

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

RECEIVED

JUL 5 1 30 PM '00

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES

Docket No. R2000-1

**Major Mailer Association's Notice
Of Corrections To Testimony And Exhibits
Of Witness Richard E. Betnley (ERRATA)**


Major Mailers Association hereby submits corrected pages that reflect the following corrections to the testimony and exhibits of its witness Richard E. Bentley:

- | | |
|------------------------|---|
| MMA-T-1, p. 20 | Add quotation mark after "conversions" on line 27. |
| MMA-T-1, p. 28 | Insert parentheses around record citation on line 20. |
| MMA-T-1, p. 32 | Change "2" to "2%" on line 21. |
| Ex. MMA-1B, pp. 3A & B | Correct revenues shown in Column 4 for Rows labeled Box/Caller Service and Other. |
| Ex. MMA-1B, pp. 4A & B | Correct revenues shown in Column 4 for Rows labeled Box/Caller Service and Other. |

Respectfully submitted,

Major Mailers Association

By:



Michael W. Hall
34693 Bloomfield Road
Round Hill, Virginia 20141
540-554-8880
Counsel for
Major Mailers Association

Dated: Round Hill, VA
July 3, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties to this proceeding in accordance with the Commission's Rules of Practice.

Dated this 3rd day of July 2000.



Michael W. Hall

1 Initially, when workshare discounts were modest, growth in presorted mail came
2 from those mailers that could change their mailing practices at relatively low cost. Logic
3 dictates that the cleanest mail, sent out in bulk quantities (i.e., mail like BMM) was
4 among the *first* type of mail to migrate to presorted mail status.

5 But BMM letters cannot possibly account for the tremendous growth in workshare
6 letter volume that ensued. In fact, as presort discounts became more attractive, mailers
7 were induced to spend more upgrading their remaining mail volumes that theretofore
8 had not been economic to convert to presorted mail. In other words, mail that migrated
9 from single piece to workshare rates in the early years was mail that cost less for the
10 Postal Service to process than the mail that migrated to workshare rates in later years.

11 With the passage of time, presort categories began to mature and the
12 Commission increased discounts further. Concomitantly, the type of letters migrating to
13 presort letter status originated from a subset of First-Class single piece that was more
14 costly for the Postal Service to process.¹⁵ Clearly, the letters migrating in recent years
15 are not “clean” BMM letters. Even the Commission has recognized that, as the First-
16 Class presort mailstream matures, additional presort volumes are “more likely to come
17 either from average-cost nonpresort mail that requires more extensive change in order
18 to convert, or from new mail.” See PRC Op. MC95-1 at IV-102, fn 37.

19 The rapid growth of the presort bureau industry provides further evidence that
20 over the years there has been an evolution in the type of mail migrating to workshare
21 rates. In FY 98, presort bureaus accounted for approximately 42% of all First-Class
22 workshared letters.¹⁶ See TR 21/9240-44. Mail proffered to the postal service by
23 presort bureaus today more than likely would have been deposited in collection boxes if
24 mailed at single piece rates. The Commission recognized this phenomenon 16 years
25 ago in Docket No. R84-1 when it stated, “[T]he presort bureaus have extended their
26 markets to some smaller volume users whose mail probably showed a wider variety of
27 cost characteristics prior to conversions.” See PRC Op. R84-1 at 364. Thus, for all
28 practical purposes, in the current environment the “typical” mail piece migrating from

¹⁵ I provided similar testimony on this subject 13 years ago. See Docket No. R87-1, CPUM/ARF-T-1 at 15.

¹⁶ According to USPS witness Tolley, the number of presort bureaus listed on the Postal Service's web site has increased 50%, from 186 to 276, in just 2 years. See UPSP-T-6 at 41.

1 It strengthened this view by stating,
2

3 Notwithstanding the extensive supporting material the Service has filed,
4 a glaring omission is information addressing the cost support for the
5 First-Class mail additional-ounce rate. The Service's failure to devote
6 attention to this long-requested review has hindered the Commission's
7 ability to review the additional-ounce issue. See PRC Op. R97-1 at 271.
8
9

10 **B. The Daniel Weight Study Contains No Reliable Information Regarding**
11 **The Cost Impact Of The 2nd Ounce**

12 The Daniel weight study presents some new data on the relationship between
13 weight and postal costs. Her study distributes total costs by shape to various half-
14 ounce weight increments on the basis of IOCS tallies and other distribution keys
15 including pieces, weight and cube. However, this study still fails to address the
16 Commission's desire for reliable information regarding the specific cost impact of the
17 second ounce of a letter.

18 Initially, USPS witnesses Fronk and Daniel both claimed that the Daniel study
19 addresses the Commission's concerns about the effect of the second ounce on mail
20 processing costs (See TR 4/1255, TR 12/4751), and maintained that the Daniel study
21 "support[s] conclusions that are contrary" to those espoused by the Commission. See
22 TR 4/1255, TR 12/4755-6. Subsequently, USPS witness Daniel reversed herself when
23 she conceded that "[t]he cost study reflects all the characteristics associated with the
24 average piece in each weight increment" and that "since [her studies] do not completely
25 isolate for the impact of weight, they do not provide the 'specific impact of weight on
26 costs'" See TR 4/1262.

27 Witness Daniel admits that, in addition to weight, her study reflects many other
28 factors that affect costs. These factors include (1) local/nonlocal mix, (2) origin/
29 destination pattern, (3) degree of presortation, (4) prebarcode vs. no prebarcode,
30 (5) machinability, (6) delivery to a p.o. box vs. delivery by carrier, (7) likelihood of being
31 undeliverable-as-addressed, and (8) likelihood of being barcoded. See TR 4/1263-64.
32
33

1 The proposed revenue reduction of \$250 million from the Service's revenue
2 target is not insignificant. However, this revenue reduction is a maximum potential
3 loss, since any new volumes attracted by the lower (and still very profitable) First-Class
4 presorted rates will reduce the revenue shortfall. This is even more apparent for presort
5 volumes since such pieces make such a disproportionately large contribution to
6 recovery of institutional costs as a result of the extremely high cost coverage for
7 presorted letters.

8 I also suggest that this revenue shortfall not be made up by other mailers, but by
9 reducing the Postal Service's contingency allowance. The contingency was established
10 to provide a reserve for expenses that can neither be foreseen nor prevented. As
11 proposed, the Postal Service has requested an extraordinary amount in contingency
12 "costs" compared to the amount of additional revenues required to cover actual costs.
13 For example, the Postal Service's entire rate request raises about \$3.6 billion in
14 additional contributions to institutional costs. Of this amount, \$1.9 billion represents
15 anticipated cost increases and \$1.7 billion represents contingency costs. Therefore, the
16 Postal Service's anticipated cost increases could be too low by 85% and its requested
17 contingency would still enable it to break even. This contrasts to the 33% "cushion" the
18 Postal Service requested and the Commission approved in Docket No. R97-1. I believe
19 the 2.5% contingency costs, which is two-and-a-half times the contingency allowance
20 from Docket No. R97-1, should be lower.²⁸

21 For illustrative purposes, I have determined that a contingency allowance of 2%
22 would enable the Postal Service to break even with MMA's rate proposals for more
23 equitable First-Class rates.
24

²⁸ Witness Lawrence Buc provides convincing testimony to support maintenance of the contingency at the Docket No. R97-1 level of 1%.

Summary of Estimated Test Year After Rates Finances
(Includes MMA's Proposed Rate Changes to First Class Presort Letters and 2% Contingency)
(PRC Cost Methodology)
(Thousands Except For Units)

EXHIBIT MMA-1B
Page 4A
Revised 7/3/00

Description	Vol Variable Costs With Contingency @ 2%		Vol Variable Costs Without Contingency		Vol Var Costs (2) / (3)	% of Total (2)	Revenue (4)	Cost Coverage (4) / (2)	Contrib To Oth Costs (4), (2)	% of Other Costs (6) / Total (6)	Mark Up (5) - 1 (8) / Total (8)	Mark Up (9) - 1 (8) / Total (8)	Unit Revenue (4) / (10)	Unit Cost (2) / (10)	Unit Contrib (11) - (12)	Proposed Increase (11) / (11B)	Vol Variable Costs Without Contingency (1) / (1025)	Contingency @ 2% (2) - (115)	Proposed Increase In Revenue Contribution (6) - (6B)
	(1)	(2)	(1)	(2)															
First-Class Mail	14,691,253	14,619,568	33.19%	156.7%	8,294,006	34.08%	22,915,594	156.7%	8,294,006	34.08%	102.68%	56.7%	52,877,658	0.4333	0.2778	0.1555	14,332,930	286,659	695,402
Single-Piece Letters 1/	5,420,559	5,394,117	12.24%	241.0%	13,001,960	31.26%	35,915,974	241.0%	7,607,863	31.26%	141.0%	14.0%	46,979,736	0.2768	0.1154	0.1614	5,288,350	105,767	251,502
Post and Automation Letters	20,111,812	20,013,706	45.43%	178.5%	19,901,868	65.33%	35,915,974	178.5%	19,901,868	65.33%	79.5%	79.5%	99,857,394	0.3397	0.2014	0.1583	19,621,280	392,426	946,904
Total Letters	592,305	589,416	1.34%	102.5%	14,486	0.09%	603,902	102.5%	14,486	0.09%	2.5%	2.5%	2,770,783	0.2180	0.2138	0.0042	577,859	11,557	27,590
Single-Piece Cards	181,167	180,283	0.41%	248.9%	268,504	1.09%	448,787	248.9%	268,504	1.09%	148.9%	148.9%	2,670,168	0.1681	0.0678	0.1002	176,748	3,535	16,185
Post and Automation Cards	773,472	769,699	1.75%	136.8%	282,900	1.16%	1,052,689	136.8%	282,900	1.16%	36.8%	36.8%	66,541	0.1935	0.1422	0.0513	754,607	15,982	43,776
Total Cards	20,865,284	20,783,405	47.18%	177.9%	36,862,263	66.49%	36,862,263	177.9%	16,184,858	66.49%	77.9%	77.9%	105,298,345	0.3511	0.1983	0.1527	20,375,887	407,516	990,679
Total First-Class Mail	3,332,232	3,315,977	7.53%	167.1%	5,542,259	9.15%	5,542,259	167.1%	2,226,282	9.15%	67.1%	67.1%	1,249,750	4.4347	2.6683	1.7684	3,250,958	65,019	534,866
Priority Mail	705,801	702,358	1.59%	152.1%	1,068,567	1.50%	1,068,567	152.1%	366,209	1.50%	52.1%	52.1%	72,301	14.7794	9.7620	5.0174	688,586	13,772	42,591
Express Mail	1,134	1,128	0.00%	100.6%	1,136	0.00%	1,136	100.6%	7	0.00%	0.6%	0.6%	3,340	0.3400	0.3395	0.0005	1,106	32	(1)
Mailgrams	84,139	83,729	0.19%	97.8%	(1,881)	-0.01%	81,847	97.8%	(1,881)	-0.01%	-2.2%	-2.2%	862,061	0.0949	0.0976	-0.0027	82,087	1,642	6,405
Periodicals	2,522,215	2,509,910	5.70%	96.3%	(92,883)	-0.38%	2,418,026	96.3%	(92,883)	-0.38%	-3.7%	-3.7%	9,455,105	0.2355	0.2666	-0.0111	2,460,696	49,214	283,721
Outside County	2,606,352	2,593,636	5.89%	96.3%	(94,864)	-0.39%	2,498,774	96.3%	(94,864)	-0.39%	-3.7%	-3.7%	10,321,166	0.2421	0.2523	-0.0104	2,542,782	50,856	290,125
Total Periodicals	7,402,439	7,366,330	16.72%	123.1%	1,704,107	7.00%	9,070,437	123.1%	1,704,107	7.00%	23.1%	23.1%	40,998,656	0.2212	0.1806	0.0407	7,321,892	144,438	740,955
Regular	2,635,907	2,623,049	5.95%	196.8%	2,538,975	10.43%	5,162,024	196.8%	2,538,975	10.43%	96.8%	96.8%	32,828,211	0.1572	0.0803	0.0769	2,571,617	15,132	183,816
Enhanced Carrier Route	1,038,346	1,038,346	22.68%	142.5%	1,423,461	17.43%	1,423,461	142.5%	1,423,461	17.43%	42.5%	42.5%	73,828,967	0.1351	0.1360	0.0588	1,038,346	9,793,508	183,816
Total Commercial	1,425,673	1,418,718	3.22%	108.8%	124,368	0.51%	1,543,087	108.8%	124,368	0.51%	8.8%	8.8%	11,425,579	0.1351	0.1248	0.1003	1,390,900	21,818	924,771
Nonprofit	222,129	221,045	0.50%	119.5%	43,173	0.18%	264,218	119.5%	43,173	0.18%	19.5%	19.5%	2,851,875	0.0996	0.0779	0.0148	218,181	89,766	89,766
Enhanced Carrier Route	1,647,802	1,639,764	3.72%	110.2%	167,541	0.69%	1,807,305	110.2%	167,541	0.69%	10.2%	10.2%	14,277,454	0.1266	0.1154	0.0112	1,607,612	4,334	35,829
Total Nonprofit	11,686,148	11,623,142	26.40%	137.9%	16,039,766	18.12%	16,039,766	137.9%	4,410,623	18.12%	37.9%	37.9%	88,104,321	0.1821	0.1326	0.0494	11,401,120	228,022	1,050,366
Total Standard Mail (A)	1,081,997	1,076,719	2.44%	112.5%	1,211,453	0.55%	1,211,453	112.5%	134,734	0.55%	12.5%	12.5%	374,096	3.2383	2.8923	0.3461	1,055,607	21,112	40,151
Standard Mail (B)	481,326	478,978	1.09%	117.6%	563,443	0.35%	563,443	117.6%	84,465	0.35%	17.6%	17.6%	524,743	1.0738	0.9173	0.1565	469,586	9,392	84,983
Parcel Post	311,038	309,521	0.70%	109.4%	338,764	0.12%	338,764	109.4%	29,243	0.12%	9.4%	9.4%	205,789	1.6462	1.5114	0.1347	303,452	6,069	14,842
Bound Printed Matter	48,828	48,590	0.11%	102.2%	1,082	0.00%	48,672	102.2%	1,082	0.00%	2.2%	2.2%	28,432	1.7470	1.7174	0.0297	47,637	953	2,022
Special Rate	1,923,189	1,913,808	4.34%	113.0%	249,524	1.03%	2,163,332	113.0%	249,524	1.03%	13.0%	13.0%	1,133,060	1.9093	1.6973	0.2119	1,876,282	37,526	142,007
Library Rate	43,501	43,289	0.10%	0.0%	0	-0.18%	0	0.0%	(43,289)	-0.18%	0.0%	0.0%	56,675	0.0000	0.7676	-0.7676	42,440	849	(46)
Penalty	41,833,641	40,982,745	93.03%	156.9%	64,282,095	95.72%	64,282,095	156.9%	23,299,330	95.72%	56.9%	56.9%	206,587,501	0.3112	0.1994	0.1116	40,179,162	803,583	3,050,588
Free-for-the-Blind	1,451,585	1,444,504	3.29%	121.0%	303,054	1.25%	1,747,558	121.0%	303,054	1.25%	21.0%	21.0%	1,031,627	1.8940	1.4071	0.2869	1,416,180	28,324	51,116
Total Domestic Mail	42,635,226	42,427,249	96.31%	155.6%	66,029,653	96.97%	66,029,653	155.6%	23,602,404	96.97%	55.6%	55.6%	207,619,128	0.3180	0.2054	0.1127	41,595,342	831,907	3,101,704
Total All Mail	82,759	82,355	0.19%	115.3%	94,993	0.05%	94,993	115.3%	12,638	0.05%	15.3%	15.3%	11,174	8.5013	7.4064	1.0949	80,740	1,615	16,824
Special Services	507,537	505,061	1.15%	114.3%	72,300	0.30%	577,361	114.3%	72,300	0.30%	14.3%	14.3%	274,934	2.1000	1.8460	0.2540	495,158	9,903	199,641
Registry	78,113	77,732	0.18%	136.5%	28,339	0.12%	106,070	136.5%	28,339	0.12%	36.5%	36.5%	44,680	2.3740	1.7483	0.6257	76,208	1,524	18,032
Certified Mail	16,727	16,645	0.04%	201.8%	3,323	0.01%	19,968	201.8%	3,323	0.01%	20.8%	20.8%	3,544	5.6343	4.7198	0.9145	16,319	326	1,717
Insurance	152,143	151,401	0.34%	201.8%	154,087	0.63%	305,488	201.8%	154,087	0.63%	101.8%	101.8%	226,435	1.3491	0.6719	0.6772	148,432	2,969	27,418
Money Orders	3,444	3,427	0.01%	129.2%	4,890	0.02%	6,317	129.2%	4,890	0.02%	142.7%	142.7%	415,873	0.0290	0.0093	0.0117	3,360	67	3,659
Stamped Cards	12,473	12,412	0.03%	141.1%	3,629	0.01%	16,041	141.1%	3,629	0.01%	29.2%	29.2%	400,000	0.0401	0.0312	0.0089	12,169	243	3,571
Stamp Envelopes	579,612	576,984	1.31%	211.4%	237,076	0.97%	814,060	211.4%	237,076	0.97%	41.1%	41.1%	17,958	45.3313	32.2871	13.0442	565,670	11,313	75,318
Box/Caller Service	199,608	198,632	0.45%	145.4%	737,567	3.03%	2,362,217	145.4%	737,567	3.03%	45.4%	45.4%	207,619,128	0.3284	0.2132	0.1162	194,738	3,895	22,116
Other	1,632,614	1,624,650	3.69%	155.3%	24,339,871	100.00%	68,391,870	155.3%	24,339,871	100.00%	55.3%	55.3%	346,543	0.0000	0.7676	-0.7676	1,592,794	31,856	368,448
Total Special Services	44,267,940	44,051,899	100.00%	155.3%	68,391,870	100.00%	68,391,870	155.3%	24,339,871	100.00%	55.3%	55.3%	207,619,128	0.3284	0.2132	0.1162	43,188,137	863,763	3,470,151
Total Mail & Services	24,584,124	24,464,201	383,847																
Other Costs	268,257	268,257	67,093																
Prior Years Loss Recovery	68,120,221	68,784,358	68,815,189																
Continuing Appropriations																			
Investment Income																			
Grand Total																			

Source: LR-I-131, Volume J, Table E, Contingency at 2% instead of 2.5%. First-Class Presort Revenues reduced by \$250,370

Summary of Estimated Test Year Before Rates Finances
(Includes MMA's Proposed 2% Contingency)
(PRC Cost Methodology)
(Thousands Except For Units)

EXHIBIT MMA-1B
Page 4B
Revised 7/3/00

Description	Vol Variable Costs With Contingency @ 2.5% (1)	Vol Variable Costs With Contingency @ 2% (2)	% of Vol Var Costs (2) / Total (2) (3)	Revenue (4)	Cost Coverage (4) / (2) (5)	Contrib To Oth Costs (4) - (2) (6)	% of Other Costs (6) / Total (6) (7)	Mark Up (5) - 1 (8)	Mark Up Index (8) / Total (8) (9)	Mail Volume (10)	Unit Revenue (4) / (10) (11)	Unit Cost (2) / (10) (12)	Unit Contnb (11) - (12) (13)	Vol Variable Costs Without Contingency (1) / 1.025 (13)	Contingency (2) - (13) (14)
First-Class Mail															
Single-Piece Letters 1/	14,780,313	14,708,214	32.70%	22,306,818	151.7%	7,598,604	36.41%	51.7%	111.35%	53,213,828	0.4192	0.2778	0.1414	14,419,818	288,396
Presort and Automation Letters	5,453,740	5,427,136	12.07%	12,783,497	235.5%	7,356,361	35.25%	135.5%	292.14%	47,047,898	0.2717	0.1159	0.1558	5,320,722	106,414
Total Letters	20,234,053	20,135,350	44.77%	35,090,315	174.3%	14,954,965	71.66%	74.3%	160.08%	100,261,726	0.3500	0.2018	0.1482	19,740,540	394,811
Single-Piece Cards	608,582	605,613	1.35%	592,509	97.8%	(13,104)	-0.06%	-2.2%	-4.66%	2,850,850	0.2078	0.2135	-0.0056	593,739	11,875
Presort and Automation Cards	185,324	184,420	0.41%	436,738	236.8%	252,318	1.21%	136.8%	294.88%	2,734,081	0.1597	0.0678	0.0920	180,804	3,616
Total Cards	793,906	790,033	1.76%	1,029,247	130.3%	239,214	1.15%	30.3%	65.26%	5,584,931	0.1843	0.1422	0.0421	774,542	15,491
Total First-Class Mail	21,027,959	20,925,384	46.52%	36,119,562	172.6%	15,194,179	72.80%	72.6%	156.50%	105,846,657	0.3412	0.1987	0.1426	20,515,082	410,302
Priority Mail	3,555,775	3,538,430	7.87%	5,229,846	147.8%	1,691,416	8.10%	47.8%	103.02%	1,356,715	3.8548	2.6209	1.2339	3,469,049	69,381
Express Mail	699,290	695,879	1.55%	1,019,497	146.5%	323,618	1.55%	46.5%	100.23%	71,641	14.2306	9.7610	4.4696	682,234	13,645
Mailgrams	1,133	1,127	0.00%	1,136	100.7%	8	0.00%	0.7%	1.56%	3,340	0.3400	0.3392	0.0008	1,105	22
Periodicals															
Within County	84,986	84,571	0.19%	76,286	90.2%	(8,286)	-0.04%	-9.8%	-21.12%	872,194	0.0875	0.0974	-0.0100	82,913	1,658
Outside County	2,555,57	2,543,091	5.65%	2,166,387	85.2%	(376,704)	-1.81%	-14.8%	-31.93%	9,556,551	0.2267	0.2674	-0.0407	2,493,226	49,865
Total Periodicals	2,640,543	2,627,662	5.84%	2,242,673	85.3%	(384,990)	-1.84%	-14.7%	-31.58%	10,428,745	0.2150	0.2532	-0.0382	2,576,140	51,523
Standard Mail (A)															
Regular	7,727,764	7,690,068	17.10%	8,653,220	112.5%	963,152	4.62%	12.5%	26.99%	42,783,773	0.2023	0.1806	0.0216	7,539,282	150,786
Enhanced Carrier Route	2,694,480	2,681,336	5.96%	5,036,496	187.8%	2,355,159	11.29%	87.8%	189.31%	33,630,517	0.1498	0.0801	0.0696	2,628,761	52,575
Total Commercial	10,422,244	10,371,404	23.06%	13,689,715	132.0%	3,318,312	15.90%	32.0%	68.96%	76,414,291	0.1792	0.1364	0.0428	10,168,043	203,361
Nonprofit	1,431,019	1,424,038	3.17%	1,458,641	102.4%	34,602	0.17%	2.4%	5.24%	11,510,795	0.1267	0.1243	0.0024	1,396,116	27,922
Enhanced Carrier Route	226,200	225,097	0.50%	232,440	103.3%	7,343	0.04%	3.3%	7.03%	2,907,206	0.0800	0.0778	0.0021	220,683	4,414
Total Nonprofit	1,657,219	1,649,135	3.67%	1,691,081	102.5%	41,946	0.20%	2.5%	5.48%	14,418,001	0.1173	0.1149	0.0023	1,616,799	32,336
Total Standard Mail (A)	12,079,463	12,020,539	26.72%	15,380,796	128.0%	3,360,257	16.10%	28.0%	60.25%	90,832,291	0.1693	0.1330	0.0363	11,784,842	235,697
Standard Mail (B)															
Parcel Post	1,108,626	1,103,218	2.45%	1,197,801	108.6%	94,583	0.45%	8.6%	18.48%	378,447	3.1650	2.9294	0.2356	1,081,586	21,632
Bound Printed Matter	495,499	493,082	1.10%	492,554	99.9%	(528)	0.00%	-0.1%	-0.23%	541,976	0.9088	0.9142	0.0054	483,414	9,668
Special Rate	314,765	313,230	0.70%	327,631	104.6%	14,402	0.07%	4.6%	9.91%	208,687	1.5700	1.5083	0.0617	307,088	6,142
Library Rate	49,699	49,457	0.11%	48,517	98.1%	(940)	0.00%	-1.9%	-4.10%	29,009	1.6725	1.7132	-0.0408	48,487	970
Total Standard Mail (B)	1,968,589	1,958,986	4.36%	2,066,503	105.5%	107,517	0.52%	5.5%	11.83%	1,158,118	1.7844	1.6998	0.0845	1,920,575	38,411
Penalty										348,543	0.0000	0.0000	0.0000		
Free-for the Blind	43,455	43,243	0.10%	0	0.0%	(43,243)	-0.21%		0.00%	56,675	0.0000	0.7667	-0.7667	42,395	848
Total Domestic Mail	42,016,207	41,811,250	92.96%	62,060,012	148.4%	20,248,762	97.02%	48.4%	104.38%	210,102,726	0.2954	0.2000	0.0954	40,991,421	819,828
International Mail	1,496,493	1,489,193	3.31%	1,741,131	116.9%	251,938	1.21%	16.9%	36.46%	1,066,939	1.6319	1.4026	0.2293	1,459,993	29,200
Total All Mail	43,512,700	43,300,443	96.27%	63,801,143	147.3%	20,500,700	98.23%	47.3%	102.04%	211,169,665	0.3021	0.2061	0.0961	42,451,415	849,028
Special Services															
Registry	86,041	85,621	0.19%	81,435	95.1%	(4,186)	-0.02%	-4.9%	-10.54%	11,563	7.0427	7.4411	-0.3983	83,942	1,679
Certified Mail	544,034	541,380	1.20%	414,039	76.5%	(127,341)	-0.61%	-23.5%	-50.69%	295,742	1.4000	1.8396	-0.4396	530,765	10,615
Insurance	79,658	79,269	0.18%	89,575	113.0%	10,306	0.05%	13.0%	28.02%	45,610	1.9639	1.7465	0.2174	77,715	1,554
COD	16,850	16,768	0.04%	18,373	109.6%	1,605	0.01%	9.6%	20.63%	3,576	5.1379	4.7120	0.4259	16,439	329
Money Orders	157,644	156,875	0.35%	283,544	180.7%	126,669	0.61%	80.7%	174.03%	234,993	1.2066	0.6708	0.5358	153,799	3,076
Stamped Cards	3,444	3,427	0.01%	4,458	130.1%	1,031	0.00%	30.1%	64.82%	445,823	0.0100	0.0077	0.0023	3,360	67
Stamped Envelopes	12,468	12,407	0.03%	12,515	100.9%	108	0.00%	0.9%	1.88%	400,000	0.0313	0.0312	0.0001	12,164	243
Box/Caller Service	587,939	585,071	1.30%	746,829	127.6%	161,758	0.78%	27.6%	59.59%	18,246	40.9311	32.2229	8.7082	573,599	11,472
Other	199,407	198,434	0.44%	397,604	200.4%	199,169	0.95%		0.00%					194,543	3,891
Total Special Services	1,687,485	1,679,253	3.73%	2,048,373	122.0%	369,119	1.77%	22.0%	47.37%					1,646,327	32,927
Total Mail & Services	45,200,185	44,979,696	100.00%	65,849,516	146.4%	20,869,820	100.00%	46.4%	100.00%	211,169,665	0.3118	0.2140	0.0978	44,097,741	881,955
Other Costs	24,592,811	24,472,846												23,992,986	479,860
Other Income				383,847											
Prior Years Loss Recovery	268,257	268,257												268,257	
Continuing Appropriations				67,093											
Investment Income				(25,390)											
Grand Total	70,061,253	69,720,799		66,275,066		(3,445,733)								68,358,985	1,361,815

Source: LR-I-131, Volume H, Table E, 2% contingency instead of 2.5%

1/ See TY (PRC COST METHOD) spreadsheet (page 2) for First-Class S.P. Volume Variable Costs

Summary of Estimated Test Year After Rates Finances
(Includes MMA's Proposed Rate Changes to First-Class Presort Letters and 2% Contingency)
(USPS Cost Methodology)
(Thousands Except For Units)

Description	Vol Variable Cost With Contingency @ 2.5% (1)		Vol Variable Cost With Contingency @ 2% (2)		% of Vol Var Costs (2)/(1) (3)	Revenue (4)	Cost Coverage (4)/(2) (5)	Conrib To Oth Costs (4)-(2) (6)	% of Other Costs (6)/(Total) (7)	Mark Up (5)-1 (8)	Mark Up Index (8)/(Total) (9)	Mail Volume (10)	Unit Revenue (4)/(10) (11)	Unit Cost (2)/(10) (12)	Unit Contrib (11)-(12) (13)	Proposed Increase (11)/(11B) (14)	Volume Variable Cost Without Contingency (1)/(1.025) (15)	Contingency @ 2% (2)-(15) (16)	Proposed Increase In Revenue Contribution (16)-(8B) (17)
	(1)	(2)	(3)	(4)															
First-Class Mail	13,326,042	13,261,037	32.66%	22,913,594	34.71%	9,652,557	172.8%	9,652,557	34.71%	12.8%	106.21%	52,877,658	0.4333	0.2520	0.1813	103.4%	13,001,017	260,020	688,857
Single Piece Letters	5,019,464	4,964,979	12.31%	13,001,960	28.79%	8,007,001	260.3%	8,007,001	28.79%	160.3%	233.91%	46,979,736	0.2768	0.1068	0.1699	101.9%	4,897,038	97,941	249,480
Post and Automation Letters	18,346,506	18,296,016	44.98%	35,519,574	63.50%	17,659,558	116.7%	17,659,558	63.50%	96.7%	141.15%	99,857,394	0.3597	0.1837	0.1760	102.8%	17,898,055	357,961	938,337
Total Letters	539,919	537,265	1.32%	603,902	1.24%	66,617	112.4%	66,617	1.24%	12.4%	18.09%	2,770,783	0.2180	0.1949	0.2023	104.9%	526,750	10,535	26,195
Single Piece Cards	188,958	188,134	0.41%	448,787	0.91%	280,653	296.9%	280,653	0.91%	166.9%	243.56%	2,670,168	0.1681	0.0633	0.1048	105.2%	164,837	3,297	19,951
Post and Automation Cards	708,877	705,419	1.74%	1,052,689	2.29%	347,270	149.2%	347,270	2.29%	49.2%	71.84%	5,440,193	0.1935	0.1303	0.0632	105.0%	681,587	13,832	42,146
Total Cards	19,054,383	18,961,435	46.72%	36,968,263	64.75%	18,006,828	195.0%	18,006,828	64.75%	95.0%	138.56%	105,296,345	0.3511	0.1810	0.1701	102.9%	18,566,642	371,793	960,482
Total First-Class Mail	3,064,062	3,049,115	7.51%	5,542,259	8.96%	2,493,144	181.8%	2,493,144	8.96%	81.8%	119.31%	1,249,750	4.4347	2.4517	1.9630	115.0%	2,989,329	59,787	510,775
Priority Mail	489,984	478,638	1.18%	1,068,567	2.23%	589,929	223.3%	589,929	2.23%	123.3%	179.85%	72,301	14.7794	6.6525	8.1289	103.9%	469,253	9,385	44,738
Express Mail	1,000	995	0.00%	1,136	0.00%	141	114.1%	141	0.00%	14.1%	20.60%	3,340	0.3400	0.2994	0.0406	100.0%	976	20	20
Mailgrams	81,397	81,000	0.20%	81,847	0.00%	848	101.0%	848	0.00%	1.0%	1.53%	862,061	0.0949	0.0944	0.0005	100.6%	79,412	1,588	6,388
Within County	2,384,191	2,372,561	5.85%	2,416,926	101.9%	44,366	101.9%	44,366	101.9%	1.9%	2.73%	9,459,105	0.2955	0.2521	0.0035	112.7%	2,326,040	46,521	281,972
Outside County	2,465,588	2,453,561	6.05%	2,498,774	101.8%	45,213	101.8%	45,213	101.8%	1.8%	2.69%	10,321,166	0.2421	0.2389	0.0032	112.6%	2,405,452	48,109	288,360
Total Periodicals	6,923,933	6,790,646	16.73%	9,070,437	133.6%	2,279,791	133.6%	2,279,791	133.6%	33.6%	48.99%	40,968,656	0.2212	0.1664	0.0548	109.4%	6,657,496	133,150	716,910
Regular	2,471,964	2,459,808	6.06%	5,162,024	209.9%	2,702,216	209.9%	2,702,216	209.9%	109.9%	160.30%	32,828,216	0.1922	0.0753	0.0819	105.0%	2,411,375	48,231	161,177
Enhanced Carrier Route	9,295,797	9,250,452	22.79%	14,232,461	153.9%	4,962,069	153.9%	4,962,069	153.9%	73.9%	79.55%	11,423,979	0.1391	0.1196	0.0195	107.6%	9,069,070	161,381	898,087
Total Commercial	1,314,169	1,314,169	3.24%	1,543,087	117.4%	228,918	117.4%	228,918	117.4%	27.4%	26.43%	11,423,979	0.0928	0.0731	0.0195	106.6%	1,288,401	25,768	89,908
Nonprofit	208,577	207,560	0.51%	264,218	127.3%	56,658	127.3%	56,658	127.3%	27.3%	39.83%	2,851,975	0.0266	0.0165	0.0035	113.9%	203,490	4,070	35,570
Enhanced Carrier Route	1,529,188	1,521,729	3.75%	1,807,305	118.8%	285,576	118.8%	285,576	118.8%	18.8%	27.38%	14,277,454	0.1266	0.1071	0.0165	107.5%	1,491,891	29,638	125,479
Total Nonprofit	10,824,965	10,772,180	26.54%	16,039,768	148.9%	5,267,365	148.9%	5,267,365	148.9%	48.9%	71.36%	88,104,321	0.1621	0.1229	0.0592	107.9%	10,560,961	211,219	1,023,965
Total Standard Mail (A)	1,052,158	1,047,028	2.58%	1,211,453	115.7%	184,427	115.7%	184,427	115.7%	15.7%	22.92%	374,096	3.2383	2.8125	0.4258	102.3%	1,026,496	20,530	39,570
Parcel Post	476,204	476,868	1.18%	563,443	118.2%	86,577	118.2%	86,577	118.2%	18.2%	26.48%	524,743	1.0738	0.9132	0.1605	118.1%	467,516	9,350	85,036
Bound Printed Matter	301,195	299,726	0.74%	338,764	113.0%	39,038	113.0%	39,038	113.0%	3.0%	19.01%	205,789	1.6482	1.4636	0.1826	104.9%	293,487	5,877	14,766
Special Rate	47,444	47,213	0.12%	49,672	105.2%	2,459	105.2%	2,459	105.2%	5.2%	7.60%	28,432	1.7470	1.6687	0.0784	104.5%	46,287	926	2,002
Library Rate	1,890,001	1,870,830	4.61%	2,163,332	115.6%	292,502	115.6%	292,502	115.6%	15.6%	22.81%	1,133,060	1.9083	1.6592	0.2501	107.0%	1,834,147	36,883	141,377
Total Standard Mail (B)	40,348	40,151	0.10%	0	0.0%	(40,151)	0.0%	(40,151)	-0.14%	-0.14%	0.00%	0.0000	0.0000	0.7119	-0.7119	102.3%	39,364	787	(46)
Free-for-the-Blind	37,811,351	37,626,905	92.72%	64,282,095	170.8%	26,655,190	170.8%	26,655,190	95.65%	70.8%	103.37%	206,587,501	0.3112	0.1830	0.1281	105.3%	36,869,123	737,782	2,969,244
Total Domestic Mail	1,429,916	1,422,941	3.51%	1,747,558	122.8%	324,617	122.8%	324,617	117.7%	22.8%	33.29%	1,031,627	1.8940	1.3861	0.3079	103.8%	1,396,040	27,901	50,294
International Mail	39,241,267	39,049,846	96.23%	66,029,653	169.1%	26,979,807	169.1%	26,979,807	97.01%	69.1%	100.82%	207,619,128	0.3180	0.1890	0.1290	105.3%	38,284,163	765,863	3,039,538
Total All Mail	85,204	84,788	0.21%	94,983	112.0%	10,205	112.0%	10,205	0.04%	12.0%	17.56%	11,174	8.5013	7.6252	0.8761	120.7%	83,126	1,663	17,605
Special Services	461,746	459,494	1.13%	577,361	125.7%	117,867	125.7%	117,867	0.42%	25.7%	37.43%	274,934	2.1000	1.6795	0.4205	150.0%	450,484	9,010	196,359
Registered Mail	76,638	76,264	0.19%	106,070	139.1%	29,806	139.1%	29,806	0.11%	39.1%	57.03%	44,680	2.3740	1.7153	0.6587	120.9%	74,769	1,495	18,012
Insurance	14,992	14,919	0.04%	19,968	133.8%	5,049	133.8%	5,049	0.02%	33.8%	44.39%	3,544	5.6343	4.2302	1.4041	109.7%	14,626	293	1,706
COD	153,965	153,244	0.38%	305,488	199.3%	152,244	199.3%	152,244	0.55%	99.3%	144.97%	226,435	1.3491	0.6801	0.6690	111.8%	150,239	3,005	27,527
Money Orders	3,444	3,427	0.01%	8,317	242.7%	4,890	242.7%	4,890	0.02%	142.7%	208.20%	415,873	0.0200	0.0083	0.0117	200.0%	3,360	67	3,659
Stamped Cards	12,544	12,483	0.03%	16,041	128.5%	3,559	128.5%	3,559	0.01%	28.5%	41.60%	400,000	0.0401	0.0314	0.0087	128.2%	12,238	245	67
Stampless Envelopes	589,226	586,352	1.44%	814,060	138.8%	227,708	138.8%	227,708	0.82%	38.8%	56.67%	17,958	45.3313	32.8113	12.5200	110.8%	574,855	11,497	75,416
Box-Caller Service	141,324	140,635	0.35%	279,283	298.6%	279,283	298.6%	279,283	1.00%	79.14%	100.00%	207,619,128	0.3264	0.1964	0.1330	105.6%	27,962,294	545,926	3,465,868
Other	1,539,110	1,531,605	3.77%	2,362,217	154.2%	830,612	154.2%	830,612	2.99%	54.2%	79.14%	1,394,598	0.3264	0.1964	0.1330	105.6%	1,501,574	30,031	366,151
Total Special Services	40,780,390	40,581,451	100.00%	68,391,870	168.5%	27,810,419	168.5%	27,810,419	100.00%	68.5%	100.00%	207,619,128	0.3264	0.1964	0.1330	105.6%	39,785,737	795,715	3,465,868
Other Costs	27,978,701	27,842,220	383,847																
Other Income	268,257	268,257	67,083																
Prior Years Loss Recovery			(27,621)																
Continuing Appropriations																			
Investment Income																			
Grand Total	69,027,338	68,691,928	68,815,189	123,262															

Source: Exhibit USPS-32B (Revised 4/21/00), Contingency at 2% instead of 2.5%, First-Class Presort revenues reduced by \$250,370

**Summary of Estimated Test Year Before Rates Finances
(Includes MMA's Proposed 2% Contingency)
(USPS Cost Methodology)
(Thousands Except For Units)**

Description	Vol Variable Cost With Contingency @ 2.5% (1)	Vol Variable Cost With Contingency @ 2% (2)	% of Vol Var Costs (2) / Total (2) (3)	Revenue (4)	Cost Coverage (4) / (2) (5)	Contnb To Oth Costs (4) - (2) (6)	% of Other Costs (6) / Total (6) (7)	Mark Up (5) - 1 (8)	Mark Up Index (8) / Total (8) (9)	Mail Volume (10)	Unit Revenue (4) / (10) (11)	Unit Cost (2) / (10) (12)	Unit Contnb (11) - (12) (13)	Volume Variable Cost Without Contingency (1) / 1.025 (13)	Contingency (2) - (13) (14)
First-Class Mail															
Single-Piece Letters	13,408,525	13,343,118	32.19%	22,306,818	167.2%	8,963,700	36.73%	67.2%	114.08%	53,213,828	0.4192	0.2520	0.1672	13,081,488	261,630
Presort and Automation Letters	5,050,613	5,025,976	12.13%	12,783,497	254.3%	7,757,521	31.79%	154.3%	262.12%	47,047,898	0.2717	0.1074	0.1644	4,927,427	98,549
Total Letters	18,459,138	18,369,093	44.32%	35,090,315	191.0%	16,721,222	68.52%	91.0%	154.59%	100,261,726	0.3500	0.1841	0.1659	18,008,915	360,178
Single-Piece Cards	554,794	552,088	1.33%	592,509	107.3%	40,421	0.17%	7.3%	12.43%	2,850,850	0.2078	0.1946	0.0132	541,262	10,825
Presort and Automation Cards	172,879	172,036	0.42%	436,738	253.9%	264,703	1.08%	153.9%	261.30%	2,734,081	0.1597	0.0632	0.0965	168,662	3,373
Total Cards	727,673	724,123	1.75%	1,029,247	142.1%	305,124	1.25%	42.1%	71.56%	5,584,931	0.1843	0.1303	0.0540	709,925	14,198
Total First-Class Mail	19,186,811	19,093,217	46.07%	36,119,562	189.2%	17,026,345	69.77%	89.2%	151.44%	105,846,657	0.3412	0.1813	0.1600	18,718,840	374,377
Priority Mail	3,263,396	3,247,477	7.84%	5,229,846	161.0%	1,982,369	8.12%	61.0%	103.67%	1,356,715	3.8548	2.4054	1.4494	3,183,801	63,676
Express Mail	476,631	474,306	1.14%	1,019,497	214.9%	545,191	2.23%	114.9%	195.20%	71,641	14.2306	6.6530	7.5776	465,006	9,300
Mailgrams	991	986	0.00%	1,136	115.2%	149	0.00%	15.2%	25.74%	3,340	0.3400	0.2967	0.0433	967	19
Periodicals															
Within County	82,227	81,826	0.20%	76,286	93.2%	(5,540)	-0.02%	-6.8%	-11.50%	872,194	0.0875	0.0943	-0.0068	80,221	1,604
Outside County	2,415,778	2,403,994	5.80%	2,166,387	90.1%	(237,607)	-0.97%	-9.9%	-16.78%	9,556,551	0.2267	0.2528	-0.0261	2,356,857	47,137
Total Periodicals	2,498,005	2,485,820	6.00%	2,242,673	90.2%	(243,147)	-1.00%	-9.8%	-16.61%	10,428,745	0.2150	0.2395	-0.0245	2,437,078	48,742
Standard Mail (A)															
Regular	7,125,095	7,090,338	17.11%	8,653,220	122.0%	1,562,881	6.40%	22.0%	37.43%	42,783,773	0.2023	0.1665	0.0357	6,951,312	139,026
Enhanced Carrier Route	2,527,785	2,515,454	6.07%	5,036,496	200.2%	2,521,041	10.33%	100.2%	170.20%	33,630,517	0.1498	0.0752	0.0746	2,466,132	49,323
Total Commercial	9,652,880	9,605,793	23.18%	13,689,716	142.5%	4,083,923	16.73%	42.5%	72.20%	76,414,291	0.1792	0.1263	0.0528	9,417,444	188,349
Nonprofit	1,326,100	1,319,631	3.18%	1,458,641	110.5%	139,009	0.57%	10.5%	17.89%	11,510,795	0.1267	0.1152	0.0115	1,293,756	25,875
Enhanced Carrier Route	212,388	211,352	0.51%	232,440	110.0%	21,088	0.09%	10.0%	16.94%	2,907,206	0.0800	0.0731	0.0069	207,208	4,144
Total Nonprofit	1,538,488	1,530,983	3.69%	1,691,081	110.5%	160,097	0.66%	10.5%	17.76%	14,418,001	0.1173	0.1067	0.0106	1,500,964	30,019
Total Standard Mail (A)	11,191,368	11,136,776	26.87%	15,380,796	138.1%	4,244,020	17.39%	38.1%	64.72%	90,832,291	0.1693	0.1232	0.0461	10,918,408	218,368
Standard Mail (B)															
Parcel Post	1,078,203	1,072,943	2.59%	1,197,801	111.6%	124,858	0.51%	11.6%	19.76%	378,447	3.1650	2.8490	0.3160	1,051,905	21,038
Bound Printed Matter	493,424	491,017	1.18%	492,554	100.3%	1,537	0.01%	0.3%	0.53%	541,976	0.9088	0.9104	-0.0016	481,389	9,628
Special Rate	304,846	303,359	0.73%	327,631	108.0%	24,272	0.10%	8.0%	13.59%	208,687	1.5700	1.4608	0.1092	297,411	5,948
Library Rate	48,295	48,059	0.12%	48,517	101.0%	457	0.00%	1.0%	1.62%	29,009	1.8725	1.6648	0.0076	47,117	942
Total Standard Mail (B)	1,924,768	1,915,379	4.62%	2,068,503	107.9%	151,124	0.62%	7.9%	13.40%	1,158,118	1.7844	1.6620	0.1224	1,877,822	37,556
Penalty										348,543	0.0000	0.0000			
Free-for-the-Blind	40,302	40,105	0.10%	0	0.0%	(40,105)	-0.16%		0.00%	56,675	0.0000	0.7111	-0.7111	39,319	786
Total Domestic Mail	38,582,272	38,394,066	92.64%	62,060,012	161.6%	23,665,946	96.97%	61.6%	104.68%	210,102,726	0.2954	0.1836	0.1117	37,641,241	752,825
International Mail	1,473,998	1,466,808	3.54%	1,741,131	118.7%	274,323	1.12%	18.7%	31.76%	1,066,939	1.6319	1.3815	0.2504	1,438,047	28,761
Total All Mail	40,056,270	39,860,874	96.18%	63,801,143	160.1%	23,940,270	98.10%	60.1%	101.99%	211,169,665	0.3021	0.1897	0.1124	39,079,288	781,586
Special Services															
Registry	89,271	88,836	0.21%	81,435	91.7%	(7,400)	-0.03%	-8.3%	-14.15%	11,563	7.0427	7.7204	-0.6777	87,094	1,742
Certified Mail	494,945	492,531	1.19%	414,039	84.1%	(78,492)	-0.32%	-15.9%	-27.06%	295,742	1.4000	1.6736	-0.2736	482,873	9,657
Insurance	78,162	77,781	0.19%	89,575	115.2%	11,795	0.05%	15.2%	25.75%	45,610	1.9639	1.7137	0.2502	76,256	1,525
COD	15,104	15,030	0.04%	18,373	122.2%	3,343	0.01%	22.2%	37.77%	3,576	5.1379	4.2237	0.9141	14,736	295
Money Orders	159,605	158,826	0.38%	283,544	178.5%	124,718	0.51%	78.5%	133.35%	234,993	1.2066	0.6792	0.5274	155,712	3,114
Stamped Cards	3,444	3,427	0.01%	4,458	130.1%	1,031	0.00%	30.1%	51.08%	445,823	0.0100	0.0077	0.0023	3,360	67
Stamped Envelopes	12,542	12,481	0.03%	12,515	100.3%	34	0.00%	0.3%	0.47%	400,000	0.0313	0.0314	-0.0001	12,236	245
Box/Caller Service	597,451	594,537	1.43%	746,829	125.6%	152,293	0.62%	25.6%	43.50%	18,246	40.9311	32.7442	8.1869	582,879	11,658
Other	141,152	140,463	0.34%	397,604	283.1%	257,140	1.05%		0.00%					137,709	2,754
Total Special Services	1,591,676	1,583,912	3.82%	2,048,373	129.3%	464,461	1.90%	29.3%	49.80%	1,455,553				1,552,855	31,057
Total Mail & Services	41,647,946	41,444,785	100.00%	65,849,516	158.9%	24,404,731	100.00%	58.9%	100.00%	211,169,665	0.3118	0.1972	0.1146	40,632,142	812,643
Other Costs	27,992,970	27,856,419												27,310,215	546,204
Other Income				383,847											
Pror Years Loss Recovery	268,257	268,257													
Continuing Appropriations				67,093											
Investment Income				(25,390)											
Grand Total	69,909,173	69,569,461		66,275,066		(3,294,395)								67,942,357	1,358,847

Source: Exhibit USPS-32A (Revised 4/21/00), Contingency at 2% instead of 2.5%