window functions). They are therefore combined into a “piggyback” Function 1 support cost pool, the cost-weighted average of the econometric volume-variability factors is applied to the total pool cost, and the volume-variable cost is distributed in proportion to the subclass volume-variable costs in the operations being supported. The tallies in the Function 1 support cost pool are not used.

Table 1: BY 04 Cost Segment 3 Clerk and Mailhandler Cost Pools

A. MAIL PROCESSING - PLANTS GROUP 1/

SAS name		Cost Pool Title	Pool Total Costs	Pool Volume-Variable Factor	Pool Volume-Variable Cost
		Automated Equipment			
BCS/	1	BCS - Other than CBCS/DBCS*	158,403	0.90	142,563
BCS/DBCS	2	CBCS / DBCS*	1,272,441	0.85	1,081,575
OCR/	3	OCR*	211,011	0.78	164,589
		Mechanized, Letters & Flats			
AFSM100	4	AFSM100 - LDC 12 (incl. LDC 15 VCS Flat keying)*	546,840	1.00	546,840
FSM/	5	FSM - Other than FSM 1000 & AFSM100*	3,520	1.00	3,520
FSM/1000	6	FSM 1000*	230,941	0.73	168,587
		Mechanized, Other			
MECPARC	7	Mechanized Parcels	7,098	0.83	5,891
SPBS OTH	8	SPBS - Non Priority*	427,110	0.77	328,875
SPBSPRIO	9	SPBS - Priority*	95,150	0.77	73,266
1SACKS_M	10	Mechanical Sort - Sack Outside	30,355	0.83	25,195
1TRAYSRT	11	Mechanical Tray Sorter	139,652	0.83	115,911
		Manual Operations			
MANF	12	Manual Flats*	246,898	0.90	222,208
MANL	13	Manual Letters*	962,846	0.87	837,676
MANP	14	Manual Parcels*	77,846	0.78	60,720
PRIORITY	15	Manual Priority*	232,857	0.76	176,971
LD15	16	**LDC 15 - RBCS***	178,217	1.00	178,217
		Allied Operations			
1CANCEL	17	Cancellation*	299,092	0.46	137,582
1DSPATCH	18	Dispatch	218,321	0.83	181,206
1FLATPRP	19	Flats Preparation	282,739	0.83	234,673
1MTRPREP	20	Mail Preparation - metered	32,263	0.83	26,778
1OPBULK	21	Opening Unit - BBM	228,247	0.83	189,445
1OPPREF	22	Opening Unit - Preferred Mail	562,762	0.83	467,092
1OPTRANS	23	Opening - Manual transport	130,816	0.83	108,577
1PLATFRM	24	Platform	1,351,900	0.83	1,122,077
1POUCHNG	25	Pouching Operations	138,269	0.83	114,763
1PRESORT	26	Presort	12,669	0.83	10,515
1SACKS_H	27	Manual Sort - Sack Outside	128,372	0.83	106,549
1SCAN	28	Air Contract DCS and Incoming/SWYB	83,753	0.83	69,515
		Other Operations			
BUSREPLY	29	Business Reply / Postage Due	36,101	0.83	29,964
EXPRESS	30	Express Mail	100,914	0.83	83,759
MAILGRAM	31	Mailgram	3,520	0.83	2,922
REGISTRY	32	Registry **	151,234	0.42	63,518
REWRAP	33	Damaged Parcel Rewrap	22,223	0.83	18,445
1EEQMT	34	Empty Equipment	30,848	0.83	25,604
1MISC	35	Miscellaneous Activity 2/	231,961	0.83	192,528
1SUPPORT	36	Mail Processing Support 2/	277,680	0.83	230,474
LD49	37	LDC 49 - Computerized Forwarding Syst.	293,973	0.83	243,998
LD79	38	LDC 79 - Mailing Req' & Bus. Mail Entry	184,307	0.83	152,975
INTL ISC	39	**ISCs (International Service Centers)**	165,161	0.83	137,084
PMPC	40	**PMPCs (Priority Mail Processing Centers)**	137,898	0.83	114,455
		MAIL PROCESSING TOTAL FOR PLANTS	**9,926,208**	**0.83**	**8,197,102**

Footnotes
* Econometrically derived volume-variability factors from witness Bozzo (USPS-T-12)
** Volume-variable fraction is based on IOCS classification of 'fixed' activities in the cost poo
1/ This group includes PMPCS, ISCs, LDC 11-15, 17-18, 49,79 for MODS 1&2 Facilities
2/ These support cost pools are combined into the piggyback cost pool 1SUPP_F1

Table 1: BY 04 Cost Segment 3 Clerk and Mailhandler Cost Pools

SAS name		Cost Pool Title	Pool Total Costs	Pool Volume-Variable Factor	Pool Volume-Variable Cost
		B. MAIL PROCESSING - POST-OFFICES, STATIONS & BRANCHES GROUP 1/			
ALLIED	41	Allied	1,010,558	0.83	838,763
AUTO/MECH	42	Automated/Mechanized	216,212	0.83	179,456
EXPRESS	43	Express Mail			
EXPRS IN		Express - In-Office Activities	39,832	0.83	33,060
EXPRS OUT		Express - Out-Of-Office Activities 3/	55,172	0.43	23,724
MANF	44	Manual Flat	616,725	0.83	511,882
MANL	45	Manual Letter	871,315	0.83	723,191
MANP	46	Manual Parcel	354,397	0.83	294,149
MISC	47	Miscellaneous	603,099	0.83	500,572
REGISTRY	48	Registry 4/	70,385	0.35	24,635
		MAIL PROC.TOTAL FOR P.O. STA/BRs 2/	**3,837,695**	**0.82**	**3,129,433**
		C. MAIL PROCESSING - BMCs GROUP			
NMO	49	Non-Machinable Outside (NMO)	39,355	0.83	32,665
OTHR	50	Allied Labor & all other Mail Processing	354,242	0.83	294,021
PLA	51	Platform	225,861	0.83	187,465
PSM	52	Parcel Sorting Machine	71,879	0.83	59,660
SPB	53	SPBS & Irregular Parcels (IPP & 115)	77,825	0.83	64,595
SSM	54	Sack Sorting Machine	30,307	0.83	25,154
		MAIL PROCESSING TOTAL FOR BMCs 2/	**799,469**	0.83	**663,559**
		TOTAL MAIL PROCESSING FOR COST SEGMENT 3	***14,563,371***	***0.82***	***11,990,094***
		D. ADMINISTRATIVE AND WINDOW SERVICES			
		MODS 1&2 Facilities			
		LDC 45 - Window Service	843,399		
		Claims & Inquiries	16,662		
		Administrative Services 5/	455,400		
			1,315,461		
		Post-Offices, Stations & Branches			
		Window Service	1,704,449		
		Claims & Inquiries	24,588		
		Administrative Services	687,999		
			2,417,036		
		BMCs			
		Window Service	755		
		Claims & Inquiries	1,823		
		Administrative Services	72,677		
			75,255		
		TOTAL ADMINISTRATIVE & WINDOW SERVICES FOR C/S 3	***3,807,752***		
		TOTAL CLERK AND MAILHANDLER COSTS FOR COST SEGMENT 3	**18,371,123**		

Footnotes

1/ This group includes NONMODS Facilities plus MODS LDC41-44,48 as follows:

LDC 41 - Unit Distribution - Automated	23,466
LDC 42 - Unit Distribution - Mechanized	435
LDC 43 - Unit Distribution - Manual	684,154
LDC 44 - Post-Office Box Distribution	156,310
LDC 48 - Customer Service / Express	588,870
Subtotal MODS 1&2 LDC 41-44, 48	1,453,235
NON-MODS Facilities	4,801,496
POST-OFFCES, STATIONS AND BRANCHES TOTAL	6,254,731

2/ The mail processing cost pools include their portion of the clocking in/out (actv=6522) costs

3/ The volume-variability factor is the one from what used to be C/S 3.4

4/ The volume-variable fraction is based on IOCS classification of 'fixed' activities

5/ The non-mail processing portion of the clocking in/out costs are included in the Administrative Services

Table 2: Proportion of Dollar-Weighted Tallies (Adjusted to the Cost Pool) by Handling ("direct" and "mixed") and Not-Handling Categories for Plants, Post-Offfices, Stations, and Branches, and BMCs

	Percentage of Dollar-Weighted Tallies			
Tally Category	**BMCs**	**Plants**	**Post-Offices STAs & BRs**	**Total**
Direct Tallies				
Pieces	21.07%	26.62%	42.27%	30.36%
Items	11.50%	12.44%	11.02%	12.02%
Containers	1.21%	0.57%	0.26%	0.52%
Total Direct	33.78%	39.63%	53.55%	42.90%
Mixed Tallies				
Mixed Item Tallies				
Uncounted Item	1.02%	0.46%	0.19%	0.42%
Empty Item	2.68%	2.69%	1.80%	2.46%
Total Item	3.70%	3.15%	1.99%	2.88%
Mixed Container Tallies				
Identified Container				
Loose Pieces	2.68%	1.19%	1.40%	1.33%
Items	3.92%	4.86%	3.09%	4.35%
Subtotal	6.60%	6.05%	4.49%	5.68%
Unidentified Container	5.09%	1.05%	0.80%	1.20%
Empty Container	7.30%	4.84%	3.96%	4.75%
Total Container	18.99%	11.94%	9.25%	11.63%
Total Mixed	22.69%	15.09%	11.24%	14.51%
Not-Handling Tallies	43.53%	45.28%	35.21%	42.59%
TOTAL	100.00%	100.00%	100.00%	100.00%

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	MODS 11 BCS/ 902	MODS 11 BCS/DBCS 901	MODS 11 OCR/ 903	MODS 12 AFSM100 906	MODS 12 FSM/ 904	MODS 12 FSM/1000 905	MODS 13 MECPARC 909
1--Letters - Single Piece							
Vol-Var Costs	69649	480073	102604	194412	2014.7	71643	486.1
Col. Pct	48.85	44.39	62.34	35.55	57.24	42.5	8.25
2--Letters - Presort							
Vol-Var Costs	30884	265179	21845	26151	89.751	10122	118.63
Col. Pct	21.66	24.52	13.27	4.78	2.55	6	2.01
3--Cards - Single Piece							
Vol-Var Costs	2415.6	17140	3587.7	372.06	1.4849	85.635	2.0427
Col. Pct	1.69	1.58	2.18	0.07	0.04	0.05	0.03
4--Cards - Presort							
Vol-Var Costs	1220.8	8661.7	678.58	249.86	0.7129	103.7	0.8791
Col. Pct	0.86	0.8	0.41	0.05	0.02	0.06	0.01
5--Priority Mail							
Vol-Var Costs	334.85	770.8	273.72	5066.2	139.44	3314.3	1183.6
Col. Pct	0.23	0.07	0.17	0.93	3.96	1.97	20.09
6--Express Mail							
Vol-Var Costs	3.4882	0.6579	194.87	49.548	1.5428	31.214	7.6348
Col. Pct	0	0	0.12	0.01	0.04	0.02	0.13
8-1 Periodicals-InCounty							
Vol-Var Costs	0.413	3.9181	0.9634	134.97	0.1724	704.52	0.7101
Col. Pct	0	0	0	0.02	0	0.42	0.01
8-2 Periodicals-OutsideC							
Vol-Var Costs	165.38	587.2	396.13	62472	326.61	27280	229.86
Col. Pct	0.12	0.05	0.24	11.42	9.28	16.18	3.9
10--Standard - ECR							
Vol-Var Costs	808.33	14811	1443.7	10248	8.1771	3372.3	92.796
Col. Pct	0.57	1.37	0.88	1.87	0.23	2	1.58
11--Standard - Regular							
Vol-Var Costs	35185	285598	31787	234206	802.2	46348	1485.5
Col. Pct	24.68	26.41	19.31	42.83	22.79	27.49	25.21
14--Packg S - Parcels							
Vol-Var Costs	10.539	44.759	14.309	294.12	124.09	124.11	1100.8
Col. Pct	0.01	0	0.01	0.05	3.53	0.07	18.68
15--Packg S-Bound Print							
Vol-Var Costs	8.6551	7.6029	6.1435	3197.3	2.7771	1707.8	377.98
Col. Pct	0.01	0	0	0.58	0.08	1.01	6.42
16--Packg S-Media Mail							
Vol-Var Costs	6.4103	11.818	4.2147	1175.2	1.2398	347.13	189.25
Col. Pct	0	0	0	0.21	0.04	0.21	3.21
18--USPS							
Vol-Var Costs	977.97	4109.1	876.57	4229.6	2.7106	1707.2	335.18
Col. Pct	0.69	0.38	0.53	0.77	0.08	1.01	5.69
19--Free Mail							
Vol-Var Costs	0.7706	529.78	0.2714	117.65	0.4396	0.3989	1.1048
Col. Pct	0	0.05	0	0.02	0.01	0	0.02
20--International Mail							
Vol-Var Costs	668.54	3985.9	684.48	4459	2.165	1649.7	278.47
Col. Pct	0.47	0.37	0.42	0.82	0.06	0.98	4.73

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class		MODS 11 BCS/ 902	MODS 11 BCS/DBCS 901	MODS 11 OCR/ 903	MODS 12 AFSM100 906	MODS 12 FSM/ 904	MODS 12 FSM/1000 905	MODS 13 MECPARC 909
21--Registered Mail								
	Vol-Var Costs	5.281	60.387	11.849	3.1926	1.2231	45.494	0.0459
	Col. Pct	0	0.01	0.01	0	0.03	0.03	0
22--Certified Mail								
	Vol-Var Costs	0.0644	0.0059	0.0072	0	0.0464	0.0053	0.1241
	Col. Pct	0	0	0	0	0	0	0
23--Insured Mail								
	Vol-Var Costs	0	0	0	0	0.0125	0	0.011
	Col. Pct	0	0	0	0	0	0	0
24--COD								
	Vol-Var Costs	0	0	0	0	0.0006	0	0
	Col. Pct	0	0	0	0	0	0	0
25--Special Handling								
	Vol-Var Costs	0.2614	0.0427	0.0456	1.7263	0.0347	0.0533	0.0978
	Col. Pct	0	0	0	0	0	0	0
26--P.O Box/Caller Srvc								
	Vol-Var Costs	0.3971	0.0624	0.0702	0	0.1937	0.07	0.5362
	Col. Pct	0	0	0	0	0.01	0	0.01
27--Other Spec. Services								
	Vol-Var Costs	217.04	0	178.8	0	0.2089	0.0022	0.0426
	Col. Pct	0.15	0	0.11	0	0.01	0	0
Total		142562	1081575	164589	546840	3519.96	168587	5891.33

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	MODS 13 SPBS OTH 910	MODS 13 SPBSPRIO 910	MODS 13 1SACKS_M 908	MODS 13 1TRAYSRT 971	MODS 14 MANF 911	MODS 14 MANL 912	MODS 14 MANP 913
1--Letters - Single Piece							
Vol-Var Costs	68848	13599	2536.3	31147	93115	514050	12581
Col. Pct	20.93	18.56	10.07	26.87	41.9	61.37	20.72
2--Letters - Presort							
Vol-Var Costs	5209.4	1134.3	3510.1	30800	13773	105273	1551.1
Col. Pct	1.58	1.55	13.93	26.57	6.2	12.57	2.55
3--Cards - Single Piece							
Vol-Var Costs	1.6295	4.4777	4.6641	1301.4	487.77	47171	305.71
Col. Pct	0	0.01	0.02	1.12	0.22	5.63	0.5
4--Cards - Presort							
Vol-Var Costs	0.3993	2.7129	29.76	10.397	328.24	8128.1	10.488
Col. Pct	0	0	0.12	0.01	0.15	0.97	0.02
5--Priority Mail							
Vol-Var Costs	16636	43218	3273.8	1463.6	5908.5	5739.7	16719
Col. Pct	5.06	58.99	12.99	1.26	2.66	0.69	27.54
6--Express Mail							
Vol-Var Costs	273.61	425.09	3.9349	110.85	61.845	1466.4	285.44
Col. Pct	0.08	0.58	0.02	0.1	0.03	0.18	0.47
8-1 Periodicals-InCounty							
Vol-Var Costs	75.45	4.7572	324.43	7.9751	795.66	2.417	154.87
Col. Pct	0.02	0.01	1.29	0.01	0.36	0	0.26
8-2 Periodicals-OutsideC							
Vol-Var Costs	60442	4536.2	4224	3974.8	44399	10284	2995.2
Col. Pct	18.38	6.19	16.77	3.43	19.98	1.23	4.93
10--Standard - ECR							
Vol-Var Costs	29865	843.59	394.77	4384.2	2425.3	4977	64.852
Col. Pct	9.08	1.15	1.57	3.78	1.09	0.59	0.11
11--Standard - Regular							
Vol-Var Costs	125004	3709.2	8201	39362	53235	118173	7346.7
Col. Pct	38.01	5.06	32.55	33.96	23.96	14.11	12.1
14--Packg S - Parcels							
Vol-Var Costs	2299.3	564.62	1764.9	498.62	315.99	615.51	10350
Col. Pct	0.7	0.77	7	0.43	0.14	0.07	17.05
15--Packg S-Bound Print							
Vol-Var Costs	7933.6	102.68	214.48	622.46	1727.1	491.47	1714.5
Col. Pct	2.41	0.14	0.85	0.54	0.78	0.06	2.82
16--Packg S-Media Mail							
Vol-Var Costs	6097.9	1115.9	212.77	108.37	829.1	379.17	3718.5
Col. Pct	1.85	1.52	0.84	0.09	0.37	0.05	6.12
18--USPS							
Vol-Var Costs	3396.6	2094.6	381.25	1648.2	1840.7	6589.8	1063.1
Col. Pct	1.03	2.86	1.51	1.42	0.83	0.79	1.75
19--Free Mail							
Vol-Var Costs	1069.1	476.17	3.4343	2.8992	74.752	793.86	0.5698
Col. Pct	0.33	0.65	0.01	0	0.03	0.09	0
20--International Mail							
Vol-Var Costs	1723.1	1431.4	90.196	445.25	2890	11614	1679.6
Col. Pct	0.52	1.95	0.36	0.38	1.3	1.39	2.77

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	MODS 13 SPBS OTH 910	MODS 13 SPBSPRIO 910	MODS 13 1SACKS_M 908	MODS 13 1TRAYSRT 971	MODS 14 MANF 911	MODS 14 MANL 912	MODS 14 MANP 913
21--Registered Mail							
Vol-Var Costs	0	1.7845	23.788	23.572	0.0009	51.193	25.051
Col. Pct	0	0	0.09	0.02	0	0.01	0.04
22--Certified Mail							
Vol-Var Costs	0	0	0.152	0	0	0.0115	0.0474
Col. Pct	0	0	0	0	0	0	0
23--Insured Mail							
Vol-Var Costs	0	0	0	0	0	0	0
Col. Pct	0	0	0	0	0	0	0
24--COD							
Vol-Var Costs	0	0	0	0	0	0	0.0031
Col. Pct	0	0	0	0	0	0	0
25--Special Handling							
Vol-Var Costs	0	0	0.1312	0	0.0333	0.0257	153.74
Col. Pct	0	0	0	0	0	0	0.25
26--P.O Box/Caller Srvc							
Vol-Var Costs	0	0.0444	0.9813	0	0.0301	0.0693	0.2002
Col. Pct	0	0	0	0	0	0	0
27--Other Spec. Services							
Vol-Var Costs	0.0635	0.2188	0.0039	0	0	1876.4	0.8049
Col. Pct	0	0	0	0	0	0.22	0
Total	328875	73265.4	25194.8	115911	222208	837676	60720.2

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	**MODS 14 PRIORITY 914**	**MODS 15 LD15 915**	**MODS 17 1CANCEL 918**	**MODS 17 1DSPATCH 973**	**MODS 17 1FLATPRP 974**	**MODS 17 1MTRPREP 918**	**MODS 17 1OPBULK 921**
1--Letters - Single Piece							
Vol-Var Costs	14664	133086	110443	73326	33322	19883	24656
Col. Pct	8.29	74.68	80.27	40.47	14.2	74.25	13.01
2--Letters - Presort							
Vol-Var Costs	3076.1	16171	4919.4	29575	4164.2	2282.6	7684
Col. Pct	1.74	9.07	3.58	16.32	1.77	8.52	4.06
3--Cards - Single Piece							
Vol-Var Costs	1.298	5656.2	3354.4	1942.6	97.585	539.3	648.11
Col. Pct	0	3.17	2.44	1.07	0.04	2.01	0.34
4--Cards - Presort							
Vol-Var Costs	20.112	636.63	144.39	1190.8	12.953	325.51	241.25
Col. Pct	0.01	0.36	0.1	0.66	0.01	1.22	0.13
5--Priority Mail							
Vol-Var Costs	134664	0	5434.7	7292.2	2337.8	1345.1	4012.4
Col. Pct	76.09	0	3.95	4.02	1	5.02	2.12
6--Express Mail							
Vol-Var Costs	1253.9	0	253.37	1267.6	0	8.6022	118.16
Col. Pct	0.71	0	0.18	0.7	0	0.03	0.06
8-1 Periodicals-InCounty							
Vol-Var Costs	4.1061	0	69.717	20.283	3.3786	0.4701	67.513
Col. Pct	0	0	0.05	0.01	0	0	0.04
8-2 Periodicals-OutsideC							
Vol-Var Costs	1986.3	0	1351.2	14314	56053	300.59	16366
Col. Pct	1.12	0	0.98	7.9	23.89	1.12	8.64
10--Standard - ECR							
Vol-Var Costs	130.9	458.18	366.89	3182.7	6581.3	11.509	15850
Col. Pct	0.07	0.26	0.27	1.76	2.8	0.04	8.37
11--Standard - Regular							
Vol-Var Costs	6681.8	15699	7418	40399	125541	1352.8	112805
Col. Pct	3.78	8.81	5.39	22.29	53.5	5.05	59.55
14--Packg S - Parcels							
Vol-Var Costs	910.79	0	556.01	3356.8	911.62	157.24	1169.5
Col. Pct	0.51	0	0.4	1.85	0.39	0.59	0.62
15--Packg S-Bound Print							
Vol-Var Costs	1173.6	0	328.42	594.14	2992.3	139.73	2689.2
Col. Pct	0.66	0	0.24	0.33	1.28	0.52	1.42
16--Packg S-Media Mail							
Vol-Var Costs	456.33	0	402.22	790.37	672.68	4.2503	793.76
Col. Pct	0.26	0	0.29	0.44	0.29	0.02	0.42
18--USPS							
Vol-Var Costs	7452.5	463.35	1455.8	1322.2	603.99	294.66	455.81
Col. Pct	4.21	0.26	1.06	0.73	0.26	1.1	0.24
19--Free Mail							
Vol-Var Costs	383.79	0	64.521	702.16	129.82	0.5426	9.1156
Col. Pct	0.22	0	0.05	0.39	0.06	0	0
20--International Mail							
Vol-Var Costs	3827.3	6046.7	835.03	1776.6	1249.2	128.35	1690.6
Col. Pct	2.16	3.39	0.61	0.98	0.53	0.48	0.89

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	**MODS 14 PRIORITY 914**	**MODS 15 LD15 915**	**MODS 17 1CANCEL 918**	**MODS 17 1DSPATCH 973**	**MODS 17 1FLATPRP 974**	**MODS 17 1MTRPREP 918**	**MODS 17 1OPBULK 921**
21--Registered Mail							
Vol-Var Costs	20.339	0	2.2632	12.049	0.3946	2.8413	30.988
Col. Pct	0.01	0	0	0.01	0	0.01	0.02
22--Certified Mail							
Vol-Var Costs	0	0	0	0	0	0.1039	0
Col. Pct	0	0	0	0	0	0	0
23--Insured Mail							
Vol-Var Costs	0	0	0	0	0	0.0131	0
Col. Pct	0	0	0	0	0	0	0
24--COD							
Vol-Var Costs	0	0	0	0	0	0	0
Col. Pct	0	0	0	0	0	0	0
25--Special Handling							
Vol-Var Costs	264.1	0	182.76	0	0	0.0477	0
Col. Pct	0.15	0	0.13	0	0	0	0
26--P.O Box/Caller Srvc							
Vol-Var Costs	0	0	0.1774	141.66	0	0.092	156.86
Col. Pct	0	0	0	0.08	0	0	0.08
27--Other Spec. Services							
Vol-Var Costs	0	0	0.0103	0	0	0.8664	0
Col. Pct	0	0	0	0	0	0	0
Total	176971	178217	137582	181207	234674	26778.2	189445

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	MODS 17 1OPPREF 920	MODS 17 1OPTRANS	MODS 17 1PLATFRM 922	MODS 17 1POUCHNG 923	MODS 17 1PRESORT 917	MODS 17 1SACKS_H 919	MODS 17 1SCAN 916
1--Letters - Single Piece							
Vol-Var Costs	173616	43836	409272	45505	2405.9	16941	20661
Col. Pct	37.17	40.37	36.47	39.65	22.88	15.9	29.72
2--Letters - Presort							
Vol-Var Costs	71129	15182	129396	7261.4	2561.9	5580.1	13051
Col. Pct	15.23	13.98	11.53	6.33	24.36	5.24	18.77
3--Cards - Single Piece							
Vol-Var Costs	2536.7	1005.9	13089	748.62	135.48	11.502	256.04
Col. Pct	0.54	0.93	1.17	0.65	1.29	0.01	0.37
4--Cards - Presort							
Vol-Var Costs	1867.7	189.08	4644.7	0	88.304	6.6144	606.57
Col. Pct	0.4	0.17	0.41	0	0.84	0.01	0.87
5--Priority Mail							
Vol-Var Costs	34072	3541.5	88590	11057	272.12	9426.1	22760
Col. Pct	7.29	3.26	7.9	9.63	2.59	8.85	32.74
6--Express Mail							
Vol-Var Costs	2705	144.59	11070	1721.1	27.97	1899.6	2944
Col. Pct	0.58	0.13	0.99	1.5	0.27	1.78	4.24
8-1 Periodicals-InCounty							
Vol-Var Costs	293.12	25.537	1201.9	204.86	82.157	280.03	1.0505
Col. Pct	0.06	0.02	0.11	0.18	0.78	0.26	0
8-2 Periodicals-OutsideC							
Vol-Var Costs	52966	9469.1	88909	18948	553.94	19567	1504.7
Col. Pct	11.34	8.72	7.92	16.51	5.27	18.36	2.16
10--Standard - ECR							
Vol-Var Costs	9948.9	2457.8	28776	3020	464.51	5318.2	197.9
Col. Pct	2.13	2.26	2.56	2.63	4.42	4.99	0.28
11--Standard - Regular							
Vol-Var Costs	103553	29962	286418	19509	3316.2	34566	5848.2
Col. Pct	22.17	27.59	25.53	17	31.54	32.44	8.41
14--Packg S - Parcels							
Vol-Var Costs	2387.8	386	18114	1281.5	48.21	5212.9	172.77
Col. Pct	0.51	0.36	1.61	1.12	0.46	4.89	0.25
15--Packg S-Bound Print							
Vol-Var Costs	2111.1	225.5	9296.3	998.54	1.2505	2012.4	18.879
Col. Pct	0.45	0.21	0.83	0.87	0.01	1.89	0.03
16--Packg S-Media Mail							
Vol-Var Costs	978.47	291.38	6249	887.19	45.384	3547.2	12.796
Col. Pct	0.21	0.27	0.56	0.77	0.43	3.33	0.02
18--USPS							
Vol-Var Costs	3774.7	777	13118	1022.4	458.02	842.34	920.93
Col. Pct	0.81	0.72	1.17	0.89	4.36	0.79	1.32
19--Free Mail							
Vol-Var Costs	703.77	331.57	1704.9	378.25	0.4245	1.9376	0.4477
Col. Pct	0.15	0.31	0.15	0.33	0	0	0
20--International Mail							
Vol-Var Costs	4227	737.92	10962	2208.2	43.331	1313.9	529.09
Col. Pct	0.9	0.68	0.98	1.92	0.41	1.23	0.76

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	MODS 17 1OPPREF 920	MODS 17 1OPTRANS	MODS 17 1PLATFRM 922	MODS 17 1POUCHNG 923	MODS 17 1PRESORT 917	MODS 17 1SACKS_H 919	MODS 17 1SCAN 916
21--Registered Mail							
Vol-Var Costs	0	0	90.084	10.997	10.208	17.901	28.132
Col. Pct	0	0	0.01	0.01	0.1	0.02	0.04
22--Certified Mail							
Vol-Var Costs	0	0	0.2897	0	0	0.3132	0
Col. Pct	0	0	0	0	0	0	0
23--Insured Mail							
Vol-Var Costs	0	0	0.0245	0	0	0.0435	0
Col. Pct	0	0	0	0	0	0	0
24--COD							
Vol-Var Costs	0	0	0.0009	0	0	0	0
Col. Pct	0	0	0	0	0	0	0
25--Special Handling							
Vol-Var Costs	0	6.0984	273.87	0	0	0.0883	1.3152
Col. Pct	0	0.01	0.02	0	0	0	0
26--P.O Box/Caller Srvc							
Vol-Var Costs	223.7	9.2835	621.79	0	0	0.1128	0.0867
Col. Pct	0.05	0.01	0.06	0	0	0	0
27--Other Spec. Services							
Vol-Var Costs	0	0	278.08	0	0	2.8534	0.0202
Col. Pct	0	0	0.02	0	0	0	0
Total	467092	108577	1122077	114763	10515.3	106549	69514.7

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	MODS 18 BUSREPLY 924	MODS 18 EXPRESS 928	MODS 18 MAILGRAM	MODS 18 REGISTRY 930	MODS 18 REWRAP 925	MODS 18 1EEQMT 926	MODS 19 INTL ISC 931
1--Letters - Single Piece							
Vol-Var Costs	11206	6349.5	1425.1	8345.4	9835.6	6925.3	12344
Col. Pct	37.4	7.58	48.78	13.14	53.32	27.05	9
2--Letters - Presort							
Vol-Var Costs	1137.2	555.01	1010.2	1249.4	893.77	2227.3	3177
Col. Pct	3.8	0.66	34.58	1.97	4.85	8.7	2.32
3--Cards - Single Piece							
Vol-Var Costs	909.07	173.18	0.097	674.79	496.87	278.14	66.009
Col. Pct	3.03	0.21	0	1.06	2.69	1.09	0.05
4--Cards - Presort							
Vol-Var Costs	0.3997	1.263	0	8.8305	0.8792	88.475	36.036
Col. Pct	0	0	0	0.01	0	0.35	0.03
5--Priority Mail							
Vol-Var Costs	558.34	2786.9	3.8643	1514.2	1179.2	2292.3	8824.8
Col. Pct	1.86	3.33	0.13	2.38	6.39	8.95	6.44
6--Express Mail							
Vol-Var Costs	169.02	61417	40.104	2221.4	11.065	305.18	3626.2
Col. Pct	0.56	73.33	1.37	3.5	0.06	1.19	2.65
8-1 Periodicals-InCounty							
Vol-Var Costs	0.6869	0.4741	0	7.2113	0.6435	29.109	14.264
Col. Pct	0	0	0	0.01	0	0.11	0.01
8-2 Periodicals-OutsideC							
Vol-Var Costs	399.29	255.24	202.94	327.55	516.49	3583.5	1503.3
Col. Pct	1.33	0.3	6.95	0.52	2.8	14	1.1
10--Standard - ECR							
Vol-Var Costs	27.282	11.657	0.2355	243.44	275.03	586.96	79.096
Col. Pct	0.09	0.01	0.01	0.38	1.49	2.29	0.06
11--Standard - Regular							
Vol-Var Costs	1572.4	348.61	197.15	667.19	3630.9	8170.6	1711.4
Col. Pct	5.25	0.42	6.75	1.05	19.69	31.91	1.25
14--Packg S - Parcels							
Vol-Var Costs	352.08	5.713	0	412.38	143.69	291.69	911.4
Col. Pct	1.18	0.01	0	0.65	0.78	1.14	0.66
15--Packg S-Bound Print							
Vol-Var Costs	8.2708	7.0888	0	8.8803	134.96	158.43	169.89
Col. Pct	0.03	0.01	0	0.01	0.73	0.62	0.12
16--Packg S-Media Mail							
Vol-Var Costs	5.7246	2.6861	0	103.92	3.2108	101.16	99.434
Col. Pct	0.02	0	0	0.16	0.02	0.4	0.07
18--USPS							
Vol-Var Costs	2035.3	4987.8	0.237	9208.8	1053	263.11	809.89
Col. Pct	6.79	5.95	0.01	14.5	5.71	1.03	0.59
19--Free Mail							
Vol-Var Costs	0.2309	0.2089	0	1.0843	134.75	20.11	228.83
Col. Pct	0	0	0	0	0.73	0.08	0.17
20--International Mail							
Vol-Var Costs	683.44	6144.1	41.423	10581	128.71	173.28	103100
Col. Pct	2.28	7.34	1.42	16.66	0.7	0.68	75.21

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class		MODS 18 BUSREPLY 924	MODS 18 EXPRESS 928	MODS 18 MAILGRAM	MODS 18 REGISTRY 930	MODS 18 REWRAP 925	MODS 18 1EEQMT 926	MODS 19 INTL ISC 931
21--Registered Mail								
	Vol-Var Costs	4.5295	496.99	0	27942	5.0324	78.959	0
	Col. Pct	0.02	0.59	0	43.99	0.03	0.31	0
22--Certified Mail								
	Vol-Var Costs	0	0.0286	0	0.0572	0.1008	0.5806	0
	Col. Pct	0	0	0	0	0	0	0
23--Insured Mail								
	Vol-Var Costs	0	0	0	0.0136	0.0143	0.0567	0
	Col. Pct	0	0	0	0	0	0	0
24--COD								
	Vol-Var Costs	0	0.0031	0	0	0.0016	1.65E-05	0
	Col. Pct	0	0	0	0	0	0	0
25--Special Handling								
	Vol-Var Costs	92.058	0.0153	0	0.0938	0.1645	8.0948	0
	Col. Pct	0.31	0	0	0	0	0.03	0
26--P.O Box/Caller Srvc								
	Vol-Var Costs	0.0584	214.38	0	0.4215	0.5583	4.0366	348.22
	Col. Pct	0	0.26	0	0	0	0.02	0.25
27--Other Spec. Services								
	Vol-Var Costs	10803	0.8113	0	0.4849	0.3878	17.284	34.04
	Col. Pct	36.05	0	0	0	0	0.07	0.02
Total		29963.8	83758.8	2921.39	63518.2	18445.1	25603.6	137084

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	MODS 19 PMPC 927	MODS 49 LD49 938	MODS 79 LD79 939	MODS 99 1SUPP_F1 929	Total
1--Letters - Single Piece					
Vol-Var Costs	2629.1	89258	25158	160805	3112655
Col. Pct	2.3	36.58	16.45	38.02	
2--Letters - Presort					
Vol-Var Costs	491.94	69994	31236	48852	988498
Col. Pct	0.43	28.69	20.42	11.55	
3--Cards - Single Piece					
Vol-Var Costs	0	4736.2	589.93	5959.7	116789
Col. Pct	0	1.94	0.39	1.41	
4--Cards - Presort					
Vol-Var Costs	0	3929.7	0.6049	1659.3	35126
Col. Pct	0	1.61	0	0.39	
5--Priority Mail					
Vol-Var Costs	98809	2005.9	2492.6	30745	580060
Col. Pct	86.33	0.82	1.63	7.27	
6--Express Mail					
Vol-Var Costs	72.525	37.24	838.39	5338.4	100407
Col. Pct	0.06	0.02	0.55	1.26	
8-1 Periodicals-InCounty					
Vol-Var Costs	0	479.9	16.226	254.7	5268.6
Col. Pct	0	0.2	0.01	0.06	
8-2 Periodicals-OutsideC					
Vol-Var Costs	67.249	32949	3729.2	28940	577076
Col. Pct	0.06	13.5	2.44	6.84	
10--Standard - ECR					
Vol-Var Costs	0	939.61	4452.9	8773.4	165894
Col. Pct	0	0.39	2.91	2.07	
11--Standard - Regular					
Vol-Var Costs	1987.8	18815	72279	105276	1998167
Col. Pct	1.74	7.71	47.25	24.89	
14--Packg S - Parcels					
Vol-Var Costs	792.95	258.86	1060.5	3188.3	60204
Col. Pct	0.69	0.11	0.69	0.75	
15--Packg S-Bound Print					
Vol-Var Costs	0	2107.1	0.237	2313.5	45604
Col. Pct	0	0.86	0	0.55	
16--Packg S-Media Mail					
Vol-Var Costs	0	344.27	0.5334	1665.3	31654
Col. Pct	0	0.14	0	0.39	
18--USPS					
Vol-Var Costs	6332.6	10926	10206	5455.2	113492
Col. Pct	5.53	4.48	6.67	1.29	
19--Free Mail					
Vol-Var Costs	0	202.17	0	441.97	8511.9
Col. Pct	0	0.08	0	0.1	
20--International Mail					
Vol-Var Costs	3107.4	935.39	481.35	10764	203317
Col. Pct	2.71	0.38	0.31	2.54	

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TABLE 3 : BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	**MODS 19 PMPC 927**	**MODS 49 LD49 938**	**MODS 79 LD79 939**	**MODS 99 1SUPP_F1 929**	**Total**
21--Registered Mail					
Vol-Var Costs	0	8.3281	0	1629.4	30644
Col. Pct	0	0	0	0.39	
22--Certified Mail					
Vol-Var Costs	0	0.0413	0	0.1089	2.0882
Col. Pct	0	0	0	0	
23--Insured Mail					
Vol-Var Costs	0	0	0	0.0106	0.2
Col. Pct	0	0	0	0	
24--COD					
Vol-Var Costs	0	0	0	0.0005	0.0099
Col. Pct	0	0	0	0	
25--Special Handling					
Vol-Var Costs	164.03	0.3587	0	64.541	1213.8
Col. Pct	0.14	0	0	0.02	
26--P.O Box/Caller Srvc					
Vol-Var Costs	0	0.254	0	96.85	1821.2
Col. Pct	0	0	0	0.02	
27--Other Spec. Services					
Vol-Var Costs	0	6069.8	433.6	777.73	20692
Col. Pct	0	2.49	0.28	0.18	
Total	114455	243997	152975	423001	8197098

TABLE 3 : BY 04 MAIL PROCESSING VOLUME-VARIABLE COSTS - POST OFFICES, STA's/BR's
(NonMODS Offices and MODS 1& 2 LDC 41-44 & 48)

Mail class	*Costpool (and associated facility space component number)*									
	ALLIED	**AUTO/ MEC**	**EXPRS IN**	**EXPRS OUT**	**MANF**	**MANL**	**MANP**	**MISC**	**REGISTRY**	**Total**
	946	**947**	**948**	**948**	**949**	**950**	**951**	**953**	**952**	
1--Letters - Single Piece										
Vol-Var Costs	281102	75331	1185.5	331.5	141575	378138	43638	171521	7353.7	1100175
Col. Pct	33.51	41.98	3.59	1.4	27.66	52.29	14.84	34.26	29.85	
2--Letters - Presort										
Vol-Var Costs	101647	46225	70.204	160.73	20615	129872	3345.3	65345	725.36	368006
Col. Pct	12.12	25.76	0.21	0.68	4.03	17.96	1.14	13.05	2.94	
3--Cards - Single Piece										
Vol-Var Costs	8473.7	2818.6	9.4809	16.742	123.45	28408	87.162	8796.7	3.0898	48737
Col. Pct	1.01	1.57	0.03	0.07	0.02	3.93	0.03	1.76	0.01	
4--Cards - Presort										
Vol-Var Costs	2660.1	1428.7	1.855	10.045	0.993	5509	18.461	2969.7	3.3393	12602
Col. Pct	0.32	0.8	0.01	0.04	0	0.76	0.01	0.59	0.01	
5--Priority Mail										
Vol-Var Costs	45306	776.57	717.03	418.56	17842	2919.3	81689	19071	655.96	169395
Col. Pct	5.4	0.43	2.17	1.76	3.49	0.4	27.77	3.81	2.66	
6--Express Mail										
Vol-Var Costs	7649.7	2.5387	24882	19153	1029.5	245.98	708.35	6975.9	1928	62575
Col. Pct	0.91	0	75.26	80.73	0.2	0.03	0.24	1.39	7.83	
7--Mailgram										
Vol-Var Costs	0	0	0	20.091	0	0	0	0	0	20.091
Col. Pct	0	0	0	0.08	0	0	0	0	0	
8-1 Periodicals-InCounty										
Vol-Var Costs	2653.6	408.59	1.3688	0	2616.4	0.3196	244.56	705.57	1.3919	6631.8
Col. Pct	0.32	0.23	0	0	0.51	0	0.08	0.14	0.01	
8-2 Periodicals-OutsideC										
Vol-Var Costs	64909	2984.4	96.398	13.394	116055	7522.5	2872.9	27713	118.75	222285
Col. Pct	7.74	1.66	0.29	0.06	22.67	1.04	0.98	5.54	0.48	
10--Standard - ECR										
Vol-Var Costs	59589	5037.8	90.411	3.3485	36564	7677.2	3122.2	13120	52.32	125256
Col. Pct	7.1	2.81	0.27	0.01	7.14	1.06	1.06	2.62	0.21	
11--Standard - Regular										
Vol-Var Costs	206728	43462	544.22	3.3485	163937	152540	61614	83886	542.93	713258
Col. Pct	24.65	24.22	1.65	0.01	32.03	21.09	20.95	16.76	2.2	
14--Packg S - Parcels										
Vol-Var Costs	20925	34.614	336.16	16.742	593.79	756.04	46770	8667	151.81	78250
Col. Pct	2.49	0.02	1.02	0.07	0.12	0.1	15.9	1.73	0.62	
15--Packg S-Bound Print										
Vol-Var Costs	8718.5	4.8629	34.735	0	3316.5	328.09	18028	4402.8	77.656	34912
Col. Pct	1.04	0	0.11	0	0.65	0.05	6.13	0.88	0.32	
16--Packg S-Media Mail										
Vol-Var Costs	7857.3	1.3009	2.7888	0	1621.3	121.92	17668	3494.3	21.145	30788
Col. Pct	0.94	0	0.01	0	0.32	0.02	6.01	0.7	0.09	
18--USPS										
Vol-Var Costs	12541	196.4	1971.3	0	1978.2	5333.4	9407	13560	2104.5	47092
Col. Pct	1.5	0.11	5.96	0	0.39	0.74	3.2	2.71	8.54	
19--Free Mail										
Vol-Var Costs	628.48	310.63	2.6493	0	453.14	252.93	2431.6	455.15	1.4121	4536
Col. Pct	0.07	0.17	0.01	0	0.09	0.03	0.83	0.09	0.01	
20--International Mail										
Vol-Var Costs	5712.6	432.9	3108.8	3536	3336.2	2709.1	2166.6	6840.4	4505.1	32348
Col. Pct	0.68	0.24	9.4	14.9	0.65	0.37	0.74	1.37	18.29	

TABLE 3 : BY 04 MAIL PROCESSING VOLUME-VARIABLE COSTS - POST OFFICES, STA's/BR's
(NonMODS Offices and MODS 1& 2 LDC 41-44 & 48)

Mail class	*Costpool (and associated facility space component number)*									
	ALLIED	**AUTO/ MEC**	**EXPRS IN**	**EXPRS OUT**	**MANF**	**MANL**	**MANP**	**MISC**	**REGISTRY**	**Total**
	946	**947**	**948**	**948**	**949**	**950**	**951**	**953**	**952**	
21--Registered Mail										
Vol-Var Costs	0	0	0.4617	26.788	0	0	192.61	1667.2	6385.2	8272.3
Col. Pct	0	0	0	0.11	0	0	0.07	0.33	25.92	
22--Certified Mail										
Vol-Var Costs	0	0	1.8222	0	0	0	0	36228	0.7911	36230
Col. Pct	0	0	0.01	0	0	0	0	7.24	0	
23--Insured Mail										
Vol-Var Costs	0	0	0.0239	0	0	0	0	703.97	0.0985	704.1
Col. Pct	0	0	0	0	0	0	0	0.14	0	
24--COD										
Vol-Var Costs	0	0	0.0325	3.3485	0	0	0	730.45	0.0553	733.89
Col. Pct	0	0	0	0.01	0	0	0	0.15	0	
26--P.O Box/Caller Srvc										
Vol-Var Costs	1662.4	0	1.297	0	223.54	857.84	135.13	245.42	0.974	3126.6
Col. Pct	0.2	0	0	0	0.04	0.12	0.05	0.05	0	
27--Other Spec. Services										
Vol-Var Costs	0	0	2.2794	10.045	0	0	10.542	23474	1.191	23498
Col. Pct	0	0	0.01	0.04	0	0	0	4.69	0	
Total	838763	179456	33060.5	23723.8	511882	723191	294149	500572	24634.8	3129433

TABLE 3: BY04 MAIL PROCESSING VOLUME-VARIABLE COSTS - BMCs

Mail class	*Costpool (and associated facility space component number)*						
	NMO 945	**OTHR 941**	**PLA 940**	**PSM 942**	**SPB 944**	**SSM 943**	**Total**
1--Letters - Single Piece							
Vol-Var Costs	294.84	4825.3	2614.1	388.43	1008.6	0	9131.2
Col. Pct	33.51	1.64	1.39	0.65	1.56	0	
2--Letters - Presort							
Vol-Var Costs	2.6111	1064.5	283.39	125.76	0.4162	0	1476.7
Col. Pct	12.12	0.36	0.15	0.21	0	0	
3--Cards - Single Piece							
Vol-Var Costs	2.8045	368.7	57.981	0	0	0	429.49
Col. Pct	0.01	0.13	0.03	0	0	0	
5--Priority Mail							
Vol-Var Costs	2923.7	14134	7382.6	4379	610.36	120.98	29550
Col. Pct	8.95	4.81	3.94	7.34	0.94	0.48	
6--Express Mail							
Vol-Var Costs	0.1638	68.601	17.28	0.0529	0.1401	0	86.238
Col. Pct	0	0.02	0.01	0	0	0	
8-1 Periodicals-InCounty							
Vol-Var Costs	0.0238	38.428	19.15	1.3163	1.1742	3.3013	63.394
Col. Pct	0	0.01	0.01	0	0	0.01	
8-2 Periodicals-OutsideC							
Vol-Var Costs	62.997	14069	8619.6	360.02	2049.8	2781.8	27944
Col. Pct	0.19	4.79	4.6	0.6	3.17	11.06	
10--Standard - ECR							
Vol-Var Costs	11.516	7871.8	4679.9	25.126	3535.8	1274.6	17399
Col. Pct	0.04	2.68	2.5	0.04	5.47	5.07	
11--Standard - Regular							
Vol-Var Costs	8676.1	128532	84756	17144	43184	15217	297511
Col. Pct	26.56	43.72	45.21	28.74	66.85	60.5	
14--Packg S - Parcels							
Vol-Var Costs	12451	44821	33422	11076	1946.1	2548.7	106264
Col. Pct	38.12	15.24	17.83	18.56	3.01	10.13	
15--Packg S-Bound Print							
Vol-Var Costs	913.94	22850	13153	8292.4	5321	958.08	51488
Col. Pct	2.8	7.77	7.02	13.9	8.24	3.81	
16--Packg S-Media Mail							
Vol-Var Costs	2212.5	23164	14736	9864.8	2244	769.32	52990
Col. Pct	6.77	7.88	7.86	16.54	3.47	3.06	
18--USPS							
Vol-Var Costs	1800.6	6999.3	4204.6	1429.1	2911.1	171.13	17516
Col. Pct	5.51	2.38	2.24	2.4	4.51	0.68	
19--Free Mail							
Vol-Var Costs	2.3718	872.13	633.76	694.63	317.03	0	2519.9
Col. Pct	0.01	0.3	0.34	1.16	0.49	0	
20--International Mail							
Vol-Var Costs	3307.3	23874.31	12772.93	5878.7	1464.7	1309.3	48607.2
Col. Pct	10.12	8.12	6.81	9.85	2.27	5.21	
21--Registered Mail							
Vol-Var Costs	0.0152	219.12	71.991	0.1058	0.0328	0	291.26
Col. Pct	0	0.07	0.04	0	0	0	
27--Other Spec. Services							
Vol-Var Costs	1.6046	249.28	40.356	0.0436	0	0	291.28
Col. Pct	0	0.08	0.02	0	0	0	
Total							
	32664.5	294021	187465	59659.7	64594.8	25154.5	663559

Table 4. BY 04 IOCS Mail Processing Mixed-Mail Tallies - Clerks/Mailhandlers
Crosswalk of Q.19 actv code to item/container information
Allied Cost Pools - Plants
Exclude Empty Items and Containers
(similar to Table 1 of Degen's Rebuttal Testimony, Docket No. R2000-1, Tr. 38/17324 (Aug 23, 2000)).

	Mixed	Mixed Item/Container Tally Dollar Weights Adjusted to the Cost Pool (000)						
Shape	Actv(Q19)	Letters	Flats	Parcels	Class	None	Total	% of Total
Letters	5610	27,152	1,181	208	244	305	29,090	7.1%
Flats	5620	163	18,925	59	99	3,150	22,396	5.5%
Parcels	5700	668	1,057	3,551	1,730	1,083	8,089	2.0%
None	5750	135,612	90,539	41,637	37,996	45,073	350,857	85.5%
Total		163,595	111,702	45,456	40,068	49,611	410,433	100.0%
% of Total		40%	27%	11%	10%	12%	100%	
% 5750 of Total 5750		39%	26%	12%	11%	13%	100%	
% 5750 w/ shape or class from item/container of total mixed-mail							75%	

Note: This table was created using the BY 2004 IOCS data set as presented in USPS LR-K-9. Cost pool assignments are based on the MODS based cost distribution methodology described in Part II.
This methodology is also used to classify individual tallies as mixed-mail items, counted mixed-mail containers, and uncounted mixed-mail containers. All mixed-mail tallies are then summed by mixed-mail activity code (IOCS filed F9806) and item/container categories based on item and container type. Item type is assigned, based on IOCS field F9214, container type based on IOCS field F9219, and counted container contents based on IOCS field F9901 through F9919 f9420-f9421. Individual item and container types are assigned to the above categories as follows:
Letters <-- loose cards and letters in containers and letter trays
Flats <-- loose flats in containers and flat trays
Parcels <-- loose IPP's and parcels in containers and small parcet trays
Class <-- all sacks (individual items and in counted containers)
None <-- all remaining items and container types.

Table 5: BY 04 C/S 3 Mail Processing Costs and Volume-Variabilities by Cost Pool - PRC Version

A. MAIL PROCESSING - PLANTS GROUP

SAS name		Cost Pool Title	USPS Pool Total Costs	PRC Mail Proc Pool costs (exclude 'migrated')	PRC Mail Proc Vol.Var. Costs (i.e. exclude 'fixed')	PRC Pool Volume-Variable Factor
		Automated Equipment				
BCS/	1	BCS - Other than CBCS/DBCS	158,403	156,001	155,437	0.9964
BCS/DBCS	2	CBCS / DBCS	1,272,441	1,251,204	1,248,369	0.9977
OCR/	3	OCR*	211,011	206,251	205,736	0.9975
		Mechanized, Letters & Flats				
AFSM100	4	AFSM100 - LDC 12 (incl. LDC 15 VCS Flat keying)	546,840	537,169	535,821	0.9975
FSM/	5	FSM - Other than FSM 1000 & AFSM100	3,520	3,341	3,294	0.9860
FSM/1000	6	FSM 1000	230,941	226,631	226,145	0.9979
		Mechanized, Other				
MECPAR(	7	Mechanized Parcels	7,098	7,098	7,098	1.0000
SPBS OTI	8	SPBS - Non Priority	427,110	417,546	416,293	0.9970
SPBSPRI(	9	SPBS - Priority	95,150	93,625	93,249	0.9960
1SACKS_	10	Mechanical Sort - Sack Outside	30,355	28,883	27,914	0.9664
1TRAYSR	11	Mechanical Tray Sorter	139,652	135,927	134,462	0.9892
		Manual Operations				
MANF	12	Manual Flats	246,898	241,626	240,749	0.9964
MANL	13	Manual Letters	962,846	940,099	933,846	0.9933
MANP	14	Manual Parcels	77,846	75,401	74,619	0.9896
PRIORITY	15	Manual Priority	232,857	227,205	225,159	0.9910
LD15	16	**LDC 15 - RBCS**	178,217	178,217	178,217	1.0000
		Allied Operations				
1CANCEL	17	Cancellation	299,092	288,760	281,039	0.9733
1DSPATC	18	Dispatch	218,321	211,951	205,899	0.9714
1FLATPRI	19	Flats Preparation	282,739	276,617	275,458	0.9958
1MTRPRE	20	Mail Preparation - metered	32,263	31,670	31,399	0.9914
1OPBULK	21	Opening Unit - BBM	228,247	220,331	218,908	0.9935
1OPPREF	22	Opening Unit - Preferred Mail	562,762	542,288	535,069	0.9867
1OPTRAN	23	Opening - Manual transport	130,816	126,516	122,766	0.9704
1PLATFRI	24	Platform	1,351,900	1,311,060	1,213,621	0.9257
1POUCHN	25	Pouching Operations	138,269	135,204	133,391	0.9866
1PRESOF	26	Presort	12,669	10,196	7,184	0.7046
1SACKS_	27	Manual Sort - Sack Outside	128,372	124,965	121,135	0.9693
1SCAN	28	Air Contract DCS and Incoming/SWYB	83,753	78,744	76,567	0.9723
		Other Operations				
BUSREPL	29	Business Reply / Postage Due	36,101	34,559	33,870	0.9801
EXPRESS	30	Express Mail	100,914	98,056	97,133	0.9906
MAILGRA	31	Mailgram	3,520	1,934	1,816	0.9391
REGISTR	32	Registry	151,234	145,491	66,593	0.4577
REWRAP	33	Damaged Parcel Rewrap	22,223	20,432	17,208	0.8422
1EEQMT	34	Empty Equipment	30,848	26,872	26,153	0.9732
1MISC	35	Miscellaneous Activity	231,961	165,955	146,839	0.8848
1SUPPOF	36	Mail Processing Support	277,680	72,177	63,395	0.8783
LD49	37	LDC 49 - Computerized Forwarding Syst.	293,973	285,930	284,585	0.9953
LD79	38	LDC 79 - Mailing Req' & Bus. Mail Entry	184,307	128,435	62,947	0.4901
INTL ISC	39	**ISCs (International Service Centers)**	165,161	155,760	148,109	0.9509
PMPC	40	**PMPCs (Priority Mail Processing Centers)**	137,898	130,892	127,981	0.9778
		MAIL PROCESSING TOTAL FOR PLANTS	**9,926,208**	**9,351,019**	9,005,469	0.9630

B. MAIL PROCESSING - POST-OFFICES, STATIONS & BRANCHES GROUP

SAS name	Cost Pool Title	USPS Pool Total Costs	PRC Mail Proc Pool costs (excl. 'migrated')	PRC Mail Proc Pool costs (excl. 'clock in/out')	PRC MP Volume-Variable Cost (excl. 'clock in/out')	PRC Pool lume-Varial Fraction	PRC Mail Proc Pool costs (incl. 'clock in/out')	PRC MP Volume-Variable Cost (incl. 'clock in/out')	PRC Pool Volume-Variable Fraction
B.1 MODS 1&2 Offices									
LD41	LDC 41 - Unit Distribution - Automated	23,466	22,194				22,194	22,145	0.9978
LD42	LDC 42 - Unit Distribution - Mechanized	435	402				402	402	0.9998
LD43	LDC 43 - Unit Distribution - Manual	684,154	649,016				649,016	632,746	0.9749
LD44	LDC 44 - Post-Office Box Distribution	156,310	138,895				138,895	136,495	0.9827
LD48 EXP	LDC 48 - Customer Service / Express	11,268	10,920				10,920	10,843	0.9929
LD48 OTH	LDC 48 - Customer Service / Other .	183,954	129,992				129,992	115,090	0.8854
LD48_ADM	LDC 48 - Customer Service / Admin	308,946	128,610				128,610	107,694	0.8374
LD48_SSV	LDC 48 - Customer Service / Spec.Servc.	84,702	71,546				71,546	45,041	0.6295
	Subtotal	*1,453,235*	*1,151,575*				*1,151,575*	*1,070,455*	*0.9296*
B.2 Non-MODS Offices									
						(exclude 'clock in/out')			(include 'clock in/out')
ALLIED	Allied			722,651	678,632	0.9391	734,556	689,812	0.9391
AUTO/MECH	Automated/Mechanized			185,837	184,908	0.9950	188,899	187,954	0.9950
EXPRESS	Express Mail			31,868	31,868	1.0000	32,393	32,393	1.0000
MANF	Manual Flat			440,163	440,050	0.9997	447,414	447,299	0.9997
MANL	Manual Letter			604,734	603,872	0.9986	614,696	613,820	0.9986
MANP	Manual Parcel			215,822	215,165	0.9970	219,378	218,710	0.9970
MISC	Miscellaneous			389,269	262,196	0.6736	395,682	266,515	0.6736
REGISTRY	Registry			44,243	15,266	0.3450	44,972	15,517	0.3450
	Subtotal			*2,634,587*	*2,431,958*	*0.9231*	*2,677,988*	*2,472,021*	*0.9231*
	MAIL PROC.TOTAL FOR P.O. STA/BRs						3,829,563	3,542,476	0.9250
C. MAIL PROCESSING - BMCs GROUP									
NMO	Non-Machinable Outside (NMO)			38,283	38,283	1.0000	39,355	39,355	1.0000
OTHR	Allied Labor & all other Mail Processing			344,593	337,615	0.9797	354,242	347,068	0.9797
PLA	Platform			219,709	199,585	0.9084	225,861	205,174	0.9084
PSM	Parcel Sorting Machine			69,921	69,921	1.0000	71,879	71,879	1.0000
SPB	SPBS & Irregular Parcels (IPP & 115)			75,705	75,705	1.0000	77,825	77,825	1.0000
SSM	Sack Sorting Machine			29,481	29,481	1.0000	30,307	30,307	1.0000
	MAIL PROCESSING TOTAL FOR BMCs			777,693	750,590	0.9652	799,469	771,608	0.9652

Table 5.1 BY 04 Subclass Volume-Variable Costs by Subgroups of Cost Pools, USPS and PRC Versions - Plants

Plants	Distribution Operations (ldc 11-15)		Allied Operations (ldc 17)		function 1 Support (ldc 18,misc&1support)		LDC 18-other (incl Spec.Srvcs Ops)		Other (isc,pmpc,ldc 49,79)		Total for Plants	
	PRC	USPS	PRC	USPS	PRC	USPS	PRC	USPS	PRC	USPS	PRC	USPS
1--Letters - Single Piece 2/	2,043,259	1,804,508	1,224,247	973,867	88,064	160,805	47,392	44,086	131,832	129,389	3,534,795	3,112,655
2--Letters - Presort	599,115	534,888	321,485	292,786	23,230	48,852	6,890	7,073	99,238	104,899	1,049,958	988,498
3--Cards - Single Piece	88,639	78,539	40,811	24,366	4,799	5,960	2,784	2,532	5,849	5,392	142,881	116,789
4--Cards - Presort	23,015	20,083	11,983	9,318	1,253	1,659	89	100	4,664	3,966	41,004	35,126
5--Priority Mail 2/	302,145	238,706	219,414	190,142	13,343	30,745	9,217	8,335	123,270	112,133	667,390	580,060
6--Express Mail	5,657	4,170	33,184	22,160	3,085	5,338	74,784	64,164	4,393	4,574	121,103	100,407
8-1 Periodicals-InCounty	2,496	2,215	3,424	2,250	95	255	46	38	588	510	6,650	5,269
8-2 Periodicals-OutsideC	256,539	224,299	292,547	280,303	12,437	28,940	5,431	5,285	41,834	38,249	608,788	577,076
10--Standard - ECR	86,975	74,329	85,814	76,176	3,229	8,773	1,237	1,145	2,823	5,472	180,077	165,894
11--Standard - Regular	1,134,266	1,012,822	808,685	770,689	46,966	105,276	14,621	14,587	56,725	94,793	2,061,263	1,998,167
14--Packg S - Parcels	23,242	19,032	40,098	33,755	1,126	3,188	1,290	1,206	2,741	3,024	68,497	60,204
15--Packg S-Bound Print	23,275	19,288	25,911	21,408	1,102	2,314	419	318	2,672	2,277	53,379	45,604
16--Packg S-Media Mail	17,980	14,653	17,774	14,675	633	1,665	236	217	437	444	37,059	31,654
18--USPS	40,706	37,169	42,711	25,045	2,843	5,455	11,436	17,548	23,437	28,274	121,133	113,492
19--Free Mail	4,322	3,455	4,472	4,028	381	442	152	156	577	431	9,903	8,512
20--International Mail	48,022	41,475	44,493	25,701	4,700	10,764	19,438	17,752	110,708	107,624	227,361	203,318
21--Registered Mail 2/	799	273	1,087	206	1,364	1,629	55,313	28,527	5,991	8	64,553	30,644
22--Certified Mail	120	0	7	1	486	0	538	1	138	0	1,288	2
23--Insured Mail	0	0	0	0	186	0	1	0			187	0
24--COD	0	0	0	0	85	0	1	0			86	0
25--Special Handling	-	420	69	464	2	65	0	100	-	164	71	1,214
26--P.O Box/Caller Srvc	-	3	-	1,154	-	97	-	219	-	348	-	1,821
27--Other Spec. Services	6,146	2,274	4,643	282	1,354	778	12,906	10,822	8,028	6,538	33,076	20,692
Subtotal	4,706,715	4,132,602	3,222,858	2,768,773	210,762	423,001	264,222	224,211	625,945	648,511	9,030,502	8,197,098
Registry Fixed 1/	(310)		(422)		(529)		(21,450)		(2,323)		(25,034)	
Volume-Variable Costs	4,706,405	4,132,602	3,222,436	2,768,773	210,233	423,001	242,772	224,211	623,622	648,511	9,005,468	8,197,098
Volume-Variable Fraction	100%	86%	96%	80%	88%	83%	74%	65%	89%	83%	96%	83%
Total Mail Processing Costs	4,726,224	4,821,185	3,358,302	3,469,203	238,132	509,641	327,344	344,840	701,017	781,339	9,351,019	9,926,208

1/ For the PRC version, these costs represent the disaggregated fixed costs for Registry from PRC WS 3.0.2

2/ For the PRC version, these costs represent disaggregated costs for those shown in PRC WS 3.1.1a, however, the Registry costs include the fixed costs which will be deducted from the "Registry Fixed" row amount. These costs do not show reallocated costs from further adjustment to the Registry Costs in PRC WS 3.1.1

Table 5.2 BY 04 Subclass Volume-Variable Costs by Subgroups of Cost Pools, USPS and PRC Versions - Post-Offices, Stations, and Branches

Post-Offices, Stations/Branche	LDC 41-44 LDC 48	non-MODS offices 1/	Total	
	PRC	PRC	PRC	USPS
1--Letters - Single Piece 2/	357,141	907,960	1,265,101	1,100,175
2--Letters - Presort	109,545	312,334	421,879	368,006
3--Cards - Single Piece	13,152	41,905	55,057	48,737
4--Cards - Presort	3,178	11,681	14,859	12,602
5--Priority Mail 2/	75,002	107,993	182,995	169,395
6--Express Mail	20,842	39,066	59,908	62,575
7--Mailgram				20
8-1 Periodicals-InCounty	2,584	4,973	7,557	6,632
8-2 Periodicals-OutsideC	74,686	175,910	250,596	222,285
10--Standard - ECR	42,349	91,230	133,579	125,256
11--Standard - Regular	240,057	556,384	796,441	713,258
14--Packg S - Parcels	30,379	53,301	83,680	78,250
15--Packg S-Bound Print	13,649	25,445	39,094	34,912
16--Packg S-Media Mail	12,684	20,794	33,478	30,788
18--USPS	18,999	35,370	54,369	47,092
19--Free Mail	1,756	2,083	3,839	4,536
20--International Mail	15,241	17,037	32,278	32,348
21--Registered Mail 2/	5,905	5,782	11,687	8,272
22--Certified Mail	18,500	33,494	51,994	36,230
23--Insured Mail	478	580	1,058	704
24--COD	425	536	961	734
26--P.O Box/Caller Srvc				3,127
27--Other Spec. Services	16,194	28,162	44,356	23,498
Subtotal	1,072,745	2,472,020	3,544,765	3,129,433
Registry fixed	(2,290)		(2,290)	
Volume-Variable Costs	1,070,455	2,472,020	3,542,475	3,129,433
Volume-Variable Fraction	93%	92%	93%	82%
Total Mail Processing costs	1,151,575	2,677,989	3,829,564	3,837,695

1/ includes clocking in/out costs, exclude Registry fixed costs (costs from PRC Workpapers WS 3.1.1a)

2/ For the PRC version, the costs for the LDC 41-44 and 48 cost pools represent disaggregated costs that are the outputs from the SAS program. These costs are the LDC41-44, and 48 costs for the MODS 1&2 costs shown PRC WS 3.1.1a but the Registry costs include the fixed costs shown in the "Registry fixed" row. Also these costs do not show reallocated costs from further adjustment to the Registry Costs in PRC WS 3.1.1

Table 5.3 BY 04 Subclass Volume-Variable Costs by Subgroups of Cost Pools, USPS and PRC Versions - BMCs

BMCs	Distribution operations		Allied operations		Total	
	PRC 1/	USPS	PRC 1/	USPS	PRC 1/	USPS
1--Letters - Single Piece 2/	2,038	1,692	10,109	7,439	12,147	9,131
2--Letters - Presort	155	129	1,124	1,348	1,279	1,477
3--Cards - Single Piece	3	3	578	427	581	429
5--Priority Mail 2/	9,680	8,034	24,483	21,516	34,163	29,550
6--Express Mail	0	0	96	86	96	86
8-1 Periodicals-InCounty	7	6	35	58	42	63
8-2 Periodicals-OutsideC	6,331	5,255	19,840	22,689	26,171	27,944
10--Standard - ECR	5,840	4,847	11,590	12,552	17,429	17,399
11--Standard - Regular	101,473	84,222	242,649	213,288	344,122	297,510
14--Packg S - Parcels	33,762	28,022	91,979	78,242	125,741	106,264
15--Packg S-Bound Print	18,657	15,485	43,752	36,003	62,409	51,488
16--Packg S-Media Mail	18,181	15,091	46,205	37,900	64,386	52,991
18--USPS	7,605	6,312	15,892	11,204	23,497	17,516
19--Free Mail	1,222	1,014	2,354	1,506	3,576	2,520
20--International Mail	14,410	11,960	41,177	36,647	55,587	48,607
21--Registered Mail 2/	0	0	279	291	279	291
27--Other Spec. Services	1	2	207	290	208	291
Subtotal	219,365	182,073	552,350	481,486	771,713	663,558
Registry Fixed	(0)		(108)		(108)	
Volume-Variable Costs	219,365	182,073	552,242	481,486	771,605	663,558
Volume-Variable Fraction	100%	83%	95%	83%	97%	83%
Total Mail Processing costs	219,366	219,366	580,103	580,103	799,469	799,469

1/ include clocking in/out costs

2/ For the PRC version, these costs represent disaggregated costs for those shown in PRC WS 3.1.1a, however, the Registry costs include the fixed costs shown in the "Registry Fixed" row.
These costs do not show reallocated costs from further adjustment to the Registry Costs in PRC WS 3.1.1