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

POSTAL RATE AND FEE CHANGES, 2000   Docket No. R2000–1

NOTICE OF UNITED STATES POSTAL SERVICE
OF FILING OF ERRATA TO TESTIMONY OF WITNESS EGGLESTON
(USPS–T–26)

The United States Postal Service hereby files errata to USPS-T-26. An error in
LR-I-105 was found while preparing the response to PSA/USPS-T26-4. Historically, in
the RPW data files the variable "girth" was set equal to zero unless the parcel was non-
rectangular. The data analyst did not know that this convention was changed in the
FY1999 data. The result of this was a miscalculation of the average cube of oversize
parcels in Postal Quarter 3, FY 1999. The program was rerun to calculate the correct
average cubic feet. The average cubic feet of oversized parcels in column 15, on page
6 of Attachment A of USPS-T-26 was replaced with the revised number. This change
flowed through the models presented in USPS-T-26 in several places. Revisions to the
following pages of USPS-T-26 are attached.

          page 9, line 32
          page 14, line 9
          Attachment A, pages 1, 6, 9, 12 and 15 of 15
          Attachment C, page 1 of 1
          Attachment D, page 1 of 1
          Attachment G, pages 1 and 2 of 2
          Attachment I, pages 1 and 2 of 2
          Attachment J, page 1 of 1

Errata to LR-I-105 and LR-I-177 are being filed separately.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1   the BMC. This means that they will incur additional costs associated with receiving a

2   sort at the plant. Since machinable parcels are sorted to 5-digits at the destination

3   BMC, they simply need to be crossdocked at the plant.

4   Another reason why NMOs are more expensive to process than machinable

5   parcels is that they are larger than machinable parcels. In BY98, the average size of a

6   NMO was 1.99 cubic feet and the average size of a machinable parcel was .58 cubic

7   feet. Since NMOs are larger than machinable parcels, fewer fit into each type of

8   container. This is reflected in the model through lower conversion factors. Since

9   conversion factors are used to unitize containerized costs, smaller conversion factors

10   will result in more costs being allocated to each parcel.

11   Table 2 on page 1 of Attachment A displays the modeled and adjusted modeled

12   costs of inter-BMC, intra-BMC and DBMC NMOs. Next, the adjusted modeled costs of

13   NMOs are compared to the adjusted modeled cost of machinable parcels for each of

14   the three rate categories. The estimated cost difference is used by Witness Plunkett to

15   derive the nonmachinable surcharge. The estimated cost differences for inter-BMC,

16   intra-BMC, and DBMC NMOs are 179.0, 117.3, and 127.7 cents respectively.

17

18   **3. Inter-BMC, Intra-BMC, and DBMC Oversize NMO Cost Difference.**

19   Oversize NMOs are parcels that have a length plus girth between 108 inches

20   and 130 inches. These parcels are more costly to handle than other NMOs for many of

21   the same reasons that NMOs are more costly to handle than machinable parcels.

22   Since oversize parcels are larger than other NMOs, fewer oversize parcels fit in each

23   type of container. This is reflected in the conversion factors shown on page 6 of

24   Attachment A. Since a smaller number of parcels fit into each container, the costs of

25   loading, unloading, and moving that container are distributed among a smaller number

26   of parcels. In addition, while some non-oversize NMOs may be sorted on mechanized

27   equipment, oversize parcels have to be sorted manually.

28   The adjusted modeled costs for inter-BMC, intra-BMC parcels and DBMC

29   oversize NMOs are shown in Table 2 on page 1 of Attachment A. Table 3 on the same

30   page shows the estimated cost differences between the adjusted modeled cost of

31   NMOs and oversize NMOs for each of the three rate categories. The estimated cost

32   differences for inter-BMC, intra-BMC, and DBMC are 826.4, 567.2 and 427.9 cents,

1   Therefore this testimony assumes that DBMC parcels avoid outgoing mail preparation

2   costs at facilities upstream of the BMC.

3   The outgoing mail processing costs that DBMC parcels avoid is shown in row 5

4   on page 2 of Attachment F. The appropriate piggyback factor has already been

5   incorporated into this cost. Next, the unit cost is calculated by dividing the total cost in

6   row 5 by the volume of Parcel Post that is entered upstream of BMC/ASF. This volume

7   is estimated on page 3 of Attachment F. Next, the unit cost in row 7 is multiplied by the

8   wage adjustment factor to derive the estimated mail processing costs avoided by

9   DBMC parcels, ▓5▓ cents.

10

11   **2. BMC Presort**

12   The estimated cost savings of BMC presort is shown on page 1 of Attachment G.

13   The cost savings are estimated by subtracting the modeled BMC presorted cost per

14   piece (column 2) from the modeled nonpresorted (inter-BMC) cost per piece (column

15   1).

16   The BMC presorted cost per piece is estimated on page 2 of Attachment G. It is

17   estimated using a methodology similar to the mail processing models discussed in

18   Section III of this testimony. The operations in the model have been changed to reflect

19   the fact that the BMC presorted parcels only need to be crossdocked at the origin BMC.

20   In addition, the conversion factors have been changed to reflect the BMC presort

21   requirements. Machinable parcels must be sorted in a 69 inch pallet box with a

22   minimum of 52 inches of mail in each, and NMOs must be sorted onto pallets with a

23   minimum of height of 42 inches of mail.[11]

24   The estimated BMC presort unit cost savings is 23.2 cents.

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[10] Docket No.R97-1, USPS-RT-12.

[11] BMC presort requirement from DMM § M045.8.3. The cost analysis assumes that on average the pallet boxes and pallets will be filled halfway between the minimum requirement and the maximum fullness.

PARCEL POST MAIL PROCESSING COST SUMMARY AND DEVELOPMENT

Table 1: Nonmodel Cost Factor Development

Weighted Avg Model Cost	1/	$0.840
Proportional Cost Pools	2/	$0.970
CRA Proportional Adjustment	3/	1.154
CRA Fixed Adjustment	4/	$0.307

Table 2: Total Cost Development

	Model Cost [1]	Proportional Adjustment [2]	Fixed Adjustment [3]	Adjusted Cost [4]
Inter Mach	$1.206	1.154	0.307	$1.698
Inter NMO	$2.757	1.154	0.307	$3.488
Inter NMO > 108"	$8.366	1.154	0.307	$9.962
Intra Mach	$0.922	1.154	0.307	$1.371
Intra NMO	$1.939	1.154	0.307	$2.544
Intra NMO > 108"	$5.837	1.154	0.307	$7.042
DBMC Mach	$0.673	1.154	0.307	$1.084
DBMC NMO	$1.780	1.154	0.307	$2.361
DBMC >108"	$4.382	1.154	0.307	$5.363

Table 3: Unit Cost Difference Summary

		Costs
Intra mach cost savings (compared to Inter mach)	6/	$0.328
Cost Data to support NMO surcharge		
Inter NMO cost difference	5/	$1.790
Intra NMO cost difference	7/	$1.173
DBMC NMO cost difference	8/	$1.277
Cost Data to support NMO >108 rate		
Inter NMO > 108 cost difference	9/	$8.264
Intra NMO > 108 cost difference	10/	$5.672
DBMC NMO > 108 cost difference	11/	$4.279

Sources

Row 1/: Weighted average model costs from Attachment A pages 7 to 15.

Row 2/: Sum of CRA costs in proportional pools, Attachment A page 2 divided by 100 to convert to dollars.

Row 3/: Proportional cost pools divided by weighted averaged modeled costs.

Row 4/: Sum of CRA costs in fixed costs pools, Attachment A, page 2 divided by 100 to convert to dollars.

Row 5/: Total costs of inter NMO [4] minus total costs of inter mach [4].

Row 6/: Total costs of inter mach [4] - total costs of inter mach [4].

Row 7/: Total costs of intra NMO [4] minus total costs of intra mach [4].

Row 8/: Total cost of DBMC NMO [4] minus total cost of DBMC mach [4].

Row 9/: Total cost of inter mach > 108 [4] minus total cost of inter mach [4].

Row 10/: Total cost of intra NMO > 108 [4] minus total cost of intra mach [4].

Row 11/: Total cost of DBMC NMO>108 [4] minus total cost of DBMC mach [4].

Column [1]: Model costs from Attachment A, pages 7 to 15.

Column [2]: Proportional CRA adjustment factor = row (3).

Column [3]: Fixed CRA adjustment factor = row (4).

Column [4]: Total Costs = model costs times proportional adjustment plus fixed adjustment.

Conversion Factor Calculations

Container Type	[1] Outside Dim. Per Container (Inches)	[2] Inside Dim. Per Container (Inches)	[3] Cubic Feet Per Container	[4] Effective Parcel Capacity (# of Parcels)	[5] Capacity at Average Fullness (# of Parcels)	[6] Average % FULL
Machinable						
Pallet	48x40x48	48x40x48	53.3	91.8	78.0	85%
Postal Pak	48x40x69	46.5x38.5x69	71.5	111.9	95.1	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	111.9	98.5	86%
Container	65x41.5x36	65x41.5x36	56.2	88.0	74.8	85%
NMOs						
Pallet	48x40x48	48x40x48	53.3	26.8	26.8	100%
Presorted Pallet	48x40x48	48x40x48	53.3	26.8	26.8	100%
In-house Container	65x41.5x36	65x41.5x36	56.2	25.7	21.8	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	32.6	27.7	85%
Oversize NMOs						
108"-130" on Pallet	48x40x48	48x40x48	53.3	6.6	6.6	100%
108"-130" in IHC	65x41.5x36	65x41.5x36	56.2	6.4	6.4	100%

Pieces Per Container	[7] Machinable R84-1 FY82	[8] Machinable R01-1 FY96	[9] Nonmachinable R84-1 FY82	[10] Nonmachinable R01-1 FY96	[11] 108"-130" R01-1 FY96
Sack	7.92	5.1	n/a	n/a	n/a
Sack in OTR	126.7	81.8	n/a	n/a	n/a
OTR	106.9	69.0	42.0	27.1	6.7
APC	55.2	35.7	21.7	14.0	3.5
Hamper	35.6	23.0	14.0	9.0	2.2

	[12] Machinable	[13] NMO	[14] CRA	[15] 108"-130"	[16] No. of Sacks on IHC	[17] No. of Sacks on Postal Pak
			Cubic Feet Per Parcel Post			
FY96	0.581	1.992	0.833	5.04	14.61	18.59
FY82			0.536			

Sources

Column [1]: Container Methods, Handbook PO-502 (September 1992), USPS LR-H-133.

Column [2]: Container Methods, Handbook PO-502 (September 1992), USPS LR-H-133.

Column [3]: (Length * width * height) / (12*12*12).

Column [4]: (Column [3]) / ((column [13]) * air factor), to account for "effective cube" and (column [3]) / ((column [14]) * air factor) and (column [3]) / ((column [16]) * air factor).
   Air factor =1 for pallets, and 1.1 for all else.

Column [5]: Effective cubic capacity (column [4]) * average % fullness (column [6]).

Column [6]: Pallets, postal paks and IHCs should be as full as practicable before dispatch so it is reasonable to assume these containers will be at least 85% full.
   The majority of pallet boxes come from mailers who must have 75 percent full boxes, and tend to fill them to maximize capacity.
   Therefore 88 percent, the average of 75 and 100 percent was used.

Column [7]: Docket No. R84-1, Exhibit USPS-14I.

Column [8]: Pieces per container in Docket No. R84-1 (column [7]) * FY82 cubic feet per piece (column [14]) / FY96 cubic feet per piece (column [14]).

Column [9]: Docket No. R84-1, Exhibit USPS-14I.

Column [10]: Pieces per container in Docket No. R84-1 (column [9]) * FY82 cubic feet per piece (column [14]) / FY96 cubic feet per piece (column [14]).

Column [11]: Column [10] * column [13] / column [15].

Column [12]: LR-I-105, Attachment E, FY96 machinable cubic feet/ machinable pieces.

Column [13]: LR-I-105, Attachment E, FY96 NMO cubic feet / NMO pieces.

Column [14]: FY82 CRA, cubic feet / pieces . FY96 CRA, cubic feet / pieces.

Column [15]: LR-I-105, Attachment H.

Column [16]: No. of parcels on IHC (column 5) divided by no. of parcels in a sack (column 8).

Column [17]: No of parcels on a parcel (column5) divided by no. of parcels in a sack (column 8).

Nonmachinable Nonpresort Inter-BMC Cost Development
Length plus Girth Between 108" and 130"

	[1] ＃ handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin SCF						1.2599
Unload Containers[1]	1.0000				0.4425	0.4425
Bedload NMOs	0.0400	176.6	1.0	1.65	0.2542	0.0102
Load NMOs in OTRs	0.7250	10.4	6.7	1.65	0.6418	0.4653
Load NMOs in OWCs	0.2220	10.4	2.9	1.65	1.5102	0.3353
Load NMOs on Pallets	0.0130	13.4	6.6	1.65	0.5054	0.0066
Origin BMC						2.4655
Unload Bedloaded to IHC	0.0400	154.1	1.0	1.74	0.3078	0.0123
Unload NMOs in OTRs	0.7250	20.8	6.7	1.74	0.3388	0.2457
Unload NMOs in OWC	0.2220	20.8	2.9	1.74	0.7973	0.1770
Unload NMOs on Pallets	0.0130	12.3	6.6	1.74	0.5829	0.0076
Move IHC	0.0400	14.1	6.6	1.60	0.4871	0.0195
Move OTR	0.7250	14.1	6.7	1.60	0.4604	0.3338
Move OWC	0.2220	14.1	2.9	1.60	1.0637	0.2406
Move Pallets	0.0130	14.1	6.6	1.60	0.4666	0.0061
O. Primary NMO Sort	1.0000	98.6	1.0	1.53	0.4225	0.4225
Move Pallets	1.0000	14.1	6.6	1.60	0.4666	0.4666
Load NMOs on Pallets	1.0000	13.4	6.6	1.74	0.5339	0.5339
Destination BMC						2.3403
Unload NMOs on Pallets	1.0000	12.3	6.6	1.74	0.5829	0.5829
Move Pallets	1.0000	14.1	6.6	1.60	0.4666	0.4666
D. Primary NMO Sort	1.0000	98.6	1.0	1.53	0.4225	0.4225
Move IHC	0.0384	14.1	6.6	1.60	0.4871	0.0187
Move OTR	0.1595	14.1	6.7	1.94	0.5563	0.0887
Move Pallets	0.3098	14.1	6.6	1.65	0.4808	0.1490
Move OWC	0.0074	14.1	2.9	1.74	1.1798	0.0087
Bedload from IHC	0.1291	176.6	1.0	1.74	0.2685	0.0347
Load NMOs in OTRs	0.5363	10.4	6.7	1.74	0.6760	0.3626
Load NMOs on Pallet	0.3098	13.4	6.6	1.74	0.5339	0.1654
Load NMOs in OWC	0.0248	10.4	2.9	1.74	1.5963	0.0396
Destination SCF						1.9324
Unload Bedload to IHC	0.1061	154.1	1.0	1.65	0.2914	0.0309
Unload OTRs	0.4407	20.8	6.7	1.65	0.3208	0.1414
Unload Pallet	0.3098	12.3	6.6	1.65	0.5518	0.1709
Unload OWC	0.0151	20.8	2.9	1.65	0.7548	0.0114
Move IHC	0.1061	14.1	6.6	1.65	0.5020	0.0533
Move OTRs	0.4407	14.1	6.7	1.65	0.4747	0.2092
Move Pallet	0.3098	14.1	6.6	1.65	0.4808	0.1490
Move OWC	0.0151	14.1	2.9	1.65	1.1188	0.0168
Manual Sort	0.8717	433.0	1.0	1.50	0.0945	0.0824
Move IHC	0.2443	14.1	6.6	1.65	0.5020	0.1226
Move OTRs	0.5069	14.1	6.7	1.65	0.4747	0.2406
Move OWC	0.1205	14.1	2.9	1.65	1.1188	0.1348
Bedload NMOs	0.2443	176.6	1.0	1.65	0.2542	0.0621
Load OTRs w/ loose	0.5069	10.4	6.7	1.65	0.6418	0.3254
Load Hampers/OWC	0.1205	10.4	2.9	1.65	1.5102	0.1820
Destination Delivery Unit						0.3694
Unload Bedload NMOs	0.2673	154.1	1.0	1.65	0.2914	0.0779
Unload loose in OTR	0.6025	20.8	6.7	1.65	0.3208	0.1933
Unload OWC	0.1302	20.8	2.9	1.65	0.7548	0.0983
Total ＃ of Sorts	2.0000			**Model Cost**		8.3677

Sources

Column [1]: Attachment A, page 4, arrival and dispatch profiles.

Column [2]: Attachment A, page 3, units per workhour.

Column [3]: Attachment A, page 3, conversion factors.

Column [4]: Attachment A, page 5, piggyback factors.

Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).

Column [6]: (column [1] * column [5]).

[1]Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

Nonmachinable Nonpresort Inter-BMC Cost Development
Length plus Girth Between 108" and 130"

	[1] #handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin SCF						1.2599
Unload Containers[1]	1.0000				0.4425	0.4425
Bedload NMOs	0.0400	176.6	1.0	1.65	0.2542	0.0102
Load NMOs in OTRs	0.7250	10.4	6.7	1.65	0.6418	0.4653
Load NMOs in OWCs	0.2220	10.4	2.9	1.65	1.5102	0.3353
Load NMOs on Pallets	0.0130	13.4	6.6	1.65	0.5054	0.0066
Destination BMC						2.2511
Unload Bedloaded to IHC	0.0400	154.1	1.0	1.74	0.3078	0.0123
Unload NMOs in OTRs	0.7250	20.8	6.7	1.74	0.3388	0.2457
Unload NMOs in OWC	0.2220	20.8	2.9	1.74	0.7979	0.1770
Unload NMOs on Pallets	0.0130	12.3	6.6	1.74	0.5829	0.0076
Move IHC	0.0400	14.1	6.4	1.60	0.4871	0.0195
Move OTR	0.7250	14.1	6.7	1.60	0.4606	0.3339
Move OWC	0.2220	14.1	2.9	1.60	1.0837	0.2406
Move Pallet	0.0130	14.1	6.6	1.60	0.4666	0.0061
D. Primary NMO Sort	1.0000	98.6	1.0	1.53	0.4225	0.4225
Move IHC	0.0119	14.1	6.4	1.60	0.4871	0.0058
Move OTR	0.2156	14.1	6.7	1.60	0.4606	0.0993
Move OWC	0.0660	14.1	2.9	1.60	1.0837	0.0716
Move Pallet	0.0130	14.1	6.6	1.60	0.4666	0.0061
Bedload from IHC	0.1291	176.6	1.0	1.74	0.2685	0.0347
Load NMOs in OTRs	0.5363	10.4	6.7	1.74	0.6780	0.3636
Load NMOs on Pallet	0.3098	13.4	6.6	1.74	0.5339	0.1654
Load NMOs in OWC	0.0248	10.4	2.9	1.74	1.5953	0.0396
Destination SCF						1.9568
Unload Bedload to IHC	0.1061	154.1	1.0	1.65	0.2914	0.0309
Unload OTRs	0.4407	20.8	6.7	1.65	0.3208	0.1414
Unload Pallet	0.3098	12.3	6.6	1.65	0.5518	0.1709
Unload OWC	0.0204	20.8	2.9	1.65	0.7548	0.0154
Move IHC	0.1061	14.1	6.4	1.65	0.5020	0.0533
Move OTRs	0.4407	14.1	6.7	1.65	0.4747	0.2092
Move Pallet	0.3098	14.1	6.6	1.65	0.4808	0.1490
Move OWC	0.0204	14.1	2.9	1.65	1.1168	0.0228
Manual Sort	0.8770	433.0	1.0	1.50	0.0945	0.0829
Move IHC	0.2443	14.1	6.4	1.65	0.5020	0.1226
Move OTRs	0.5069	14.1	6.7	1.65	0.4747	0.2406
Move OWC	0.1258	14.1	2.9	1.65	1.1168	0.1405
Bedload NMOs	0.2443	176.6	1.0	1.65	0.2542	0.0621
Load OTRs w/ loose	0.5069	10.4	6.7	1.65	0.6418	0.3253
Load Hampers/OWC	0.1258	10.4	2.9	1.65	1.5102	0.1900
Destination Delivery Unit						0.3604
Unload Bedload NMOs	0.2673	154.1	1.0	1.65	0.2914	0.0779
Unload loose in OTR	0.6025	20.8	6.7	1.65	0.3208	0.1933
Unload OWC	0.1302	20.8	2.9	1.65	0.7548	0.0983
Total # of Sorts	1.0000			**Model Cost**		**$5.8372**

Sources

Column [1]: Attachment A, page 4, arrival and dispatch profiles.
Column [2]: Attachment A, page 3, units per workhour.
Column [3]: Attachment A, page 3, conversion factors.
Column [4]: Attachment A, page 5, piggyback factors.
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1]Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

Nonmachinable DBMC Model Cost Summary[1]
Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Destination BMC						2.0555
Unload Bedload	0.9850	161.4	1.0	1.74	0.2940	0.2895
Unload Pallets[2]	0.0150	12.3	6.6	1.74	0.5829	0.0087
Move IHC (from bedload)	0.9850	14.1	6.4	1.60	0.4871	0.4798
Move Pallets	0.0150	14.1	6.6	1.60	0.4666	0.0070
D. Primary NMO Sort	1.0000	98.6	1.0	1.53	0.4225	0.4225
Move IHCs	0.0384	14.1	6.4	1.60	0.4871	0.0187
Move OTRs	0.1595	14.1	6.7	1.60	0.4606	0.0735
Move Pallets	0.3098	14.1	6.6	1.60	0.4666	0.1445
Move OWCs	0.0074	14.1	2.9	1.60	1.0837	0.0080
Bedload from IHC	0.1291	176.6	1.0	1.74	0.2685	0.0347
Load NMOs in OTRs	0.5363	10.4	6.7	1.74	0.6780	0.3636
Load NMOs on Pallet	0.3098	13.4	6.6	1.74	0.5339	0.1654
Load NMOs in OWC	0.0248	10.4	2.9	1.74	1.5953	0.0396
Destination SCF						1.9568
Unload Bedload to IHC	0.1061	154.1	1.0	1.65	0.2914	0.0309
Unload OTRs	0.4407	20.8	6.7	1.65	0.3208	0.1414
Unload Pallet	0.3098	12.3	6.6	1.65	0.5518	0.1709
Unload OWC	0.0204	20.8	2.9	1.65	0.7548	0.0154
Move IHC	0.1061	14.1	6.4	1.65	0.5020	0.0533
Move OTRs	0.4407	14.1	6.7	1.65	0.4747	0.2092
Move Pallet	0.3098	14.1	6.6	1.65	0.4808	0.1490
Move OWC	0.0204	14.1	2.9	1.65	1.1168	0.0228
Manual Sort	0.8770	433.0	1.0	1.50	0.0945	0.0829
Move IHC	0.2443	14.1	6.4	1.65	0.5020	0.1226
Move OTRs	0.5069	14.1	6.7	1.65	0.4747	0.2406
Move OWC	0.1258	14.1	2.9	1.65	1.1168	0.1405
Bedload NMOs	0.2443	176.6	1.0	1.65	0.2542	0.0621
Load OTRs w/ loose	0.5069	10.4	6.7	1.65	0.6418	0.3254
Load Hampers/OWC	0.1258	10.4	2.9	1.65	1.5102	0.1900
Destination Delivery Unit						0.3694
Unload Bedload NMOs	0.2673	154.1	1.0	1.65	0.2914	0.0779
Unload loose in OTR	0.6025	20.8	6.7	1.65	0.3208	0.1933
Unload OWC	0.1302	20.8	2.9	1.65	0.7548	0.0983
Total # of Sorts	1.0000			**Model Cost**		4.3818

Sources

Column [1]: Attachment A, page 4, arrival and dispatch profiles.
Column [2]: Attachment A, page 3, units per workhour.
Column [3]: Attachment A, page 3, conversion factors.
Column [4]: Attachment A, page 5, piggyback factors.
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1]DBMC model costs are calculated in this testimony for the sole purpose of comparing an average Parcel Post model cost to the CRA parcel post mail processing cost pools in order to calculate the CRA proportional adjustment factor.
[2]Assumes oversize parcels will not arrive in pallet boxes, so # of handling for pallets and pallet boxes were combined.

Non-Transportation Cost Savings Summary

Rate Category		Modeled Cost Difference
BMC Presort Modeled Cost Savings	1/	$0.232
DBMC Cost savings	2/	$0.662
Window Acceptance Modeled Cost Savings	3/	$0.105
Mail Processing Modeled Cost Savings	4/	$0.557
OBMC	5/	$0.894
Window Acceptance Modeled Cost Savings	6/	$0.105
Mail Processing Modeled Cost Savings	7/	$0.557
BMC Presort Modeled Cost Savings	8/	$0.232
DSCF		
Modeled Cost Savings	9/	$0.428
Additional Cost of Oversize (DSCF oversize NMO modeled cost -DSCF mach modeled cost)	10/	($2.32)
DDU		
Weighted average of DDU mach and NMO modeled cost savings.	11/	$0.730
NMO oversize DDU Modeled Cost Savings (compared to DBMC)	12/	$4.52

Sources
Row 1/: Attachment G, page 1, row 6.
Row 2/: Row (3) + row (4).
Row 3/: Attachment F, page 1, row 16.
Row 4/: Attachment F, page 2, row 10.
Row 5/: Row (6) + row (7) + row (8).
Row 6/: Attachment H, page 1, row 1.
Row 7/: Attachment H, page 1, row 2.
Row 8/: Attachment H, page 1, row 3.
Row 9/: Attachment I, page 1, row 12.
Row 10/: Attachment I, page 1, row 9
Row 11/: Attachment J, page 1, row 4.
Row 12/: Attachment J, page 1, row 5.

INPUTS FOR DROPSHIP MODELS

Inputs for Dropship Models

Proportion of Volume	Mach	NMO	
DBMC	0.95	0.05	1/
DSCF	0.95	0.05	2/
Inter-BMC	0.92	0.08	3/
Intra-BMC	0.92	0.08	4/

Piggyback Factors			
Window Service		1.450	5/

Wage Adjustment Factor			
window service		1.124	6/
mail processing		1.124	7/
Average number of Sacks on an IHC		14.6	8/

DSCF specific Inputs

Proportion of DSCF dropped at BMCs	12.30%	9/		

Proportion of DSCF using requirements	Mach	NMO	Over 108	
Sacks	0	0	N/A	10/
Pallet and Pallet Boxes	1	1	N/A	11/

Average Number of parcels	Mach	NMO	Over 108	
Sacks	10	N/A	N/A	12/
Pallet and pallet boxes	62.1	22.5	░░░░░░	13/

Calculation of Average # of Parcels on a Pallet

	Min [1]	Max [2]	Average [3]
Mach			
Pallet (min 36, max 48")	68.90	91.8	75.8
Pallet Box (min 36 ", max 60")	58.40	97.3	70.1
Pallet (ave 50)			50.0
Pallet box (ave 50)			50.0
Pallet (min 50 pieces , max 48")	50	91.8	62.5
Pallet Box (min 50 pieces, max 60")	50	97.3	64.2
Average Mach			**62.1**
NMO			
Pallet (min 36" max 48")	20.1	26.8	23.5
Pallet Box (min 36 " max 60")	14.5	28.4	21.5
Average NMO			**22.5**
Oversize			
Pallet (min 36" max 48")	░░░5.0	░░░6.6	
Average Oversize			░░░6.6░░

Sources

Row 1/: LR-I-105. Machinable DBMC volume / total DBMC volume and NMO DBMC volume/total DBMC volume.

Row 2/: Assume same percent as DBMC.

Row 3/: LR-I-105. Machinable Inter-BMC volume / total Inter-BMC volume and NMO inter- BMC volume/total inter-BMC volume.

Row 4/: LR-I-105. Machinable intra-BMC volume / total intra-BMC volume and NMO intra- BMC volume/total intra-BMC volume.

Row 5/: USPS-T-21, Attachment 10, BY piggyback factor.

Row 6/: LR-I-106, TY wage rate / BY wage rate.

Row 7/: LR-L-106, TY wage rate/ BY wage rate.

Row 8/: Attachment A, page 6, column [16].

Row 9/: Percent of Volume with direct transportation to delivery units.

Row 10/: Area Coordinators reported no use of sacks for DSCF discount.

Row 11/: Area Coordinators reported that all mailers used pallets for DSCF discount.

Row 12/: Assumption behind requirement (due to zero handlings, not used).

Row 13/: Developed Below. Average of different requirement.

Column [1]: Calculated using model in Attachment A, page 6.

Column [2]: Calculated using model In Attachment A, page 6.

Column [3]: Weighted average of column [1] and column [2].

   For machinable. weights minimum by 0.7 and maximum by 0.3.

   For NMO< weights both machinable and NMO by 0.5

BMC Presort Parcel Post Cost Savings

Operation	[1] Nonpresorted Cost/Piece	[2] BMC Presorted Cost/Piece		[3] Difference (Savings)
Machinable Parcel Post				
Origin BMC unload	$0.0470	$0.0394		$0.0076
Origin BMC	$0.2797	$0.0631		$0.2166
Origin BMC Load	$0.0372	$0.0361		$0.0011
DBMC Unload	$0.0407	$0.0394		$0.0012
BMC Savings			1/	$0.2266
Nonmachinable Parcel Post				
Origin BMC unload	$0.1183	$0.1540		-$0.0357
Origin BMC	$0.5963	$0.2466		$0.3497
Origin BMC Load	$0.1323	$0.1411		-$0.0088
DBMC Unload	$0.1444	$0.1540		-$0.0097
BMC Savings			2/	$0.2955
Oversize Parcel Post				
Origin BMC unload	$0.4425	$0.6236		-$0.1811
Origin BMC	$1.4891	$0.9984		$0.4907
Origin BMC Load	$0.5339	$0.5712		-$0.0373
DBMC Unload	$0.5829	$0.6236		-$0.0408
BMC Savings			3/	$0.2315

Proportion of Inter-BMC volume that is Machinable	4/	0.92
Proportion of Inter-BMC volume that is Nonmachinable	5/	0.08

Total BMC Presort Related Savings	6/	$0.232

Sources
Column [1]: Attachment A, pages 7-9.
Column [2]: Attachment G, page 2, column 6.
Row 1/: Sum of cost savings for machinable Parcel Post.
Row 2/: Sum of cost savings for nonmachinable Parcel Post.
Row 3/: Sum of cost savings for oversize nonmachinable Parcel Post.
Row 4/: Machinable inter-BMC volume divided by total inter-BMC volume.
Row 5/: Nonmachinable inter-BMC volume divided by total nonmachinable inter-BMC volume.
Row 6/: [Row (4) * machinable BMC Savings] + [row (5) * nonmachinable BMC savings].

BMC PRESORTED PARCEL POST COST PER PIECE

Operation	[1] # handling	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper	[6] cost
Machinable BMC Presort						
Origin BMC						
Unload Pallet Box	1.0000	12.3	98.1	1.74	$0.0394	$0.0394
Crossdock Pallet Box	1.0000	7.0	98.1	1.60	$0.0631	$0.0631
Load Pallet Box	1.0000	13.4	98.1	1.74	$0.0361	$0.0361
Destination BMC						
Unload Pallet Box	1.0000	12.3	98.1	1.74	$0.0394	$0.0394
Nonmachinable BMC Presort						
Origin BMC						
Unload Pallets	1.0000	12.3	25.1	1.74	$0.1540	$0.1540
Crossdock Pallets	1.0000	7.0	25.1	1.60	$0.2466	$0.2466
Load NMOs Pallets	1.0000	13.39	25.1	1.74	$0.1411	$0.1411
Destination BMC						
Unload Pallets	1.0000	12.27	25.1	1.74	$0.1540	$0.1540
Oversize Parcels						
Origin BMC						
Unload Pallets	1.0000	12.3	6.2	1.74	$0.6236	$0.6236
Crossdock Pallets	1.0000	7.0	6.2	1.60	$0.9984	$0.9984
Load NMOs Pallets	1.0000	13.4	6.2	1.74	$0.5712	$0.5712
Destination BMC		0.0				
Unload Pallets	1.0000	12.3	6.2	1.74	$0.6236	$0.6236

Sources

Column [1]: Each handled only one time.

Column [2]: Attachment A, page 3, units per workhour.

Column [3]: Conversion factor. Reflects the average between the minimum requirements and maximum fullness.
'Mach min 52", max 69". NMO min 42", max 48 ". Oversize min 42", max 48".

Column [4]: LR-I-77, test year operation specific piggyback factors.

Column [5]: (Wage rate * column [4]) / (column [2] * column [3]).

Column [6]: Column [5] * column [1].

Summary of DSCF Savings (compared to DBMC)

DBMC Mailprocessing modeled Costs

Mach	$0.673	1/
NMO	$1.780	2/
Over 108	$4.382	3/

DSCF Modeled Costs

Machinable	$0.272	4/
NMO	$0.753	5/
Over 108	$2.916	6/

DSCF Cost Savings

Machinable	$0.401	7/
NMO	$1.027	8/

Additional Cost of over 108 compared to average DSCF Parcel	$2.623	9/
Proportion of Mach	0.95	10/
Proportion of NMO	0.05	11/

Average DSCF Cost Savings (no oversize)	$0.428	12/

Sources

Row 1/: Attachment A, page 13, modeled cost of machinable DBMC.
Row 2/: Attachment A, page 14, modeled cost of nonmachinable DBMC.
Row 3/: Attachment A, page 15, modeled cost of oversize nonmachinable DBMC.
Row 4/: Attachment I, page 2, modeled cost of machinable DSCF.
Row 5/: Attachment I, page 2, modeled cost of nonmachinable DSCF.
Row 6/: Attachment I, page 2, modeled cost of oversize nonmachinable DSCF.
Row 7/: Row (1) - row (4).
Row 8/: Row (2) - row (5).
Row 9/: Row (6) - [row (4) * row (10) + row (5) * row (11)].
Row 10/: Attachment D, page 1, row 2.
Row 11/: Attachment D, page 1, row 2.
Row 12/: [Row (7) * row (10)] + [row (8) * row (11)].

DSCF Model Cost Summary

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
MACHINABLE						
Destination BMC						$0.0269
Unload Pallet/Pallet Box	0.1230	12.3	62.1	1.74	$0.0623	$0.0077
Cross dock Pallet/Pallet Box	0.1230	7.0	62.1	1.60	$0.0997	$0.0123
Load Pallet/Pallet Box	0.1230	13.4	62.1	1.74	$0.0570	$0.0070
Destination SCF						$0.1865
Unload Pallet/Pallet Box	0.8770	12.3	62.1	1.65	$0.0589	$0.0517
Unload Bedloaded Sacks	0.0000	154.1	10.0	1.65	$0.0291	$0.0000
Crossdock Pallet/Pallet Box	0.8770	7.0	62.1	1.60	$0.0997	$0.0874
Crossdock bedloaded sacks	0.0000	7.0	146.1	1.60	$0.0424	$0.0000
Load Pallet/Pallet Box	0.8770	13.4	62.1	1.65	$0.0540	$0.0474
Bedload Sacks	0.0000	182.5	10.0	1.65	$0.0246	$0.0000
Destination Delivery Unit						$0.0589
Unload Pallet/Pallet Box	1.0000	12.3	62.1	1.65	$0.0589	$0.0589
Unload Bedloaded Sacks	0.0000	154.1	10.0	1.65	$0.0291	$0.0000
Dump Sacks	0.0000	110.9	10.0	1.65	$0.0405	$0.0000
TOTAL						$0.2724
NONMACHINABLE						
Destination BMC						$0.0745
Unload Pallet/Pallet Box	0.1230	12.3	22.5	1.74	$0.1722	$0.0212
Crossdock Pallet/Pallet Box	0.1230	7.0	22.5	1.60	$0.2757	$0.0339
Load Pallet/Pallet Box	0.1230	13.4	22.5	1.74	$0.1578	$0.0194
Destination SCF						$0.5158
Unload Pallet/Pallet Box	0.8770	12.3	22.5	1.65	$0.1630	$0.1430
Crossdock Pallet/Pallet Box	0.8770	7.0	22.5	1.60	$0.2757	$0.2418
Load Pallet/Pallet Box	0.8770	13.4	22.5	1.65	$0.1493	$0.1310
Destination Delivery Unit						$0.1630
Unload Pallet/Pallet Box	1.0000	12.3	22.5	1.65	$0.1630	$0.1630
TOTAL						$0.7533
OVERSIZE						
Destination BMC						$0.2884
Unload Pallets	0.1230	12.3	5.8	1.74	$0.6666	$0.0820
Cross dock pallets	0.1230	7.0	5.8	1.60	$1.0673	$0.1313
Load Pallets	0.1230	13.4	5.8	1.74	$0.6106	$0.0751
Destination SCF						$1.9964
Unload Pallets	0.8770	12.3	5.8	1.65	$0.6311	$0.5535
Crossdock Pallets	0.8770	7.0	5.8	1.60	$1.0673	$0.9360
Load Pallets	0.8770	13.4	5.8	1.65	$0.5780	$0.5069
Destination Delivery Unit						$0.6311
Unload Pallets	1.0000	12.3	5.8	1.65	$0.6311	$0.6311
TOTAL						$2.9159

Weighted Average of DSCF mach and NMO $0.2932

Sources
Column [1]: Attachment D, page 1, row 9.
Column [2]: Attachment A, page 3, units per workhour.
Column [3]: Attachment D, page 1, row 13.
Column [4]: Attachment A, page 5, piggyback factors.
Column [5]: (Adjusted wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (Column [1]) *(column [5]).

DDU Cost Savings

| | | Modeled Costs | | |
		Mach	NMO	Over 108
Costs Avoided by DDU	1/	$0.673	$1.780	$4.382
Percent of Mach	2/	0.95		
Percent of NMO	3/	0.05		

Average DDU Cost Savings (no oversize)	4/	$0.730
Oversize DDU Cost Savings	5/	$4.382

Sources

Row 1/: Attachment A, page 13 to 15, modeled DBMC costs.

Row 2/: Attachment D, page 1, row 2.

Row 3/: Attachment D, page 1, row 2.

Row 4/: Machinable cost avoided * percent of machinable [row (2)] + NMO cost avoided * percent of NMO [row (3)].

Row 5/: Oversize cost avoided in row (1).

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Scott L. Reiter

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March 22, 2000