

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

**USPS-ST-45**

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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POSTAL RATE AND FEE CHANGES, 2000

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Docket No. R2000-1

SUPPLEMENTAL TESTIMONY  
OF  
NANCY R. KAY  
ON BEHALF OF THE  
UNITED STATES POSTAL SERVICE  
IN RESPONSE TO  
ORDER NO. 1294

July 7, 2000

## PURPOSE OF TESTIMONY

This testimony supplements my direct testimony, USPS-T-23. It shows the effects of employing a base year of FY 1999, rather than a base year of FY 1998, on my incremental cost analysis. This testimony bears the same relationship to the supplemental testimony of witness Patelunas, USPS-ST-44, as my initial testimony bore to the roll-forward testimony of witness Kashani, USPS-T-14. Except for the change in base year, I have employed the same methodology to calculate incremental cost as described in my original testimony (USPS-T-23), workpapers, and library references. The results of the updated analysis are presented in the attached Table 1A. This table is analogous to Table 1A presented on page 22 of USPS-T-23, except that it includes the incremental cost for *Periodicals Outside County*, which appeared on line 38 of Table 2A in USPS-T-23. Associated with this testimony is USPS-LR-I-407, which is functionally similar to my original library references, USPS-LR-I-150 and USPS-LR-I-151.

TABLE 1A. FY1999 AND TY2001(BR AND AR) VOLUME VARIABLE AND INCREMENTAL COST FOR SUBCLASSES AND CLASSES

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	FY1999		TY2001(BR)		TY2001(AR)		TY2001(AR)		TY2001(AR)	
		VOLUME VARIABLE COST	INCREMENTAL COST	VOLUME VARIABLE COST	INCREMENTAL COST	VOLUME VARIABLE COST	INCREMENTAL COST	VOLUME VARIABLE COST PER RPW PIECE	INCREMENTAL COST PER RPW PIECE	VOLUME VARIABLE COST PER RPW PIECE	INCREMENTAL COST PER RPW PIECE
	COLUMN NUMBER	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	FIRST-CLASS MAIL:										
2	SINGLE-PIECE LETTERS	12,643,541	13,304,419	13,566,061	14,310,700	13,565,269	14,289,800	\$ 0.2565	\$ 0.2702	\$ 0.2565	\$ 0.2702
3	PRESORT LETTERS	4,502,000	4,644,001	5,115,088	5,283,155	5,061,635	5,250,742	\$ 0.1062	\$ 0.1118	\$ 0.1062	\$ 0.1118
4	TOTAL LETTERS	17,145,541	18,367,341	18,701,169	20,090,405	18,646,903	20,035,527	\$ 0.1867	\$ 0.2006	\$ 0.1867	\$ 0.2006
5	SINGLE-PIECE CARDS	509,021	521,957	556,627	570,424	543,567	557,097	\$ 0.1962	\$ 0.2011	\$ 0.1962	\$ 0.2011
6	PRESORT CARDS	147,872	149,616	177,569	179,524	173,866	175,806	\$ 0.0651	\$ 0.0658	\$ 0.0651	\$ 0.0658
7	TOTAL CARDS	657,893	672,328	734,196	750,821	717,433	733,759	\$ 0.1319	\$ 0.1349	\$ 0.1319	\$ 0.1349
8	TOTAL FIRST-CLASS	17,803,134	19,263,725	19,435,365	21,048,026	19,364,336	20,993,516	\$ 0.1839	\$ 0.1994	\$ 0.1839	\$ 0.1994
9	PRIORITY MAIL	2,761,136	3,129,694	3,390,164	3,780,471	3,194,537	3,562,496	\$ 2.6053	\$ 2.9054	\$ 2.6053	\$ 2.9054
10	EXPRESS MAIL	402,345	643,859	462,139	715,773	467,914	721,848	\$ 8.4717	\$ 9.9639	\$ 8.4717	\$ 9.9639
11	MAILGRAMS	919	903	850	835	854	839	\$ 0.2556	\$ 0.2511	\$ 0.2556	\$ 0.2511
12	PERIODICALS:										
13	IN-COUNTY	63,514	64,125	67,046	67,691	66,222	66,672	\$ 0.1000	\$ 0.1008	\$ 0.1000	\$ 0.1008
14	OUTSIDE COUNTY:										
15	REGULAR	1,790,473	1,806,480	1,982,410	2,010,612	1,947,554	1,965,420	\$ 0.2649	\$ 0.2673	\$ 0.2649	\$ 0.2673
16	NON-PROFIT	373,761	375,680	364,374	366,296	363,633	365,676	\$ 0.1670	\$ 0.1660	\$ 0.1670	\$ 0.1660
17	CLASSROOM	14,580	14,613	14,536	14,571	14,311	14,345	\$ 0.2568	\$ 0.2604	\$ 0.2568	\$ 0.2604
18	TOTAL OUTSIDE COUNTY	2,178,814	2,203,111	2,371,322	2,396,347	2,345,698	2,372,566	\$ 0.2480	\$ 0.2508	\$ 0.2480	\$ 0.2508
19	TOTAL PERIODICALS	2,262,328	2,289,824	2,458,368	2,468,920	2,431,920	2,462,292	\$ 0.2356	\$ 0.2366	\$ 0.2356	\$ 0.2366
20	STANDARD MAIL (A):										
21	SINGLE-PIECE RATE	97,318	97,349	-	-	-	-				
22	COMMERCIAL STANDARD:										
23	ENHANCED CARR RTE	2,335,311	2,480,505	2,685,551	2,828,806	2,629,439	2,770,614	\$ 0.0601	\$ 0.0644	\$ 0.0601	\$ 0.0644
24	REGULAR	5,850,752	5,947,780	6,784,313	6,898,309	6,512,735	6,622,948	\$ 0.1569	\$ 0.1615	\$ 0.1569	\$ 0.1615
25	TOTAL COMMERCIAL	8,186,063	8,598,617	9,469,864	9,947,943	9,142,174	9,608,363	\$ 0.1238	\$ 0.1301	\$ 0.1238	\$ 0.1301
26	AGGREGATE NONPROFIT:										
27	NONPROF ENH CARR RTE	165,605	165,942	202,962	203,351	199,829	200,196	\$ 0.0701	\$ 0.0702	\$ 0.0701	\$ 0.0702
28	NONPROFIT	1,222,333	1,234,022	1,363,812	1,378,996	1,363,360	1,378,714	\$ 0.1193	\$ 0.1205	\$ 0.1193	\$ 0.1205
29	TOTAL AGGREG NONPROFIT	1,407,938	1,421,272	1,568,795	1,581,592	1,563,219	1,578,088	\$ 0.1095	\$ 0.1105	\$ 0.1095	\$ 0.1105
30	TOTAL STANDARD (A)	9,691,319	10,236,756	11,038,659	11,658,487	10,705,393	11,313,615	\$ 0.1215	\$ 0.1264	\$ 0.1215	\$ 0.1264
31	STANDARD MAIL (B):										
32	PARCELS ZONE RATE	914,529	923,297	1,097,363	1,107,584	1,077,003	1,067,053	\$ 2.6789	\$ 2.9058	\$ 2.6789	\$ 2.9058
33	BOUND PRINTED MATTER	424,858	427,631	512,221	515,815	498,658	502,165	\$ 0.9503	\$ 0.9570	\$ 0.9503	\$ 0.9570
34	SPECIAL STANDARD	313,097	313,794	361,266	362,066	357,967	356,785	\$ 1.7396	\$ 1.7435	\$ 1.7396	\$ 1.7435
35	LIBRARY MAIL	48,250	48,268	54,852	54,672	54,015	54,035	\$ 1.6998	\$ 1.9005	\$ 1.6998	\$ 1.9005
36	TOTAL STANDARD (B)	1,700,534	1,728,739	2,025,702	2,059,458	1,987,665	2,020,841	\$ 1.7542	\$ 1.7635	\$ 1.7542	\$ 1.7635
37	US POSTAL SERVICE	274,258	274,954	-	-	-	-				
38	FREE MAIL	27,290	27,295	31,724	31,729	31,833	31,839	\$ 0.5617	\$ 0.5618	\$ 0.5617	\$ 0.5618
39	INTERNATIONAL MAIL	1,229,339	1,296,446	1,619,092	1,680,299	1,570,744	1,631,867	\$ 1.5226	\$ 1.5819	\$ 1.5226	\$ 1.5819
40	SPECIAL SERVICES:										
41	REGISTRY	106,283	108,362	104,550	104,641	100,215	100,302	\$ 8.2071	\$ 8.2142	\$ 8.2071	\$ 8.2142
42	CERTIFIED	393,151	442,179	492,028	563,344	480,071	527,061	\$ 1.6118	\$ 1.8465	\$ 1.6118	\$ 1.8465
43	INSURANCE	77,283	77,467	80,900	81,139	79,550	79,785	\$ 2.1218	\$ 2.1261	\$ 2.1218	\$ 2.1261
44	COD	16,773	16,795	16,708	16,733	16,628	16,654	\$ 4.6919	\$ 4.6992	\$ 4.6919	\$ 4.6992
45	SPECIAL DELIVERY	-	-	-	-	-	-				
46	MONEY ORDERS	143,956	205,510	170,767	233,482	165,714	231,950	\$ 0.7318	\$ 1.0244	\$ 0.7318	\$ 1.0244
47	STAMPED CARDS	3,188	3,187	3,046	3,045	3,048	3,047				
48	STAMPED ENVELOPES	11,120	11,119	11,061	11,059	11,077	11,075				
49	SPECIAL HANDLING	2,128	2,128	2,180	2,249	2,191	2,261				
50	POST OFFICE BOX	504,118	505,485	593,497	594,433	586,317	587,254				
51	OTHER	94,861	94,866	120,696	120,823	121,297	121,425				
52	TOTAL SPECIAL SERVICES	1,354,861	1,492,666	1,595,433	1,783,429	1,546,109	1,712,375				
53	CORRESPONDENCE	17,804,053	19,273,424	19,436,214	21,054,878	19,365,190	21,000,378	\$ 0.1839	\$ 0.1994	\$ 0.1839	\$ 0.1994
54	ADVERTISING	10,115,977	10,705,431	11,548,880	12,212,743	11,204,052	11,853,615	\$ 0.1264	\$ 0.1337	\$ 0.1264	\$ 0.1337
55	EXPEDITED	4,439,357	5,145,826	5,365,783	6,107,730	5,151,060	5,667,266	\$ 2.7019	\$ 3.0675	\$ 2.7019	\$ 3.0675