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

Docket No. R2000-1

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)  
POSTAL RATE, FEE AND CLASSIFICATION CHANGES, 2000)  
)  
\_\_\_\_\_)

SUPPLEMENTARY TESTIMONY OF  
JAMES A. CLIFTON  
ON BEHALF OF  
AMERICAN BANKERS ASSOCIATION  
NATIONAL ASSOCIATION OF PRESORT MAILERS

August 14, 2000

## EXECUTIVE SUMMARY

- In its supplementary filings in response to Commission Order No. 1294, the Postal Service did not intend to, and in fact did not provide, any update to its cost avoidance studies, but it did provide some inputs for such a revision which are incomplete, even misleading.
- Based on “direct costs” only, the best inference that can be drawn about cost avoidance for First Class workshared letters based on the Postal Service’s supplementary filings is that they have not changed, or have increased marginally.
- Absent biased cost reduction efforts and “breakthrough productivity” efforts which treat First Class workshared mail as an afterthought, cost avoidances from changes in direct mail processing costs have increased since the Postal Service’s original case was filed.
- There is nothing in the stream of supplementary filings made by the Postal Service through August 11, 2000 which justifies making any change to the recommended rates and discounts ABA&NAPM made in their direct case of May 22, 2000 (ABA&NAPM-T-1).
- ABA&NAPM’s proposed P-rate is an appropriate way of controlling mail processing costs and extending the benefits of automation to the general public in the best and simplest manner possible. The Postal Service’s “breakthrough productivity” initiatives contained in its Supplemental Testimony and targeted toward single piece mail are an inappropriate competitive response to this P-rate proposal.
- Balanced cost reduction and breakthrough productivity initiatives which target First Class workshared mail as well as single piece and Standard A Commercial mail can substantially reduce the test year deficiency accompanying the Postal Service’s supplementary testimony. (See my Technical Appendix BCR.2 filed herewith.)
- While the sources of cost increases in the Postal Service’s supplementary testimony appear to be across-the-board factors, in the roll forward model to test year 2001 they have added about \$300 million to First Class Mail costs and only about one-tenth as much to Standard A Commercial mail costs, indicating that these costs were not applied in an across-the-board manner.
- Nonetheless, to finance my proposed rates and discounts, in Technical Appendix BCR.2 I propose a smaller additional revenue requirement for Standard A Commercial subclasses than in my original testimony, accounting for the fact that the use of actual 1999 data lowers volume variable costs for Standard A Commercial regular mail.

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**Exhibit A**

Revised Cost Avoidance for First Class Workshared Mail  
based on All Cost Change Factors

**Workpaper 1**

Background Tables for Supplementary Testimony

**Technical Appendix BCR.1**

**Technical Appendix BCR.2**

1 I. Purpose of Supplementary Testimony  
2

3 This testimony responds to the Postal Service’s revisions of its case submitted pursuant to  
4 Commission Order No. 1294 (hereafter “1294 revisions”), and shows how they affect, or do  
5 not affect, areas of concern to ABA&NAPM: (1) cost avoidance for First Class workshared  
6 letters; (2) extra ounce costs for First Class presort letters; (3) equity and fairness with  
7 Standard A Commercial mail in a variety of areas.<sup>1</sup>  
8

9 The essential purpose of my testimony is to explain why no changes in the worksharing  
10 discounts and rates recommended in my initial testimony are warranted as a result of the 1294  
11 revisions made by the Postal Service. This supplementary testimony: (1) clarifies what the  
12 1294 revisions and supporting material say and do not say about cost avoidance; (2) rebutts  
13 and reworks what the 1294 revisions or supporting material say about “breakthrough  
14 productivity”; and (3) revises in one instance only the analysis in my direct testimony, that  
15 concerning the proposed financing of my rate and discount recommendations.  
16

17 The P-rate proposal in my direct testimony is unaffected by the Postal Service’s 1294  
18 revisions. It remains the best and simplest method of allowing the general public to participate  
19 in worksharing savings. To the extent this concept has stimulated a Postal Service response in  
20 “breakthrough productivity” in the 1294 revisions for single piece mail, the P rate, indeed,  
21 demonstrates the value of competition generally for the Postal Service in controlling mail  
22 processing costs, if not the inappropriate and biased allocation of its cost reductions as  
23 discussed in Section IV. of this testimony.  
24

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<sup>1</sup> The term “1294 revisions” rather than “update” is used here to refer to the responses made to Commission Order No. 1294 because the word update conveys a sense of impartiality and objectivity in the exercise that I do not believe extends beyond the changes to the base year. In its Motion to Reconsider Order No. 1294 dated June 9, 2000, ABA&NAPM expressed a concern that other cost factors could be developed in a highly subjective, even biased way, and that very subjectivity and bias are revealed in USPS-ST-44 and supporting materials.

1 II. Test Year Cost Avoidance for First Class Workshared Letters Is on Balance  
2 Unchanged as a Result of the Postal Service's 1294 Revisions  
3

4 A. The 1294 Revisions Do Not Include New Mail Processing Piggyback Costs  
5 and as a Result the Impact of the 1294 Revisions on Cost Avoidances Cannot  
6 be Fully Measured  
7

8 In its revised case, the Postal Service submitted in Section 2 of LR-I-420 what appears at first  
9 glance to be a complete revision of its cost avoidance studies for First Class workshared letter  
10 mail, nearly identical in format to the 47 page Technical Appendix I in USPS-T-24. The  
11 subheading under "Direct Costs Only – Order 1294" is intended to indicate that piggyback  
12 costs are not included in the revised estimates of "worksharing related savings" that are the  
13 focus of these 47 pages.<sup>2</sup> Therefore, these are not revisions of the worksharing related savings  
14 presented by the Postal Service in its original case. In response to ABA&NAPM/USPS-ST-  
15 44-22 a., the Postal Service confirms it has not provided any updated cost avoidance studies  
16 with its response to Commission Order No. 1294.<sup>3</sup>  
17

18 Because the revised tables labeled worksharing related savings show much lower numbers  
19 than those identical pages from USPS-T-24, Appendix I, however, it is important to clarify  
20 the record as to what can and cannot be said about changes in cost avoidance based on what  
21 was submitted with the 1294 revisions.

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<sup>2</sup> "Direct costs" is a misleading term. Cost segment 3.1, which has traditionally been labeled "mail processing-direct labor" has been re-labeled in the 1999 CRA "mail processing". The piggybacked labor costs in 3.1 have always been defined as part of "direct labor".

<sup>3</sup> On August 11, 2000, the Commission issued Presiding Officer's Ruling No. R2000-1/116, granting an August 7th motion by the Major Mailers Association (MMA) to compel the Postal Service to update by August 18, 2000, several library references so that a formal re-estimation of cost avoidances associated with the 1294 revisions can be made using the Commission's costing methodology. In the preparation of this supplementary testimony, I have been relying on the response of the Postal Service to ABA&NAPM/USPS-ST-44-28 to the effect that none of these library references would be updated using either the Commission's or the Postal Service's costing methodology. In any event I have been denied the benefit of these Postal Service updates in preparing this supplementary testimony since such updates will not be filed until August 18<sup>th</sup>, and even then possibly only using the Commission's methodology, which would not enable me to update my own cost avoidance estimates.

1 For an apples to apples comparison, we examine changes in “direct costs” only by cost pool  
 2 using the refined methodology in ABA&NAPM-T-1. The results are summarized in Table  
 3 One below. “Breakthrough productivity” cost reduction efforts from Exhibit USPS-ST-44Z in  
 4 manual operations MODS 14 MANL and NON MODS MANL give the appearance of  
 5 reduced cost avoidance in those pools, but are offset by increases in cost avoidance in other  
 6 proportional cost pools.

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**Table One**  
 Change in Mail Processing Cost Avoidance by Cost Pool  
 (Cents per Piece)

ABA&NAPM Method Proportional		Change in Cost Avoidance*	ABA&NAPM Method Fixed		Change in Cost Avoidance*
MODS 11	BCS/	0.04	MODS 17	1BULKPR	0.00
MODS 11	OCR/	0.02	MODS 17	1OPBULK	0.00
MODS 13	SPBS OTH	0.01	MODS 17	1OPREF	-0.04
MODS 13	1SACKS_M	0.00	MODS 17	1PLATFRM	0.00
MODS 14	MANL	-0.09	MODS 17	1POUCHNG	0.01
MODS 15	LD15	0.05	MODS 17	1SACKS_H	0.00
MODS 17	1CANCMPP	0.00	MODS 18	1EEQMT	-0.01
MODS 18	REWRAP	0.00	MODS 19	INTL	0.01
MODS 41	LD41	0.02	MODS 49	LD49	-0.01
MODS 42	LD42	0.00	MODS 79	LD79	0.00
MODS 43	LD43	0.04	MODS 99	1SUPP_F1	0.00
MODS 44	LD44	0.03	NON MODS	ALLIED	0.01
MODS 99	1SUPP_F4	0.01			
NON MODS	AUTO/MEC	-0.03			
NON MODS	MANL	-0.07			
NON MODS	MISC	0.01			
TOTAL PROPORTIONAL		+ 0.04	TOTAL FIXED		- 0.03

14  
 15  
 16  
 17

Source: USPS-LR-I-415 for revised and USPS-LR-I-81 for original.  
 \* Change in Cost Avoidance = Cost Avoidance for USPS Revised Case – Cost Avoidance for USPS Original Case.

1 Using the refined methodology of ABA&NAPM-T-1, cost avoidance increases for  
2 worksharing related proportional cost pools by four one-hundredths of a cent (+0.04 cents),  
3 and decreases for worksharing related cost pools by three one-hundredths of a cent (-0.03  
4 cents).<sup>4</sup>

5  
6 Since LR-I-420, Section 2, uses the same unit delivery costs as Appendix I in USPS-T-24, at  
7 first glance it appears unit delivery costs have not changed. However, in another section of  
8 LR-I-420 updating LR-I-95, there appear to be new numbers for total unit delivery costs,  
9 unlike the new unit mail processing cost numbers, which are direct costs only.<sup>5</sup> The unit  
10 delivery costs are marginally lower than in the original filing by the Postal Service, as revised  
11 on March 1, 2000. The (BMM) benchmark unit delivery cost, non-automation presort, falls by  
12 significantly more than the automation rate categories, nearly one-tenth of a cent versus a few  
13 one-hundredths of a cent or less for the three above automation rate categories, leaving the  
14 appearance of marginally reduced cost avoidance. However, there appear to be so many  
15 problems with cost estimation in general for this rate category raised throughout this case that  
16 it is not clear how meaningful this changed number is or what if any importance can be  
17 attached to it for purposes of re-estimating cost avoidances.<sup>6</sup>

18

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<sup>4</sup> The change in “direct costs” cost avoidance between metered letters and First Class presort automated letters using the Miller methodology also varies as between his worksharing related proportional and worksharing related fixed costs. The net increase in cost avoidance is one one-hundredth of a cent, +0.01 cents for proportional direct costs. Cost avoidance goes down marginally compared to direct costs in the original case for worksharing related fixed costs as a result of one cost pool, MODS 17 1OPPREF, by four one-hundredths of a cent, -0.04. Absent breakthrough productivity initiatives, mail processing cost avoidance in the USPS revised case increases by two tenths of a cent (+0.2 cents) for proportional cost pools.

<sup>5</sup> The 1294 revision page for unit delivery costs is not labeled “direct costs only”, unlike the 1294 revision page for unit mail processing costs. I assume, therefore, that these numbers are comparable to USPS-LR-I-95, Table 5, in the original case.

<sup>6</sup> See, for example, ABA&NAPM-T-1, page 5, lines 16-18. Indicative of the continuing confusion surrounding non-automation presort costs in this case is Commissioner Le Blanc’s observation during oral cross examination of USPS witness Patelunas that the 1294 revision summary page for First Class letters worksharing discounts shows negative mail processing cost avoidance for non-automated presort letters. (Tr. at Vol. 35, page 16,802, line 23). This data is clearly flawed, and the flaws may well extend to changes in delivery costs for this rate category as well.

1           B.     The Best Inference That Can be Drawn from the 1294 Revisions is that Cost  
2                   Avoidance for First Class Workshared Letters is Unchanged or Marginally  
3                   Higher than the Calculations in ABA&NAPM-T-1  
4

5     For mail processing, the 1294 revision aggregate piggyback applied to the roll forward model  
6     in the test year is 1.79% greater than the original case for First Class single piece and 1.06%  
7     higher for presort, indicating a marginal increase in cost avoidance on this account.<sup>7</sup> The  
8     percentage changes in final adjustment piggybacks for mail processing also indicate a larger  
9     cost avoidance, down by 0.08% for single piece but down by 0.66% for presort.<sup>8</sup>

10  
11    For city delivery carriers, the percentage change in the piggybacks is marginally higher for  
12    single piece than for presort in the basic roll-forward, and is marginally lower for rural  
13    carriers. Final adjustment piggybacks exhibit identical percentage changes for single piece  
14    and presort for city and rural delivery.

15  
16    In Table Two, I have re-calculated cost avoidance using the new data, and made the  
17    assumption that piggyback costs for mail processing are unchanged, likely a conservative  
18    assumption in light of the revised piggyback aggregates discussed above. Using the USPS  
19    methodology to break these changes in cost avoidance down by rate category yields such  
20    small changes in the cost avoidance for basic automation, 3-digit and 5-digit automation  
21    letters that my recommendations for discounts and rates in ABA&NAPM-T-1 remain  
22    unchanged from our original case.<sup>9</sup>

23  

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<sup>7</sup> This follows from the fact that the mail processing unit cost is higher for single piece than for presort.

<sup>8</sup> See Workpaper 1, Tables 3A and 3B for these and other piggyback numbers.

<sup>9</sup> See Exhibit A for the calculations of cost avoidance for mail processing. As discussed later, absent the biased cost reductions introduced in the USPS 1294 revisions and included in the Table Two estimates, or including our balanced cost reductions introduced later in the context of the test year deficiency but not included in the Table Two estimates, TY2001 cost avoidance for First Class workshared letters has increased by more than indicated in that table.

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4

**Table Two**

**ABA&NAPM Original and Revised Cost Avoidance Estimates**

<u>Original</u>	<u>MP</u>	<u>D</u>	<u>MP + D</u>	<u>Cost Avoidance</u>
First Class Letters				
Metered	10.601	5.479	16.080	-----
Basic Automation	5.186	4.319	9.505	6.575
3D Auto	4.224	4.196	8.420	1.085
5D Auto	3.053	3.997	7.050	1.370
<u>Revised</u>				
First Class Letters				
Metered	10.399	5.385	15.784	-----
Basic Automation	4.899	4.288	9.187	6.597
3D Auto	3.997	4.172	8.169	1.018
5D Auto	2.899	3.983	6.882	1.287

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Source: ABA&NAPM-T-1, Exhibit A, Tables A1, A2, and A3; and Workpaper 1, page 11; ABA&NAPM-ST-1, Exhibit A; USPS LR-I-95, Table 5

These recommendations are: (1) 27.4 cent rate for a basic automation letter; (2) 26.2 cent rate for a 3-digit presort automated letter; and (3) 24.5 cent rate for a 5-digit presort automated letter. Based on Table Two cost avoidances, they reflect discounts from the Service's 34 cent single piece rate proposal of 6.6 cents for a basic automation letter, an additional 1.2 cents for a 3-digit presort automated letter, and a further 1.7 cents for a 5-digit presort automated letter.

1 III. The 1294 Revisions Result in Cost Increases for First Class Mail Grossly in Excess of  
2 Changes from the Use of Actual 1999 Data, Indicating that Other Cost Adjustment  
3 Factors Were Subjectively Skewed Against First Class Mailers Since the Sources of  
4 Such Other Cost Factors Are Across-the-Board  
5

6 We do not know what the test year impact of changes in the base year is because the Postal  
7 Service did not present its revised case in a way that would enable this to be known, but  
8 ceteris paribus, the test year percentage changes should not be that different than those noted  
9 in the first column of Table Three below for base year 1999. In USPS-ST-44, witness  
10 Patelunas summarizes “other cost change factors” beyond revision of the base year to reflect  
11 actual FY99 CRA data that are incorporated into his roll forward model. The most striking  
12 aspect of this discussion is that those factors which increase costs appear to be areas where  
13 costs should increase across-the-board, and not cause material changes among relative costs  
14 between subclasses as does the use of actual versus estimated FY1999 CRA data.<sup>10</sup>  
15

16 If these across-the-board cost increases are in fact allocated across-the-board, the percentage  
17 changes in column 3 of Table Three should approximate those in column 1. In fact, however,  
18 the percentage changes are very different in column 3, indicating that other cost change  
19 factors have not been allocated across-the-board in the 1294 revisions.  
20

21 In particular, First Class Mail costs barely change as a result of the change in base year,  
22 whereas the net impact of other cost change factors introduced into the test year 1294  
23 revisions in toto is about a \$300 million increase. By contrast, for both commercial Standard  
24 A subclasses combined, the change as a result of revising the base year is substantial,  
25 lowering FY99 costs by -\$181.3 million. The net impact on Standard A Commercial  
26 subclasses of other cost changes introduced into the test year 1294 revisions is about a \$30  
27 million increase as the revised and original cases show a total cost difference of about -\$153.6  
28 million, smaller than the impact of the revised base year alone. In summary, the impact of

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<sup>10</sup> These factors include higher inflation in non-personnel costs, notably energy prices, higher COLAs for bargaining units in FY2000, increases in the ECI which impact one labor agreement in TY2001. Mail volume changes, non-volume workload changes and additional workday effects appear to be marginal according to USPS-ST-44 at page 4.

1 other cost change factors is to increase First Class Mail costs in the 1294 revisions by about  
 2 ten times the amount that Standard A Commercial costs are increased.

3

4 Several conclusions may be drawn. First, even allowing for the change in relative costs due to  
 5 the use of actual 1999 data, the 1294 revisions do not impact costs across the board, as the  
 6 source of other cost change factors suggests that they should; rather, First Class Mail bears the  
 7 brunt of the increase in costs. Second, the impact of these other, more subjective cost change  
 8 factors appears to be significantly greater than the impact of the “objective” change in base  
 9 years alone between estimated versus actual 1999 data for three months. On balance, all the  
 10 changes add about 1.64% to volume variable costs in First Class and cut about 1.65% to  
 11 volume variable costs in Standard A Commercial.

12

13

14

**Table Three**

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USPS Changes to Costs from Base Year Changes and All Cost Factor Changes

	FY1999		TY2001	
	USPS Estimate vs. Actual Data		USPS Original vs. 1294 Revisions	
	<u>Percentage</u>	<u>\$ Millions</u>	<u>Percentage</u>	<u>\$ Millions</u>
First Class Mail:				
Total Letters Subclass	+ 0.03%	+ \$4.6	+ 1.64%	+ \$301.4
Standard A Commercial:				
Regular Subclass	- 4.64%	- \$284.3	- 4.56%	- \$311.2
ECR Subclass	+ 4.62%	+ \$103.1	+ 6.37%	+ \$157.6
Total Commercial	NA	- \$181.3	- 1.65%	- \$153.6

18

19

20

Sources: Postal Rate Commission, NOI #2, Attachment 1, page 1 of 1; ABA&NAPM-ST-1, Workpaper 1, Table 2.

1 Beyond this, it is hard to believe that estimated versus actual 1999 costs could be this far off  
2 for the two Standard A Commercial subclasses. In the estimated data, nine months of actual  
3 CRA data was available and only three months remained to be estimated. For Standard A  
4 Commercial Regular, the error for those remaining three months was \$284 million, or  
5 18.5%.<sup>11</sup>

6  
7 Because the Postal Service does not present its final adjustments in roll forward models by  
8 identifiable CRA cost segment, it is not fully possible to break down these overall changes by  
9 cost segment. Nonetheless, it is possible to compare the original and revised test year roll  
10 forward by cost segment. The conclusion is the same as that above when one compares all  
11 cost segments combined. While the other cost change factors that are inputted into the roll  
12 forward appear to be across-the-board, differences in cost by subclass do not seem to confirm  
13 this. Higher energy costs should, for example, lead to higher purchased transportation costs in  
14 the 1294 revisions. However, while First Class Mail costs go up on this account by \$93.7  
15 million, Standard A Commercial costs go down by \$24.3 million.

16  
17 Clearly, the impact of all other cost changes seems to fall disproportionately on the subclass  
18 subject to the statutory monopoly, First Class Mail. This is precisely the type of situation that  
19 ABA&NAPM was seeking to avoid when it urged the Commission in the ABA&NAPM  
20 Comments on the USPS Motion to Reconsider Order No. 1294 to not allow the Postal Service  
21 the opportunity to supplement the results of actual 1999 cost data with highly subjective cost  
22 change factors.

23  

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<sup>11</sup> The percentage is calculated by taking one quarter of the estimated annual costs as the denominator,  
and the difference between actual and estimated annual costs as the numerator.

1 IV. Increased Cost Reduction Efforts from “Breakthrough Productivity” in the 1294  
 2 Revisions are Laudable, but the Allocation of Them in the Roll Forward Exhibits a  
 3 Clear Cut Bias Against First Class Workshared Mail  
 4

5 Exhibit USPS-ST-44Z contains the “breakthrough productivity” cost reduction initiatives that  
 6 total \$464.3 million on top of the \$653.9 million in cost reduction initiatives made in the  
 7 original case. The \$1,118.2 million goal is for TY2001. The individual initiatives are broken  
 8 down by types of personnel and non-personnel cost reductions. Most of the cost reductions  
 9 are in mail processing and city carrier costs, and most are for either First Class Mail or  
 10 Standard A Commercial mail, the major volume drivers of postal costs.

11  
 12 However, these cost reduction initiatives are not directed equally among or within the  
 13 subclasses. Automation mail in First Class is clearly an after-thought in the Postal Service’s  
 14 mail processing cost reduction goals. Table Four shows the unit cost impact of these  
 15 initiatives, in toto, combining the original and revised cases, as well as the “breakthrough  
 16 productivity” initiatives of the 1294 revisions considered alone. In mail processing, the cost  
 17 reductions are heavily skewed toward automation mail in Standard A Commercial Regular  
 18 and non-automation mail in First Class.

19  
 20 **Table Four**

21  
 22 TY2001 Unit Cost Reduction Comparison: Original vs. 1294 Revisions  
 23 Mail Processing and City Delivery Carriers  
 24 (Cents per Piece)  
 25

	Total (Original + Revised Case)			1294 Revisions Only (Breakthrough Productivity)		
	C/S-3.1	C/S-6	C/S-7	C/S-3.1	C/S-6	C/S-7
First Class Mail						
Single-Piece Letters	-0.5280	-0.1398	-0.0112	-0.2211	-0.0476	-0.0069
Presort Letters and Parcels	-0.1404	-0.0806	-0.0104	-0.0461	-0.0130	-0.0062
Total Letters Subclass*	-0.3456	-0.1119	-0.0108	-0.1388	-0.0313	-0.0065
Standard A Commercial						
Regular Subclass	-0.3476	-0.0753	-0.0119	-0.1002	-0.0317	-0.0067

26  
 27 Source: ABA&NAPM-ST-1, Workpaper 1, Table 5 and 6. \* All shapes.

1 These cost reduction goals should not be confused with measurable progress made to date,  
2 which can be formally projected into the future in documented decision analysis reports, for  
3 example in tangible areas such as improved read rates for RCRs. In response to  
4 ABA&NAPM-ST-44-7, the Postal Service confirmed it had not made any changes between  
5 its original and revised cases in TY2001 RCR read rates. Rather these cost reductions in  
6 Exhibit USPS-ST-44Z are managerial goals inputted into the rate case from a 2001 operating  
7 budget which has not even been formally approved as of the date USPS-ST-44 was  
8 submitted.<sup>12</sup>

9  
10 In the “breakthrough productivity” initiatives of its revised case, the second largest line item  
11 after the \$102.5 million cost reduction from improved manual letter productivity is \$51.4  
12 million for improved automation letter productivity. If that cost reduction initiative is heavily  
13 targeted toward Standard A Commercial Regular, perhaps it could explain the two-tenths of a  
14 cent gap between cost reduction efforts for Standard A Commercial Regular and automation  
15 mail in First Class evident in Table Four, -0.1404 cents per piece for automated First Class  
16 versus -0.3476 cents per piece for automated Standard A Commercial Regular. But that would  
17 not justify such a skewed focus in cost reduction efforts.

18  
19 However, it is evident from Table One herein as well as Table Five herein below that the cost  
20 reduction efforts in Exhibit USPS-ST44Z “Improve Manual Letter Productivity” affect  
21 manual operation cost pools for automated letters, not just non-automated letters. The changes  
22 in MODS 14 MANL and NON MODS MANL are among the largest “direct cost” changes for  
23 any cost pool between the Service’s original case and the 1294 revisions. The changes in  
24 these cost pools are significant for First Class single piece and metered letters, in a range not  
25 unlike corresponding changes for automated letters in Standard A Commercial Regular.  
26 However, these changes are much smaller for the two MANL cost pools in automated presort  
27 First Class letters. If they are manual operations that do not affect automated letters, they  
28 should not be affecting Standard A Commercial Regular automation mail. If they are manual  
29 operations that do affect automated letters, they should also be affecting automated First Class  
30 as they do Standard A Commercial Regular. In Table Five below, the change in direct costs

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<sup>12</sup> See USPS response to ABA&NAPM/USPS-ST-44-27.

1 between the original case and the 1294 revisions is -0.22 cents for First Class automated  
 2 letters and -0.89 cents for its Standard A Commercial Regular counterpart, a difference of  
 3 almost seven-tenths of a cent.

4  
 5  
 6 **Table Five**

7  
 8 **Impact of All Cost Factor Changes on Unit Mail Processing Costs by Cost Pool**  
 9 **(Cents per Piece)**

10

		FC Presort Automated Letters			Standard A Letter Automated		
		Original	Revised	Change	Original	Revised	Change
BMCS	OTHR	0.00	0.00	0.00	0.08	0.05	-0.03
MODS 11	BCS/	0.61	0.57	-0.04	0.71	0.58	-0.13
MODS 14	MANL	0.23	0.20	-0.03	0.43	0.25	-0.18
MODS 15	LD15	0.07	0.07	0.00	0.07	0.04	-0.03
MODS 17	1OPBULK	0.04	0.04	0.00	0.14	0.11	-0.03
MODS 17	1OPREF	0.14	0.15	0.01	0.17	0.14	-0.03
MODS 17	1PLATFRM	0.18	0.17	-0.01	0.25	0.20	-0.05
MODS 17	1POUCHNG	0.09	0.08	-0.01	0.12	0.08	-0.04
MODS 43	LD43	0.10	0.08	-0.02	0.10	0.05	-0.05
NON MODS	ALLIED	0.13	0.11	-0.02	0.13	0.09	-0.04
NON MODS	MANL	0.28	0.24	-0.04	0.36	0.24	-0.12
Sub-Total		1.87	1.71	-0.16	2.56	1.83	-0.73
TOTAL		2.51	2.29	-0.22	3.19	2.30	-0.89

11  
 12 Source: USPS-LR-I-415 for revised and USPS-LR-I-81 for original.

13  
 14  
 15  
 16 In the overall cost reduction efforts in mail processing by cost pool, there is a pattern of  
 17 bringing several cost pool unit costs for Standard A Commercial Regular down to their  
 18 counterparts in First Class automation, where they are higher in the original case. But, there is  
 19 no parallel effort to bring First Class automation unit costs in line with Standard A  
 20 Commercial Regular unit costs where the latter are lower in the original case.

1 In summary, the cost reduction efforts are heavily skewed in this case. The Postal Service has  
 2 offered no justification for these, but they certainly give, ceteris paribus, the appearance that  
 3 cost avoidance is unchanged or marginally shrinking for First Class workshared letters.  
 4 However, these are entirely contrived reductions in cost avoidance, manufactured out of  
 5 whole cloth so to speak. Such biased cost reductions harm the USPS worksharing program,  
 6 which is a vital cog in the financial well-being of the Postal Service.

7  
 8 As indicated in Table Six, the bias in cost reduction efforts may not be limited to mail  
 9 processing. While these changes in unit delivery costs reflect all changes between the original  
 10 case and 1294 revisions, we do know that a significant source of the change is the  
 11 breakthrough productivity initiative for city delivery costs in Exhibit USPS-ST-44Z,  
 12 “Improve SEI and Workhour Mgt”. The reductions in unit city delivery costs are greater for  
 13 Standard A Commercial Regular automation mail in each rate category than its counterpart in  
 14 First Class, and, oddly, the disparity grows the finer the level of presortation. In addition,  
 15 inexplicably, (BMM) benchmark unit delivery costs for non-automation presort in First Class

16  
 17  
 18 **Table Six**

19  
 20 Changes in Unit Delivery Costs in USPS Revised Case:  
 21 First Class Presort Versus Standard A Commercial Regular  
 22

	<u>Cents Per Piece</u>
First Class Presort	
Non-Automation Presort (BMM benchmark)	-0.094
Basic Automation	-0.031
3 Digit Presort Automated	-0.024
5 Digit Presort Automated	-0.014
Standard A Commercial Regular	
Basic Automation	-0.036
3 Digit Presort Automated	-0.040
5 Digit Presort Automated	-0.048

23  
 24 Source: USPS-L.R.-I-95, Table 5; USPS-L.R.-I-420, pt6.xls, Table 5.

1 fall by more than automation categories, giving the misleading appearance of reduced cost  
2 avoidance on this account.<sup>13</sup>

3  
4 I do not believe that the Postal Service's bias in cost reduction efforts can go un-challenged.  
5 Therefore, I have incorporated in Technical Appendices BCR.1 and BCR.2 a more balanced  
6 approach to cost reduction initiatives, bringing several mail processing cost pools for First  
7 Class automation letter mail into correspondence with their (lower) counterparts in Standard  
8 A Regular automation letter mail, much as the Postal Service brought the latter into  
9 correspondence with the former for cost pools where Standard A unit costs were higher than  
10 their First Class counterparts. I define this reciprocal procedure as balanced cost reductions  
11 (BCR). The cost reductions in the test year total 0.2 cents per piece for First Class workshared  
12 mail and are broken down by cost pool in Exhibit A, Table A2.1.

13  
14 I have not re-calculated cost avoidances by rate category based on the BCRs, as all such  
15 managerial goals are speculative. Clearly, some or all cost avoidances would be higher.  
16 Rather, as discussed in Section VI. Below, the BCRs for First Class workshared mail can  
17 make a contribution to reducing the test year deficiency in the 1294 revisions.

18  
19  
20 V. 1294 Revisions to the Cost-Weight Studies are Confusing, May Contradict What is  
21 Elsewhere Being Claimed about First Class Mail Costs, But Definitely Add to the  
22 Weight of Evidence that There is No Credible Cost Basis Presented in This Case  
23 Which Would Justify an Increase in the Extra Ounce Rate  
24

25 Inexplicably, in its 1294 revisions, the Postal Service updated direct costs for First Class  
26 single piece mail only in its cost and weight studies. No revised data for First Class presort  
27 was submitted yet that is also a key cost factor for extra ounce mail. No updated direct cost  
28 data by cost and weight was submitted for Standard A Commercial mail. Why was only one  
29 cost-weight study updated by direct costs, when direct labor costs have clearly increased?  
30 This is very likely one reason, but only one reason, why the 1294 revisions show a \$300

---

<sup>13</sup> This adds to the list of costing anomalies for non-automation presort in this case, as detailed on page four including footnote 6.

1 million increase in costs for First Class, and only a \$30 million increase for the Standard A  
2 Commercial subclasses.

3  
4 In the revised cost weight data for First Class single piece, because new piggyback data by  
5 cost segment was not incorporated, an aggregate piggyback compensation factor was added to  
6 the row labeled "other weight" (related costs). In response to ABA&NAPM/USPS-ST-44-3,  
7 the Postal Service states that this procedure is not comparable to adding piggybacks cost  
8 segment by cost segment, so the total unit costs by weight in LR-I-420 are not comparable to  
9 those in USPS witness Daniel's original cost weight studies in LR-I-91.

10  
11 While the piggyback procedure employed in the revised data may make comparisons  
12 imperfect, it is all we have to go on. The 1294 revisions indicate for the first ounce, unit costs  
13 for First Class single piece mail have fallen from 19.6 cents to 17.8 cents. Over all weight  
14 ranges, the 1294 revisions indicate unit costs have fallen from 20.5 cents to 19.1 cents.  
15 Evidently, what the Service has inputted into its final adjustments on this account are  
16 reductions in weight related costs for the first ounce and increased costs for extra ounces.

17  
18 What are some of these increases in extra ounce costs for First Class single piece mail  
19 between the original case and 1294 revisions? In the 2 to 3 ounce range, total unit costs have  
20 evidently increased by 12.2 cents, from 47.4 to 59.6 cents. Can the use of aggregate updated  
21 piggybacks versus updated piggybacks by cost segment really produce such a wild swing in  
22 the cost weight data? Or, is this another example of just how poor the cost-weight data for  
23 First Class Mail is?

24  
25 The Postal Service evidently used this updated cost-weight data for final adjustments. The  
26 fact that this data was updated for First Class single piece only should help the Commission  
27 reject the \$300 million increase in volume variable costs for First Class mail that are in the  
28 1294 revisions. Obviously, if costs are updated for some subclasses but not others, there will  
29 be a change in relative costs as well as absolute costs. The Commission should also add this  
30 new cost-weight data to the considerable evidence already presented in this case that there is

1 no credible cost basis presented in this case whatsoever which would justify any change in the  
2 current 22 cent rate for First Class extra ounces.

3  
4  
5 VI. A Fair and Balanced Emphasis on Cost Reduction Efforts Between Advertising Mail  
6 and Bills and Bank Statements and a Lesser Need for Contingencies in Light of Cost  
7 Factor “Updates” Eliminates the Revised Test Year Loss in This Case  
8

9 In Technical Appendix BCR.1, we present the 1294 revisions and our alternative direct case  
10 under balanced cost reduction assumptions. BCR.1 is otherwise identical in every respect to  
11 ABA&NAPM-T-1 Technical Appendix A.5, adopting our rate and discount recommendations  
12 as made in that testimony together with the cost coverage adjustments made in Standard A  
13 Commercial mail. Specifically, we assume here that USPS management treats First Class  
14 working mailers fairly in the allocation of its efforts to reduce mail processing costs for  
15 automated letter mail, reducing those costs by 0.2 cents in the test year by bringing seven cost  
16 pools into alignment with their Standard A Commercial Regular automation mail  
17 counterparts, and one cost pool into alignment with its Standard A Commercial Regular non-  
18 automation counterpart.<sup>14</sup> This breakthrough productivity effort reduces the test year  
19 deficiency from \$266.4 million to \$178.9 million.

20  
21 In Technical Appendix BCR.2, we present the USPS revised case and our alternative direct  
22 case under balanced cost reduction assumptions, a modestly lower contingency (i.e. 2%), and  
23 an adjustment in our cost coverage recommendation for Standard A Commercial mail that  
24 reflects lower volume variable costs for Regular than the original case. In its revised case, the  
25 Postal Service has in essence postured that its test year costs have gone up since the original  
26 rate filing. The test year deficiency has increased from a modest surplus of \$38 million to a  
27 loss of \$266 million. The clear (and erroneous) message being sent is “there is no room for  
28 the Commission to adjust our original rates and discounts recommendations other than  
29 increasing some rates and/or reducing some discounts.”

---

<sup>14</sup> See Exhibit A, Table A2.1 for a description of the affected cost pools.

1 There is at least one area in the revised case where costs are artificially inflated across-the-  
2 board, the contingency. With all these cost adjustment factors being “updated” in late July just  
3 before the start of the test year on September 1st, it cannot be argued that the same 2.5%  
4 percentage contingency is now required that in the Postal Service’s view was required when  
5 the case was initially prepared and filed. The use of updated cost factors near the start of the  
6 test year reduces the need for such a large contingency because the risks of costing errors in  
7 light of the updates which justify the contingency are now lower than when the case was filed  
8 in January.

9  
10 Finally, Technical Appendix BCR.2 inputs a lower across the board rate increase for Standard  
11 A Regular Mail than my initial cost coverage adjustment for those subclasses. This reduction  
12 reflects that fact that the Postal Service’s revised case shows lower volume variable costs than  
13 the original case for the two subclasses combined. This adjustment is made since it is the  
14 allocation of institutional cost burdens that is at issue in ABA&NAPM-T-1, not in the main  
15 the allocation of properly attributed volume variable costs, and since the drop in volume  
16 variable costs for Standard A Regular mail appears largely to be the result of the change in  
17 base years.

18  
19 With a 2% contingency, the model run in BCR.2 produces a test year deficiency of zero. The  
20 0.5% reduction in the contingency in essence eliminates that remaining portion of the \$266  
21 million deficiency that my balanced cost reductions in BCR.1 do not, and reduces my original  
22 revenue requirement in ABA&NAPM-T-1 from Standard A Commercial mail by about \$139  
23 million.

24  
25 On August 11, the Postal Service amended yet again its estimate of the test year deficiency in  
26 this case, beyond its original changes to the 1294 revisions. The Technical Appendices and  
27 above discussion do not incorporate adding the \$200 million field reserve to the test year  
28 deficiency. The same point can be made and the books balanced with a zero test year  
29 deficiency by adopting a more aggressive balanced cost reduction program for First Class  
30 workshared mail, and/or by reducing the contingency below 2%.

1 In summary, it is entirely feasible on grounds of test year finances to adjust the rates and  
2 discounts proposed by the Postal Service in its original case without worsening the test year  
3 deficiency. All that is required is a fair balance in cost reduction initiatives and a modest  
4 reduction in the contingency that is entirely warranted in light of more timely cost adjustment  
5 factors being inputted into the case just before the start of the test year. In its 1294 revisions  
6 the Postal Service would have the Commission and intervenors believe otherwise. However,  
7 the Commission can and should reject that point of view.

**Table A1**

**Rate Category Unit Cost Estimation Based on R2000-1 Methodology  
 And Cost Pool Classification Refinements  
 (Cents)**

Rate Category	Col 1 R2000-1 Model Costs	Col 2 BY99 Volume (000)	Col 3 Volume Weights	Col 4 Weighted Model Costs	Col 5 Refined Proportional Adjustment	Col 6 Refined Proportional Unit Costs	Col 7 Refined Fixed Unit Costs	Col 8 Refined Total Mail Processing Unit Costs
	1/	2/	3/	4/	5/	6/	7/	8/
Automation Basic Presort	4.154	5,022,276	0.135	0.562	0.889	3.691	1.207	4.899
Automation 3-Digit Presort	3.139	20,721,667	0.558	1.753	0.889	2.790	1.207	3.997
Automation 5-Digit Presort	1.745	7,699,788	0.207	0.362	0.889	1.550	1.207	2.758 *
Automation 5-Digit CSBCS	2.238	3,668,568	0.099	0.221	0.889	1.989	1.207	3.196 *
Total		37,112,299		2.898				
		* The Automation 5-Digit and 5-Digit CSBCS Volume Weighted Average Combined is						2.899
1/ Rate categories model costs are from Table A4. 2/ BY volumes are from the LR-I-420, Excel file LR20p2a.xls, page I-5 3/ Each volume in Col2 is divided by the total volume 4/ Each volume weight in Col3 is multiplied by the corresponding unit costs in Col1 5/ Obtained by dividing the worksharing related proportional refined total unit cost (2.445) from Col6 in Table A2 by the total weighted model cost (2.898) from Col4 above 6/ Proportional adjustment in Col5 multiplied R2000-1 model cost in Col1 7/ Fixed adjustment is the refined total unit cost for worksharing related (fixed) from Col7 in Table A2 8/ Sum of Col6 and Col7								

**Table A2**

**R2000-1 CRA First-Class Letter Mail Processing Unit Costs (Cents)  
 Automation Non-Carrier Route Presort  
 Refined R2000-1 Methodology**

Cost Pool No.	Source	Cost Pool Abbreviation	Col 1 Revised CRA Mail Processing Direct Costs with Original Piggybacks	Col 2 R2000-1 Refined Worksharing Related (Proportional) Cost Pools	Col 3 R2000-1 Refined Worksharing Related (Fixed) Cost Pools	Col 4 R2000-1 Refined Worksharing Related (Proportional) Mail Processing Unit Costs	Col 5 R2000-1 Refined Worksharing Related (Fixed) Mail Processing Unit Costs	Col 6 R2000-1 Combined Refined Worksharing Related Mail Processing Unit Costs
			1/					
1	BMCS	NMO	0.000					
2	BMCS	OTHR	0.000					
3	BMCS	PLA	0.000					
4	BMCS	PSM	0.000					
5	BMCS	SPB	0.000					
6	BMCS	SSM	0.000					
7	MODS	BCS/	1.133	X		1.133		1.133
8	MODS	OCR/	0.082	X		0.082		0.082
9	MODS	FSM/	0.014					
10	MODS	LSM/	0.006	X		0.006		0.006
11	MODS	MECPARC	0.000					
12	MODS	SPBS OTH	0.006	X		0.006		0.006
13	MODS	SPBSPRIO	0.001					
14	MODS	1SACKS M	0.015	X		0.015		0.015
15	MODS	MANF	0.003					
16	MODS	MANL	0.277	X		0.277		0.277
17	MODS	MANP	0.002					
18	MODS	PRIORITY	0.002					
19	MODS	LD15	0.133	X		0.133		0.133
20	MODS	1BULKPR	0.005		X		0.005	0.005
21	MODS	1CANCMP	0.023	X		0.023		0.023
22	MODS	1OPBULK	0.066		X		0.066	0.066
23	MODS	1OPREF	0.224		X		0.224	0.224
24	MODS	1PLATFRM	0.282		X		0.282	0.282
25	MODS	1POUCHING	0.130		X		0.130	0.130
26	MODS	1SACKS H	0.045		X		0.045	0.045
27	MODS	1SCAN	0.016					
28	MODS	BUSREPLY	0.004					
29	MODS	EXPRESS	0.001					
30	MODS	MAILGRAM	0.000					
31	MODS	REGISTRY	0.001					
32	MODS	REWRAP	0.002	X		0.002		0.002
33	MODS	1EEQMT	0.009		X		0.009	0.009
34	MODS	INTL	0.002		X		0.002	0.002
35	MODS	LD41	0.052	X		0.052		0.052
36	MODS	LD42	0.000	X		0.000		0.000
37	MODS	LD43	0.120	X		0.120		0.120
38	MODS	LD44	0.058	X		0.058		0.058
39	MODS	LD48 EXP	0.000					
40	MODS	LD48 SSV	0.012					
41	MODS	LD49	0.216		X		0.216	0.216
42	MODS	LD79	0.018		X		0.018	0.018
43	MODS	1SUPP F1	0.037		X		0.037	0.037
44	MODS	1SUPP F4	0.068	X		0.068		0.068
45	NONMODS	ALLIED	0.173		X		0.173	0.173
46	NONMODS	AUTO/MECH	0.193	X		0.193		0.193
47	NONMODS	EXPRESS	0.000					
48	NONMODS	MANF	0.001					
49	NONMODS	MANL	0.331	X		0.331		0.331
50	NONMODS	MANP	0.000					
51	NONMODS	MISC	0.078	X		0.078		0.078
52	NONMODS	REGISTRY	0.002					
Refined Total Unit Cost			<b>3.842</b>			<b>2.575</b>	<b>1.207</b>	<b>3.783</b>

1/ Cost pools are from Col6 of Table 9 in WP1.

**Table A2.1**

**R2000-1 CRA First-Class Letter Mail Processing Unit Costs (Cents)  
 Automation Non-Carrier Route Presort  
 Refined R2000-1 Methodology**

Cost Pool No.	Source	Cost Pool Abbreviation	Col 1 Revised CRA Mail Processing Direct Costs with Original Piggybacks	Col 2 Adjustments To CRA Mail Processing Unit Costs
			1/	2/
1	BMCS	NMO	0.000	
2	BMCS	OTHR	0.000	
3	BMCS	PLA	0.000	
4	BMCS	PSM	0.000	
5	BMCS	SPB	0.000	
6	BMCS	SSM	0.000	
7	MODS	BCS/	1.133	
8	MODS	OCR/	0.082	
9	MODS	FSM/	0.014	
10	MODS	LSM/	0.006	
11	MODS	MECPARC	0.000	
12	MODS	SPBS OTH	0.006	
13	MODS	SPBSPRIO	0.001	
14	MODS	1SACKS M	0.015	
15	MODS	MANF	0.003	
16	MODS	MANL	0.277	
17	MODS	MANP	0.002	
18	MODS	PRIORITY	0.002	
19	MODS	LD15	0.133	-0.030
20	MODS	1BULKPR	0.005	
21	MODS	1CANCMMP	0.023	
22	MODS	1OPBULK	0.066	
23	MODS	1OPPREF	0.224	-0.010
24	MODS	1PLATFRM	0.282	
25	MODS	1POUCHING	0.130	
26	MODS	1SACKS H	0.045	
27	MODS	1SCAN	0.016	
28	MODS	BUSREPLY	0.004	
29	MODS	EXPRESS	0.001	
30	MODS	MAILGRAM	0.000	
31	MODS	REGISTRY	0.001	
32	MODS	REWRAP	0.002	
33	MODS	1EEQMT	0.009	
34	MODS	INTL	0.002	
35	MODS	LD41	0.052	
36	MODS	LD42	0.000	
37	MODS	LD43	0.120	-0.030
38	MODS	LD44	0.058	-0.020
39	MODS	LD48 EXP	0.000	
40	MODS	LD48 SSV	0.012	
41	MODS	LD49	0.216	-0.040
42	MODS	LD79	0.018	
43	MODS	1SUPP F1	0.037	
44	MODS	1SUPP F4	0.068	-0.030
45	NONMODS	ALLIED	0.173	-0.020
46	NONMODS	AUTO/MECH	0.193	
47	NONMODS	EXPRESS	0.000	
48	NONMODS	MANF	0.001	
49	NONMODS	MANL	0.331	
50	NONMODS	MANP	0.000	
51	NONMODS	MISC	0.078	-0.020
52	NONMODS	REGISTRY	0.002	
<b>Refined Total Unit Cost</b>			<b>3.842</b>	<b>-0.200</b>

1/ Cost pools are from Col6 of Table 9 in WP1.

2/ Adjustments are based on "breakthrough productivity" which brings the unit costs into line with Standard (A) Regular Automation for 8 cost pools, except in the case of the case of MODS LD79 which is brought in line with Standard (A) Regular Nonautomation.

**Table A3**

**R2000-1 CRA First-Class Letter Mail Processing Unit Costs (Cents)  
Single Piece Metered Letters  
Refined R2000-1 Methodology**

Cost Pool	Cost Pool	Col 1 Revised CRA Mail Processing Direct Costs with Original Piggybacks	Col 2 R2000-1 Refined Worksharing Related (Proportional) Cost Pools	Col 3 R2000-1 Refined Worksharing Related (Fixed) Cost Pools	Col 4 R2000-1 Refined Worksharing Related (Proportional) Units Costs	Col 5 R2000-1 Refined Worksharing Related (Fixed) Unit Costs	Col 6 R2000-1 Combined Worksharing Related Unit Costs
No.	Source Abbreviation						
		1/					
1	BMCS NMO	0.000					
2	BMCS OTHR	0.001					
3	BMCS PLA	0.000					
4	BMCS PSM	0.000					
5	BMCS SPB	0.001					
6	BMCS SSM	0.000					
7	MODS BCS/	1.974	X		1.974		1.974
8	MODS OCR/	0.600	X		0.600		0.600
9	MODS FSM/	0.052					
10	MODS LSM/	0.027	X		0.027		0.027
11	MODS MECPARC	0.001					
12	MODS SPBS OTH	0.013	X		0.013		0.013
13	MODS SPBSPRIO	0.001					
14	MODS 1SACKS M	0.036	X		0.036		0.036
15	MODS MANF	0.015					
16	MODS MANL	1.566	X		1.566		1.566
17	MODS MANP	0.002					
18	MODS PRIORITY	0.005					
19	MODS LD15	0.669	X		0.669		0.669
20	MODS 1BULKPR	0.008		X		0.008	0.008
21	MODS 1CANCMP	0.301	X		0.301		0.301
22	MODS 1OPBULK	0.164		X	0.164		0.164
23	MODS 1OPREF	0.491		X	0.491		0.491
24	MODS 1PLATFRM	0.757		X	0.757		0.757
25	MODS 1POUCHING	0.349		X	0.349		0.349
26	MODS 1SACKS H	0.105		X	0.105		0.105
27	MODS 1SCAN	0.036					
28	MODS BUSREPLY	0.009					
29	MODS EXPRESS	0.004					
30	MODS MAILGRAM	0.000					
31	MODS REGISTRY	0.013					
32	MODS REWRAP	0.009	X		0.009		0.009
33	MODS 1EEQMT	0.025		X		0.025	0.025
34	MODS INTL	0.007		X		0.007	0.007
35	MODS LD41	0.074	X		0.074		0.074
36	MODS LD42	0.001	X		0.001		0.001
37	MODS LD43	0.369	X		0.369		0.369
38	MODS LD44	0.196	X		0.196		0.196
39	MODS LD48 EXP	0.000					
40	MODS LD48 SSV	0.021					
41	MODS LD49	0.279		X		0.279	0.279
42	MODS LD79	0.011		X		0.011	0.011
43	MODS 1SUPP F1	0.112		X		0.112	0.112
44	MODS 1SUPP F4	0.304	X		0.304		0.304
45	NONMO ALLIED	0.434		X		0.434	0.434
46	NONMO AUTO/MECH	0.366	X		0.366		0.366
47	NONMO EXPRESS	0.000					
48	NONMO MANF	0.004					
49	NONMO MANL	0.969	X		0.969		0.969
50	NONMO MANP	0.002					
51	NONMO MISC	0.181	X		0.181		0.181
52	NONMO REGISTRY	0.017					
	<b>Total Unit Costs</b>	<b>10.582</b>			<b>9.523</b>	<b>0.876</b>	<b>10.399</b>

1/ Cost Pools are from Col3 of Table 9 in WP1.

**Table A4****Original and Revised  
Model Costs (Cents)**

Rate Category	Model Cost (Cents)		
	Original with Piggybacks	Revised with no Piggybacks	Revised with Original Piggybacks
	1/	2/	3/
FC Automation Basic	4.093	2.301	4.154
FC Automation 3 Digit	3.093	1.742	3.139
FC Automation Other	1.719	0.887	1.745
FC Automation 5 Digit CSBCS	2.206	1.321	2.238

1/ From LR-I-162, Excel file Appi.xls, pages I-24, I-26, I-28, & I-30.  
2/ From LR-I-420, Excel file, LR420p2a.xls, pages I-24, I-26, I-28, & I-30.  
3/ For each rate category, the original piggyback factors from LR-I-162, were applied to the revised direct costs sheet and the model costs were recalculated.

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	<u>Proposed R2000-1</u>	<u>Alternate Proposal</u>	<u>Alternate Proposal Compared to Proposed R2000-1 Difference</u>
First-Class Letters and Flats - Single Piece	168.4%	167.0%	-1.42%
First-Class Letters and Flats - Presort	260.7%	256.5%	-4.27%
First-Class Cards - Single Piece	111.0%	111.1%	0.02%
First-Class Cards - Private Presort	258.1%	258.1%	0.01%
<i>Total First Class</i>	191.8%	190.0%	-1.82%
<i>Total Periodical</i>	100.6%	100.6%	0.00%
Standard Single Piece			
Standard Regular	140.1%	149.7%	9.51%
Standard Regular Enhanced Carrier Route	196.4%	201.5%	5.10%
Standard Regular and Enhanced Carrier Route	156.3%	164.7%	8.39%
Standard Nonprofit	113.3%	113.3%	0.00%
Standard Nonprofit Enhanced Carrier Route	131.3%	131.3%	0.00%
<i>Total Standard A</i>	150.4%	157.3%	6.93%
<i>Total Standard B</i>	108.0%	108.0%	0.00%
<i>Priority Mail, Express Mail and Mailgrams</i>	182.3%	182.3%	0.00%
<i>Postal Penalty and Free-for-the Blind</i>	0.0%	0.0%	0.00%
<i>International Mail</i>	113.3%	113.3%	0.00%
<i>Special Services</i>	151.8%	151.8%	0.00%
<i>Total Mail &amp; Services</i>	166.2%	167.2%	0.95%
Total	99.6%	99.7%	0.12%

Cost coverage for a mail type is the ratio of revenue (p. 9) to volume variable cost (p. 11) for the mail type.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposal</u> Compared to <u>Proposed</u> <u>R2000-1</u> <u>Difference</u>	<u>Percent</u> <u>Difference</u>
First-Class Letters and Flats - Single Piece	0.340	0.340	0.000	0.0%
First-Class Letters and Flats - Single Piece Additional Ounces	0.230	0.220	-0.010	-4.3%
First-Class PRM and QBRM Letters	0.310	0.310	0.000	0.0%
First-Class Letters and Flats - Workshared per Piece Rate				
Nonautomated Presort	0.320	0.320	0.000	0.0%
Automated Basic Letters	0.280	0.274	-0.006	-2.1%
Automated Basic Flats	0.310	0.310	0.000	0.0%
Automated 3-Digit Letters	0.271	0.262	-0.009	-3.3%
Automated 5-Digit Letters	0.253	0.245	-0.008	-3.2%
Automated 3/5-Digit Flats	0.277	0.277	0.000	0.0%
Automated Carrier-Route Letters	0.248	0.248	0.000	0.0%
First-Class Letters and Flats - Workshared per Pound Rate				
Nonautomated Presort	0.000	0.000	0.000	---
Automated Basic Letters	0.000	0.000	0.000	---
Automated Basic Flats	0.000	0.000	0.000	---
Automated 3-Digit Letters	0.000	0.000	0.000	---
Automated 5-Digit Letters	0.000	0.000	0.000	---
Automated 3/5-Digit Flats	0.000	0.000	0.000	---
Automated Carrier-Route Letters	0.000	0.000	0.000	---
First-Class Letters and Flats - Workshared Second Ounce	0.230	0.174	-0.056	-24.3%
First-Class Letters and Flats - Workshared Third Ounce	0.184	0.174	-0.010	-5.4%
First-Class Letters and Flats - Workshared Ounces Above Third	0.230	0.220	-0.010	-4.3%
First-Class Stamped Cards	0.230	0.230	0.000	0.0%
First-Class PRM and QBRM Cards	0.180	0.180	0.000	0.0%
First-Class Private Cards				
Single Piece Cards	0.210	0.210	0.000	0.0%
Single Piece Cards at Letter Rates	0.340	0.340	0.000	0.0%
Nonautomated Presort Cards	0.190	0.190	0.000	0.0%
Automated Basic Cards	0.174	0.174	0.000	0.0%
Automated 3-Digit Cards	0.167	0.167	0.000	0.0%
Automated 5-Digit Cards	0.154	0.154	0.000	0.0%
Automated Carrier-Route Cards	0.149	0.149	0.000	0.0%
Standard Single Piece				
Standard Regular				
Nonautomated Basic Letters	0.242	0.248	0.006	2.6%
Nonautomated Basic Nonletters	0.311	0.317	0.006	2.0%
Nonautomated Presort Letters	0.225	0.238	0.013	5.6%
Nonautomated Presort Nonletters	0.258	0.271	0.013	4.9%
Automated Basic Letters	0.200	0.213	0.013	6.3%
Automated Basic Flats	0.267	0.280	0.013	4.7%
Automated 3-Digit Letters	0.193	0.212	0.019	9.8%
Automated 5-Digit Letters	0.172	0.191	0.019	11.1%
Automated 3/5-Digit Flats	0.231	0.250	0.019	8.2%
Standard Regular - Second Ounce	0.000	0.000	0.000	---
Standard Regular - Third Ounce	0.000	0.000	0.000	---
Standard Regular - Ounces Above Third	0.041	0.041	0.000	0.0%
Standard Regular Enhanced Carrier Route				
Automated	0.163	0.169	0.006	3.9%
Basic Letters	0.175	0.181	0.006	3.6%
Basic Nonletters	0.175	0.181	0.006	3.6%
High-Density Letters	0.152	0.158	0.006	4.2%
High-Density Nonletters	0.154	0.160	0.006	4.1%
Saturation Letters	0.143	0.149	0.006	4.4%
Saturation Nonletters	0.148	0.154	0.006	4.3%

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1 <u>Difference</u>	<u>Percent</u> <u>Difference</u>
Standard Regular Enhanced Carrier Route - Second Ounce	0.000	0.000	0.000	---
Standard Regular Enhanced Carrier Route - Third Ounce	0.000	0.000	0.000	---
Standard Regular Enhanced Carrier Route - Ounces Above Third	0.037	0.037	0.000	0.0%

Key rates are inputs to the model and are the rate for one specific type of mail. The key rates for Proposed R2000-1 are obtained from Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, Docket No. R2000-1. Key rates for an alternative proposal are set by the model user by changing each key rate or each discount and the mail type to which the discount is relative. Discounts are shown on p. 12.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposal</u> <u>Compared to</u> <u>Proposed</u> <u>R2000-1</u>	<u>Percent</u> <u>Difference</u>
First-Class Single Piece Additional Ounces	0.230	0.220	-0.010	-4.3%
First-Class Letters - Workshared per Pound Rate				
Nonautomated Presort	0.000	0.000	0.000	---
Automated Basic Letters	0.000	0.000	0.000	---
Automated 3-Digit Letters	0.000	0.000	0.000	---
Automated 5-Digit Letters	0.000	0.000	0.000	---
Automated Carrier-Route Letters	0.000	0.000	0.000	---
First-Class Workshared				
Second Ounce	0.230	0.174	-0.056	-24.3%
Third Ounce	0.184	0.174	-0.010	-5.4%
Above Third Ounce	0.230	0.220	-0.010	-4.3%
Standard Regular Addition for Pound Rate		0.000	0.000	---
Standard Regular Additional Ounces				
Second Ounce	0.000	0.000	0.000	---
Third Ounce	0.000	0.000	0.000	---
Above Third Ounce	0.041	0.041	0.000	---
Standard Enhanced Carrier Route Addition for Pound Rate		0.000	0.000	---
Standard Enhanced Carrier Route				
Second Ounce	0.000	0.000	0.000	---
Third Ounce	0.000	0.000	0.000	---
Above Third Ounce	0.037	0.037	0.000	---

Additional ounce and pound rates are inputs to the model. The additional ounce and pound rates for Proposed R2000-1 are obtained from Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, Docket No. R2000-1 -1. Additional ounce and pound rates for an alternative proposal are set by the model user by changing each rate.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Total Revenues	69,378.429	69,009.640	-368.789	-0.5%
Total Revenue Requirement (Equals Total Costs)	69,644.860	69,188.571	-456.289	-0.7%
Surplus (Deficiency)	<b>(266.431)</b>	<b>(178.931)</b>	87.5	-32.8%

Total Revenue is obtained from the Revenue Table on p. 6. Total Revenue Requirement (Total Costs) is obtained from the Cost Table on p. 11. Net Surplus(Deficiency) is Total Revenues minus Total Revenue Requirement.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposed</u> <u>Compared to</u> <u>Proposed</u> <u>R2000-1</u>	<u>Percent</u> <u>Difference</u>
First-Class Letters and Flats - Single Piece Including QBRM	52,877.658	52,273.908	-603.750	-1.1%
First-Class Letters and Flats - Single Piece Additional Ounces	19,331.807	19,111.079	-220.728	-1.1%
First-Class PRM and QBRM Letters	388.063	383.632	-4.431	-1.1%
First-Class Letters and Flats - Workshared	46,979.736	48,160.191	1,180.454	2.5%
Nonautomated Presort	2,586.288	2,635.932	49.644	1.9%
Automated Basic Letters	5,620.726	5,757.090	136.364	2.4%
Automated Basic Flats	52.293	53.486	1.192	2.3%
Automated 3-Digit Letters	24,508.201	25,189.765	681.565	2.8%
Automated 5-Digit Letters	12,362.727	12,638.093	275.367	2.2%
Automated 3/5-Digit Flats	304.691	311.497	6.806	2.2%
Automated Carrier-Route Letters	1,544.810	1,574.326	29.516	1.9%
First-Class Letters and Flats - Workshared Ounces One to Two	1,681.963	1,724.226	42.263	2.5%
First-Class Letters and Flats - Workshared Ounces Two to Three	471.274	483.116	11.842	2.5%
First-Class Letters and Flats - Workshared Ounces Over Three	351.346	360.174	8.828	2.5%
First-Class Stamped Cards	415.873	415.873	0.000	0.0%
First-Class PRM and QBRM Cards	62.005	61.936	-0.069	-0.1%
First-Class Private Cards	5,025.078	5,013.495	-11.583	-0.2%
Single-Piece Cards including QBRM & Stamped	2,354.910	2,352.271	-2.639	-0.1%
Nonautomated Presort Cards	383.715	383.477	-0.238	-0.1%
Automated Basic Cards	548.060	545.904	-2.156	-0.4%
Automated 3-Digit Cards	939.713	935.619	-4.094	-0.4%
Automated 5-Digit Cards	661.035	658.608	-2.427	-0.4%
Automated Carrier-Route Cards	137.645	137.615	-0.029	0.0%
<b>Total First Class</b>	<b>105,748.413</b>	<b>106,309.034</b>	<b>560.621</b>	<b>0.5%</b>
<b>Total Periodical</b>	<b>10,321.166</b>	<b>10,321.166</b>	<b>0.000</b>	<b>0.0%</b>
Standard Single Piece				
Standard Regular	40,998.656	39,356.522	-1,642.134	-4.0%
Nonautomated Basic Letters	1,011.823	1,040.271	28.448	2.8%
Nonautomated Basic Nonletters	1,045.493	1,059.750	14.257	1.4%
Nonautomated Presort Letters	1,455.143	1,918.561	463.418	31.8%
Nonautomated Presort Nonletters	1,791.588	1,782.608	-8.980	-0.5%
Automated Basic Letters	4,120.244	3,943.902	-176.341	-4.3%
Automated Basic Flats	347.480	324.277	-23.203	-6.7%
Automated 3-Digit Letters	13,450.018	12,445.289	-1,004.729	-7.5%
Automated 5-Digit Letters	6,378.638	5,735.195	-643.443	-10.1%
Automated 3/5-Digit Flats	11,398.229	11,106.668	-291.561	-2.6%
Standard Regular - Second Ounce	21,688.159	20,819.475	-868.684	-4.0%
Standard Regular - Third Ounce	14,231.318	13,661.306	-570.012	-4.0%
Standard Regular - Ounces Above Third	43,681.757	41,932.156	-1,749.601	-4.0%
Standard Regular Enhanced Carrier Route	32,828.212	31,945.286	-882.926	-2.7%
Automated	1,851.903	1,789.317	-62.586	-3.4%
Basic Letters	5,449.490	5,274.423	-175.067	-3.2%
Basic Nonletters	11,794.849	11,588.040	-206.809	-1.8%
High-Density Letters	393.109	376.720	-16.389	-4.2%
High-Density Nonletters	1,479.259	1,445.772	-33.486	-2.3%
Saturation Letters	2,692.107	2,572.196	-119.910	-4.5%
Saturation Nonletters	9,167.496	8,898.817	-268.679	-2.9%
Standard Enhanced Carrier Route - Second Ounce	20,981.342	20,417.042	-564.300	-2.7%
Standard Enhanced Carrier Route - Third Ounce	15,424.743	15,009.890	-414.854	-2.7%
Standard Enhanced Carrier Route - Ounces Above Third	44,786.350	43,581.805	-1,204.544	-2.7%
Standard Regular and Enhanced Carrier Route	73,826.868	71,301.808	-2,525.060	-3.4%
Standard Nonprofit	11,425.579	11,425.579	0.000	0.0%
Standard Nonprofit Enhanced Carrier Route	2,851.875	2,851.875	0.000	0.0%
<b>Total Standard A</b>	<b>88,104.322</b>	<b>85,579.262</b>	<b>-2,525.060</b>	<b>-2.9%</b>

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1 <u>Difference</u>	<u>Percent</u> <u>Difference</u>
<i>Total Standard B</i>	1,133.060	1,133.060	0.000	0.0%
<i>Priority Mail, Express Mail and Mailgrams</i>	1,381.313	1,381.313	0.000	0.0%
<i>Postal Penalty and Free-for-the Blind</i>	405.217	405.217	0.000	0.0%
<b>Total Domestic Mail</b>	207,093.490	205,129.052	-1,964.439	-0.9%
<b>International Mail</b>	1,032.013	1,032.013	0.000	0.0%
<b>Total Domestic and International Mail</b>	208,125.503	206,161.065	-1,964.439	-0.9%

Proposed R2000-1 volumes are obtained from the direct testimony of George S. Tolley USPS-T-6. The Alternate volumes are estimated based on the inputs given to the Tolley's forecasting model accompanying his testimony

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposal</u> <u>Compared to</u> <u>Proposed</u> <u>R2000-1</u>	<u>Percent</u> <u>Difference</u>
First-Class Letters and Flats - Single Piece Except QBRM	18,012.791	17,807.124	-205.667	-1.1%
First-Class Letters and Flats - Single Piece Additional Ounces	4,487.755	4,243.623	-244.133	-5.4%
First-Class PRM and QBRM Letters	121.421	120.034	-1.386	-1.1%
First-Class Single-Piece Letter Fees	167.072	167.072	0.000	0.0%
Nonstandard Pieces	52.825	52.825	0.000	0.0%
First-Class Letters and Flats - Workshared Total	13,250.227	13,113.915	-136.312	-1.0%
First-Class Letters and Flats - Workshared	12,650.896	12,606.427	-44.469	-0.4%
Nonautomated Presort	826.756	842.626	15.870	1.9%
Automated Basic Letters	1,570.409	1,574.041	3.631	0.2%
Automated Basic Flats	12.758	13.049	0.291	2.3%
Automated 3-Digit Letters	6,644.313	6,602.292	-42.020	-0.6%
Automated 5-Digit Letters	3,128.990	3,097.540	-31.449	-1.0%
Automated 3/5-Digit Flats	84.487	86.375	1.887	2.2%
Automated Carrier-Route Letters	383.182	390.504	7.321	1.9%
First-Class Letters and Flats - Workshared Ounces One to Two	387.360	300.410	-86.950	-22.4%
First-Class Letters and Flats - Workshared Ounces Two to Three	108.535	105.216	-3.320	-3.1%
First-Class Letters and Flats - Workshared Ounces Over Three	80.916	79.342	-1.573	-1.9%
First-Class Letters and Flats - Workshared Fees	22.520	22.520	0.000	0.0%
First-Class Stamped Cards	87.587	87.587	0.000	0.0%
First-Class PRM and QBRM Cards	11.193	11.181	-0.013	-0.1%
First-Class Private Cards	944.717	942.678	-2.039	-0.2%
Single-Piece Cards at Cards Rates	459.814	459.299	-0.515	-0.1%
Single-Piece Cards at Letter Rates	37.392	37.350	-0.042	-0.1%
Nonautomated Presort Cards	72.908	72.863	-0.045	-0.1%
Automated Basic Cards	95.362	94.987	-0.375	-0.4%
Automated 3-Digit Cards	156.932	156.248	-0.684	-0.4%
Automated 5-Digit Cards	101.799	101.426	-0.374	-0.4%
Automated Carrier-Route Cards	20.509	20.505	-0.004	0.0%
First-Class Single Piece Cards Fees	7.636	7.636	0.000	0.0%
First-Class Workshared Cards Fees	1.278	1.278	0.000	0.0%
<b>Total First Class</b>	<b>37,144.502</b>	<b>36,554.952</b>	<b>-589.550</b>	<b>-1.6%</b>
<b>Total Periodical</b>	<b>2,447.622</b>	<b>2,447.622</b>	<b>0.000</b>	<b>0.0%</b>
Standard Single Piece				
Standard Regular	9,126.996	9,356.200	229.205	2.5%
Nonautomated Basic Letters	244.861	258.337	13.476	5.5%
Nonautomated Basic Nonletters	244.721	253.112	8.391	3.4%
Nonautomated Presort Letters	311.289	433.542	122.253	39.3%
Nonautomated Presort Nonletters	286.353	298.913	12.560	4.4%
Automated Basic Letters	824.049	838.762	14.713	1.8%
Automated Basic Flats	68.472	66.932	-1.539	-2.2%
Automated 3-Digit Letters	2,461.089	2,501.541	40.452	1.6%
Automated 5-Digit Letters	1,033.214	1,031.662	-1.552	-0.2%
Automated 3/5-Digit Flats	1,694.874	1,787.428	92.554	5.5%
Standard Regular - Second Ounce	0.000	0.000	0.000	---
Standard Regular - Third Ounce	0.000	0.000	0.000	---
Standard Regular - Ounces Above Third	1,804.603	1,732.322	-72.280	-4.0%
Fees, Residual Shape, and Adjustments	146.562	146.562	0.000	0.0%
Standard Regular Enhanced Carrier Route	5,164.832	5,156.388	-8.443	-0.2%
Automated	301.860	302.997	1.137	0.4%
Basic Letters	953.661	956.446	2.785	0.3%
Basic Nonletters	1,392.163	1,417.278	25.115	1.8%
High-Density Letters	41.970	41.897	-0.073	-0.2%
High-Density Nonletters	54.842	55.806	0.964	1.8%
Saturation Letters	263.192	262.612	-0.580	-0.2%
Saturation Nonletters	503.861	510.035	6.173	1.2%
Standard Enhanced Carrier Route - Second Ounce	0.000	0.000	0.000	---
Standard Enhanced Carrier Route - Third Ounce	0.000	0.000	0.000	---
Standard Enhanced Carrier Route - Ounces Above Third	1,634.702	1,590.736	-43.966	-2.7%
Fees, Residual Shape, and Adjustments	19.764	19.764	0.000	0.0%
Standard Regular and Enhanced Carrier Route	14,291.827	14,512.588	220.761	1.5%

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposal</u> Compared to Proposed R2000-1	<u>Percent</u> <u>Difference</u>
Standard Nonprofit	1,544.246	1,544.246	0.000	0.0%
Standard Nonprofit Enhanced Carrier Route	262.328	262.328	0.000	0.0%
<i>Total Standard A</i>	16,098.401	16,319.162	220.761	1.4%
<i>Total Standard B</i>	2,147.597	2,147.597	0.000	0.0%
<i>Priority Mail, Express Mail and Mailgrams</i>	6,679.061	6,679.061	0.000	0.0%
<i>Postal Penalty and Free-for-the Blind</i>	0.000	0.000	0.000	---
<i>Total Domestic Mail</i>	64,517.185	64,148.395	-368.789	-0.6%
<i>International Mail</i>	1,778.913	1,778.913	0.000	0.0%
<i>Special Services</i>	2,347.559	2,347.559	0.000	0.0%
<i>Other Income</i>	687.847	687.847	0.000	0.0%
<i>Attributable Revenue</i>	69,331.504	68,962.715	-368.789	-0.5%
<i>Continuing Appropriations</i>	67.093	67.093	0.000	0.0%
<i>Investment Income</i>	-20.168	-20.168	0.000	0.0%
<i>Total Revenue</i>	69,378.429	69,009.640	-368.789	-0.5%

Revenue is revenue per piece or key rate multiplied by volume for First-Class and Standard A.. For other types of mails and other types of revenues (e.g. special services, other income) revenue is set at the levels shown in the response of witness Mayes (USPS-T-32) to POIR No. 16, revised 8-4-00.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1	<u>Percent</u> <u>Difference</u>
First-Class Letters and Flats - Single Piece	13,565.268	13,410.382	-154.886	-1.1%
First-Class Letters and Flats - Presort	5,081.634	5,112.999	31.365	0.6%
First-Class Cards - Single Piece	543.567	542.958	-0.609	-0.1%
First-Class Cards - Private Presort	173.866	173.284	-0.582	-0.3%
<b>Total First Class</b>	19,364.335	19,239.622	-124.713	-0.6%
<b>Total Periodical</b>	2,431.920	2,431.920	0.000	0.0%
Standard Single Piece				
Standard Regular	6,512.735	6,251.878	-260.857	-4.0%
Standard Regular Enhanced Carrier Route	2,629.439	2,558.719	-70.720	-2.7%
Standard Regular and Enhanced Carrier Route	9,142.174	8,810.597	-331.577	-3.6%
Standard Nonprofit	1,363.390	1,363.390	0.000	0.0%
Standard Nonprofit Enhanced Carrier Route	199.829	199.829	0.000	0.0%
<b>Total Standard A</b>	10,705.393	10,373.816	-331.577	-3.1%
<b>Total Standard B</b>	1,987.663	1,987.663	0.000	0.0%
<b>Priority Mail, Express Mail and Mailgrams</b>	3,663.310	3,663.310	0.000	0.0%
<b>Postal Penalty and Free-for-the Blind</b>	31.833	31.833	0.000	0.0%
<b>Total Domestic Mail</b>	38,184.454	37,728.165	-456.289	-1.2%
<b>International Mail</b>	1,570.744	1,570.744	0.000	0.0%
<b>Special Services</b>	1,546.107	1,546.107	0.000	0.0%
<b>Other Variable Costs</b>	0.000	0.000	0.000	---
<b>Attributable Costs</b>	41,301.305	40,845.016	-456.289	-1.1%
<b>Total Other Costs</b>	28,031.846	28,031.846	0.000	0.0%
<b>Prior Years Loss Recovery</b>	311.709	311.709	0.000	0.0%
<b>Total Costs</b>	69,644.860	69,188.571	-456.289	-0.7%

  

Volume Variable Cost per Piece (Dollars per Piece)			
	Proposed R2000-1	Alternate <u>Proposal</u>	
First-Class Letters and Flats - Single P	0.2565	0.2565	
First-Class Letters and Flats - Presort	0.1082	0.1062	
First-Class Cards - Single Piece	0.2308	0.2308	
First-Class Cards - Private Presort	0.0651	0.0651	
Standard Regular	0.1589	0.1589	
Standard Regular Enhanced Carrier R	0.0801	0.0801	
			Balanced Cost Reduction -0.00200

Costs are cost per piece multiplied by volume for First-Class and standard (A) commercial mail. For other types of mail and other types of revenue (e.g., special services, other variable costs), costs are set at the levels expected by the Postal Service in R2000-1 Proposed.

	<u>Proposed R2000-1</u>	<u>Alternate Proposal</u>	<u>Alternate Proposal Compared to Proposed R2000-1 Difference</u>	<u>Percent Difference</u>
First-Class Single Piece Letters Rate	0.340	0.340	0.000	0.0%
First-Class Letters and Flats - Workshared Discounts for:				
Nonautomated Presort	0.020	0.020	0.000	0.0%
Automated Basic Letters	0.060	0.066	0.006	10.0%
Automated Basic Flats	0.030	0.030	0.000	0.0%
Automated 3-Digit Letters	0.069	0.078	0.009	13.0%
Automated 5-Digit Letters	0.087	0.095	0.008	9.2%
Automated 3/5-Digit Flats	0.063	0.063	0.000	0.0%
Automated Carrier-Route Letters	0.092	0.092	0.000	0.0%
Workshared Discount on Second Ounce	0.000	0.046	0.046	---
Workshared Discount on Third Ounce	0.046	0.046	0.000	0.0%
First-Class Single Piece Cards Rate	0.210	0.210	0.000	0.0%
First-Class Private Cards - Workshared Discounts for:				
Nonautomated Presort Cards	0.020	0.020	0.000	0.0%
Automated Basic Cards	0.036	0.036	0.000	0.0%
Automated 3-Digit Cards	0.043	0.043	0.000	0.0%
Automated 5-Digit Cards	0.056	0.056	0.000	0.0%
Automated Carrier-Route Cards	0.061	0.061	0.000	0.0%
Standard Regular Discount Decrease and Enhanced Carrier Route Rate Increase from Proposed R2000-1			0.00634	
Standard Regular Nonautomated Basic Letters Rate	0.242	0.248	0.006	2.6%
Standard Regular Letters Discounts for:				
Nonautomated Presort Letters	0.017	0.011	-0.006	-37.3%
Automated Basic Letters	0.042	0.036	-0.006	-15.1%
Automated 3-Digit Letters	0.032	0.026	-0.006	-19.8%
Automated 5-Digit Letters	0.053	0.047	-0.006	-12.0%
Standard Regular Nonautomated Basic Nonletters Rate	0.311	0.317	0.006	2.0%
Standard Regular Nonletters Discounts for:				
Nonautomated Presort Nonletters	0.053	0.047	-0.006	-12.0%
Automated Basic Flats	0.044	0.038	-0.006	-14.4%
Automated 3/5-Digit Flats	0.027	0.021	-0.006	-23.5%
Standard Regular Enhanced Carrier Route Basic Letters Rate	0.175	0.181	0.006	3.6%
Standard Regular Enhanced Carrier Route Letters Discounts for:				
Automated	0.012	0.012	0.000	0.0%
High-Density Letters	0.023	0.023	0.000	0.0%
Saturation Letters	0.032	0.032	0.000	0.0%
Standard Regular Enhanced Carrier Route Basic Nonletters	0.175	0.181	0.006	3.6%
Standard Regular Enhanced Carrier Route Nonletters Discount for:				
High-Density Nonletters	0.021	0.021	0.000	0.0%
Saturation Nonletters	0.027	0.027	0.000	0.0%
Standard Regular				
BMC Destination Entry	0.017	0.011	0.006	37.3%
SCF Destination Entry	0.022	0.016	0.006	28.8%
DDU Destination Entry	0.028	0.022	0.006	22.6%

Discounts are inputs to the model and are the discount for one specific type of mail. The discounts for Proposed R2000-1 are obtained from Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, Docket No. R2000-1. Discounts for an alternative proposal are set by the model user by changing each key rate or each discount and the mail type to which the discount is relative. Key rates are shown on p. 3.

	<u>Proposed R2000-</u> <u>1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposal</u> <u>Compared to</u> <u>Proposed</u> <u>R2000-1</u> <u>Difference</u>
First-Class Letters and Flats - Single Piece	0.3442	0.3442	0.000
First-Class Letters and Flats - Single Piece Additional Ounces	0.2300	0.2200	-0.010
First-Class PRM and QBRM Letters	0.3100	0.3100	0.000
First-Class Letters and Flats - Workshared per Piece Rate			
Nonautomated Presort	0.3197	0.3197	0.000
Automated Basic Letters	0.2794	0.2734	-0.006
Automated Basic Flats	0.2440	0.2440	0.000
Automated 3-Digit Letters	0.2711	0.2621	-0.009
Automated 5-Digit Letters	0.2531	0.2451	-0.008
Automated 3/5-Digit Flats	0.2773	0.2773	0.000
Automated Carrier-Route Letters	0.2480	0.2480	0.000
First-Class Letters and Flats - Workshared per Pound Rate			
Nonautomated Presort	0.0000	0.0000	0.000
Automated Basic Letters	0.0000	0.0000	0.000
Automated Basic Flats	0.0000	0.0000	0.000
Automated 3-Digit Letters	0.0000	0.0000	0.000
Automated 5-Digit Letters	0.0000	0.0000	0.000
Automated 3/5-Digit Flats	0.0000	0.0000	0.000
Automated Carrier-Route Letters	0.0000	0.0000	0.000
First-Class Letters and Flats - Workshared Ounces One to Two	0.2300	0.1740	-0.056
First-Class Letters and Flats - Workshared Ounces Two to Three	0.2300	0.2175	-0.013
First-Class Letters and Flats - Workshared Ounces Over Three	0.2300	0.2200	-0.010
First-Class Stamped Cards	0.2106	0.2106	0.000
First-Class PRM and QBRM Cards	0.1805	0.1805	0.000
First-Class Private Cards			
Single Piece Cards at Cards Rates	0.2106	0.2106	0.000
Single Piece Cards at Letter Rates	0.3410	0.3410	0.000
Nonautomated Presort Cards	0.1900	0.1900	0.000
Automated Basic Cards	0.1740	0.1740	0.000
Automated 3-Digit Cards	0.1670	0.1670	0.000
Automated 5-Digit Cards	0.1540	0.1540	0.000
Automated Carrier-Route Cards	0.1490	0.1490	0.000
Standard Single Piece			
Standard Regular			
Nonautomated Basic Letters	0.2420	0.2483	0.006
Nonautomated Basic Nonletters	0.2341	0.2388	0.005
Nonautomated Presort Letters	0.2139	0.2260	0.012
Nonautomated Presort Nonletters	0.1598	0.1677	0.008
Automated Basic Letters	0.2000	0.2127	0.013
Automated Basic Flats	0.1971	0.2064	0.009
Automated 3-Digit Letters	0.1830	0.2010	0.018
Automated 5-Digit Letters	0.1620	0.1799	0.018
Automated 3/5-Digit Flats	0.1487	0.1609	0.012
Standard Regular - Second Ounce	0.0000	0.0000	0.000
Standard Regular - Third Ounce	0.0000	0.0000	0.000
Standard Regular - Ounces Above Third	0.0413	0.0413	0.000
Standard Regular Enhanced Carrier Route			
Automated	0.1630	0.1693	0.006
Basic Letters	0.1750	0.1813	0.006
Basic Nonletters	0.1180	0.1223	0.004
High-Density Letters	0.1068	0.1112	0.004
High-Density Nonletters	0.0371	0.0386	0.002
Saturation Letters	0.0978	0.1021	0.004
Saturation Nonletters	0.0550	0.0573	0.002
Standard Enhanced Carrier Route - Second Ounce	0.0000	0.0000	0.000
Standard Enhanced Carrier Route - Third Ounce	0.0000	0.0000	0.000
Standard Enhanced Carrier Route - Ounces Above Third	0.0365	0.0365	0.000
Standard Nonprofit	0.1351	0.1351	0.000
Standard Nonprofit Enhanced Carrier Route	0.0926	0.0926	0.000

Updated revenue per piece for Proposed R2000-1 is taken from Lr-I-436 FCM\_HybRev.xls and WP1\_Hybv.xls. Revenue per piece in the Alternative Proposal is the key rate per piece (p. 3) multiplied by the key rate to revenue per piece adjustment (p. 15).

	<u>Proposed R2000-</u> <u>1</u>	<u>Alternate</u> <u>Proposal</u>
First-Class Single Piece	36.56%	36.56%
First-Class Workshared		
Second Ounce	3.58%	3.58%
Third Ounce	1.00%	1.00%
Ounces Above Third Ounce	0.75%	0.75%
Standard Regular		
Second Ounce	52.90%	52.90%
Third Ounce	34.71%	34.71%
Ounces Above Third Ounce	106.54%	106.54%
Standard Enhanced Carrier Route		
Second Ounce	63.91%	63.91%
Third Ounce	46.99%	46.99%
Ounces Above Third Ounce	136.43%	136.43%
Additional ounces charged for as a percentage of first ounces is obtained from R2000-1 LR-1-91 revised and LR-1-92		

	<u>Proposed R2000- 1</u>	<u>Alternate Proposal</u>	<u>Alternate Proposal Compared to Proposed R2000-1  Difference</u>
First-Class Single Piece	1.012	1.012	0.000
First-Class Letters and Flats - Single Piece Additional Ounces	1.000	1.000	0.000
First-Class PRM and QBRM Letters	1.000	1.000	0.000
First-Class Letters and Flats - Workshared per Piece Rate			
Nonautomated Presort	0.999	0.999	0.000
Automated Basic Letters	0.998	0.998	0.000
Automated Basic Flats	0.787	0.787	0.000
Automated 3-Digit Letters	1.000	1.000	0.000
Automated 5-Digit Letters	1.000	1.000	0.000
Automated 3/5-Digit Flats	1.000	1.000	0.000
Automated Carrier-Route Letters	1.000	1.000	0.000
First-Class Letters and Flats - Workshared per Pound Rate			
Nonautomated Presort	0.000	0.000	0.000
Automated Basic Letters	0.000	0.000	0.000
Automated Basic Flats	0.000	0.000	0.000
Automated 3-Digit Letters	0.000	0.000	0.000
Automated 5-Digit Letters	0.000	0.000	0.000
Automated 3/5-Digit Flats	0.000	0.000	0.000
Automated Carrier-Route Letters	0.000	0.000	0.000
First-Class Letters and Flats - Workshared Second Ounce	1.000	1.000	0.000
First-Class Letters and Flats - Workshared Third Ounce	1.250	1.250	0.000
First-Class Letters and Flats - Workshared Ounces Above 3	1.000	1.000	0.000
First-Class Stamped Cards	0.916	0.916	0.000
First-Class PRM and QBRM Cards	1.003	1.003	0.000
First-Class Private Cards			
Single Piece Cards	1.003	1.003	0.000
Nonautomated Presort	1.000	1.000	0.000
Automated Basic	1.000	1.000	0.000
Automated 3-Digit	1.000	1.000	0.000
Automated 5-Digit	1.000	1.000	0.000
Automated Carrier-Route	1.000	1.000	0.000
Standard Single Piece			
Standard Regular			
Nonautomated Basic Letters	1.000	1.000	0.000
Nonautomated Basic Nonletters	0.753	0.753	0.000
Nonautomated Presort Letters	0.951	0.951	0.000
Nonautomated Presort Nonletters	0.620	0.620	0.000
Automated Basic Letters	1.000	1.000	0.000
Automated Basic Flats	0.738	0.738	0.000
Automated 3-Digit Letters	0.948	0.948	0.000
Automated 5-Digit Letters	0.942	0.942	0.000
Automated 3/5-Digit Flats	0.644	0.644	0.000
Standard Regular - Second Ounce	1.000	1.000	0.000
Standard Regular - Third Ounce	1.000	1.000	0.000
Standard Regular - Ounces Above Third	1.000	1.000	0.000
Standard Regular Enhanced Carrier Route			
Automated	1.000	1.000	0.000
Basic Letters	1.000	1.000	0.000
Basic Nonletters	0.674	0.674	0.000
High-Density Letters	0.702	0.702	0.000
High-Density Nonletters	0.241	0.241	0.000
Saturation Letters	0.684	0.684	0.000
Saturation Nonletters	0.371	0.371	0.000
Standard Enhanced Carrier Route - Second Ounce	1.000	1.000	0.000
Standard Enhanced Carrier Route - Third Ounce	1.000	1.000	0.000
Standard Enhanced Carrier Route - Ounces Above Third	1.000	1.000	0.000

The key rate to revenue adjustment is the ratio of the key rate per piece (p. 3) to revenue per piece (p. 13).

	<u>Proposed R2000-1</u>	<u>Alternate Proposal</u>	<u>Alternate Proposal Compared to Proposed R2000-1 Difference</u>
<b>First-Class</b>			
Nonautomated Presort	0.020	0.020	0.000
Automated Basic Letters	0.060	0.066	0.006
Automated Basic Flats	0.030	0.030	0.000
Automated 3-Digit Letters	0.069	0.078	0.009
Automated 5-Digit Letters	0.087	0.095	0.008
Automated 3/5-Digit Flats	0.063	0.063	0.000
Automated Carrier-Route Letters	0.092	0.092	0.000
Second Ounce	0.000	0.046	0.046
Third Ounce	0.046	0.046	0.000
<b>First Class Cards</b>			
Nonautomated Presort	0.020	0.020	0.000
Automated Basic	0.036	0.036	0.000
Automated 3-Digit	0.043	0.043	0.000
Automated 5-Digit	0.056	0.056	0.000
Automated Carrier-Route	0.061	0.061	0.000
<b>Standard Regular</b>			
Nonautomated Presort Letters	0.017	0.011	-0.006
Nonautomated Presort Nonletters	0.053	0.047	-0.006
Automated Basic Letters	0.042	0.036	-0.006
Automated Basic Flats	0.044	0.038	-0.006
Automated 3-Digit Letters	0.032	0.026	-0.006
Automated 5-Digit Letters	0.053	0.047	-0.006
Automated 3/5-Digit Flats	0.027	0.021	-0.006
BMC Destination Entry Discount	0.017	0.011	-0.006
SCF Destination Entry Discount	0.022	0.016	-0.006
DDU Destination Entry	0.028	0.022	-0.006

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	<u>Proposed R2000-1</u>	<u>Alternate Proposal</u>	<u>Alternate Proposal Compared to Proposed R2000-1 Difference</u>
First-Class Letters and Flats - Single Piece	168.4%	167.8%	-0.60%
First-Class Letters and Flats - Presort	260.7%	257.7%	-3.01%
First-Class Cards - Single Piece	111.0%	111.6%	0.56%
First-Class Cards - Private Presort	258.1%	259.4%	1.28%
<b>Total First Class</b>	191.8%	190.9%	-0.90%
<b>Total Periodical</b>	100.6%	101.1%	0.49%
Standard Single Piece			
Standard Regular	140.1%	147.7%	7.60%
Standard Regular Enhanced Carrier Route	196.4%	201.1%	4.66%
Standard Regular and Enhanced Carrier Route	156.3%	163.2%	6.87%
Standard Nonprofit	113.3%	113.8%	0.56%
Standard Nonprofit Enhanced Carrier Route	131.3%	131.9%	0.64%
<b>Total Standard A</b>	150.4%	156.2%	5.79%
<b>Total Standard B</b>	108.0%	108.6%	0.53%
<b>Priority Mail, Express Mail and Mailgrams</b>	182.3%	183.2%	0.89%
<b>Postal Penalty and Free-for-the Blind</b>	0.0%	0.0%	0.00%
<b>International Mail</b>	113.3%	113.8%	0.56%
<b>Special Services</b>	151.8%	152.6%	0.74%
<b>Total Mail &amp; Services</b>	166.2%	167.5%	1.25%
<b>Total</b>	99.6%	100.0%	0.38%

Cost coverage for a mail type is the ratio of revenue (p. 9) to volume variable cost (p. 11) for the mail type.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1	<u>Percent</u> <u>Difference</u>
First-Class Letters and Flats - Single Piece	0.340	0.340	0.000	0.0%
First-Class Letters and Flats - Single Piece Additional Ounces	0.230	0.220	-0.010	-4.3%
First-Class PRM and QBRM Letters	0.310	0.310	0.000	0.0%
First-Class Letters and Flats - Workshared per Piece Rate				
Nonautomated Presort	0.320	0.320	0.000	0.0%
Automated Basic Letters	0.280	0.274	-0.006	-2.1%
Automated Basic Flats	0.310	0.310	0.000	0.0%
Automated 3-Digit Letters	0.271	0.262	-0.009	-3.3%
Automated 5-Digit Letters	0.253	0.245	-0.008	-3.2%
Automated 3/5-Digit Flats	0.277	0.277	0.000	0.0%
Automated Carrier-Route Letters	0.248	0.248	0.000	0.0%
First-Class Letters and Flats - Workshared per Pound Rate				
Nonautomated Presort	0.000	0.000	0.000	---
Automated Basic Letters	0.000	0.000	0.000	---
Automated Basic Flats	0.000	0.000	0.000	---
Automated 3-Digit Letters	0.000	0.000	0.000	---
Automated 5-Digit Letters	0.000	0.000	0.000	---
Automated 3/5-Digit Flats	0.000	0.000	0.000	---
Automated Carrier-Route Letters	0.000	0.000	0.000	---
First-Class Letters and Flats - Workshared Second Ounce	0.230	0.174	-0.056	-24.3%
First-Class Letters and Flats - Workshared Third Ounce	0.184	0.174	-0.010	-5.4%
First-Class Letters and Flats - Workshared Ounces Above Third	0.230	0.220	-0.010	-4.3%
First-Class Stamped Cards	0.230	0.230	0.000	0.0%
First-Class PRM and QBRM Cards	0.180	0.180	0.000	0.0%
First-Class Private Cards				
Single Piece Cards	0.210	0.210	0.000	0.0%
Single Piece Cards at Letter Rates	0.340	0.340	0.000	0.0%
Nonautomated Presort Cards	0.190	0.190	0.000	0.0%
Automated Basic Cards	0.174	0.174	0.000	0.0%
Automated 3-Digit Cards	0.167	0.167	0.000	0.0%
Automated 5-Digit Cards	0.154	0.154	0.000	0.0%
Automated Carrier-Route Cards	0.149	0.149	0.000	0.0%
Standard Single Piece				
Standard Regular				
Nonautomated Basic Letters	0.242	0.247	0.005	1.9%
Nonautomated Basic Nonletters	0.311	0.316	0.005	1.5%
Nonautomated Presort Letters	0.225	0.234	0.009	4.1%
Nonautomated Presort Nonletters	0.258	0.267	0.009	3.5%
Automated Basic Letters	0.200	0.209	0.009	4.6%
Automated Basic Flats	0.267	0.276	0.009	3.4%
Automated 3-Digit Letters	0.193	0.207	0.014	7.1%
Automated 5-Digit Letters	0.172	0.186	0.014	8.0%
Automated 3/5-Digit Flats	0.231	0.245	0.014	5.9%
Standard Regular - Second Ounce	0.000	0.000	0.000	---
Standard Regular - Third Ounce	0.000	0.000	0.000	---
Standard Regular - Ounces Above Third	0.041	0.041	0.000	0.0%
Standard Regular Enhanced Carrier Route				
Automated	0.163	0.168	0.005	2.8%
Basic Letters	0.175	0.180	0.005	2.6%
Basic Nonletters	0.175	0.180	0.005	2.6%
High-Density Letters	0.152	0.157	0.005	3.0%
High-Density Nonletters	0.154	0.159	0.005	3.0%
Saturation Letters	0.143	0.148	0.005	3.2%
Saturation Nonletters	0.148	0.153	0.005	3.1%

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1	<u>Percent</u> <u>Difference</u>
Standard Regular Enhanced Carrier Route - Second Ounce	0.000	0.000	0.000	---
Standard Regular Enhanced Carrier Route - Third Ounce	0.000	0.000	0.000	---
Standard Regular Enhanced Carrier Route - Ounces Above Third	0.037	0.037	0.000	0.0%

Key rates are inputs to the model and are the rate for one specific type of mail. The key rates for Proposed R2000-1 are obtained from Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, Docket No. R2000-1. Key rates for an alternative proposal are set by the model user by changing each key rate or each discount and the mail type to which the discount is relative. Discounts are shown on p. 12.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1 <u>Difference</u>	<u>Percent</u> <u>Difference</u>
First-Class Single Piece Additional Ounces	0.230	0.220	-0.010	-4.3%
First-Class Letters - Workshared per Pound Rate				
Nonautomated Presort	0.000	0.000	0.000	---
Automated Basic Letters	0.000	0.000	0.000	---
Automated 3-Digit Letters	0.000	0.000	0.000	---
Automated 5-Digit Letters	0.000	0.000	0.000	---
Automated Carrier-Route Letters	0.000	0.000	0.000	---
First-Class Workshared				
Second Ounce	0.230	0.174	-0.056	-24.3%
Third Ounce	0.184	0.174	-0.010	-5.4%
Above Third Ounce	0.230	0.220	-0.010	-4.3%
Standard Regular Addition for Pound Rate		0.000	0.000	---
Standard Regular Additional Ounces				
Second Ounce	0.000	0.000	0.000	---
Third Ounce	0.000	0.000	0.000	---
Above Third Ounce	0.041	0.041	0.000	---
Standard Enhanced Carrier Route Addition for Pound Rate		0.000	0.000	---
Standard Enhanced Carrier Route				
Second Ounce	0.000	0.000	0.000	---
Third Ounce	0.000	0.000	0.000	---
Above Third Ounce	0.037	0.037	0.000	---

Additional ounce and pound rates are inputs to the model. The additional ounce and pound rates for Proposed R2000-1 are obtained from Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, Docket No. R2000-1-1. Additional ounce and pound rates for an alternative proposal are set by the model user by changing each rate.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Total Revenues	69,378.429	68,933.336	-445.093	-0.6%
Total Revenue Requirement (Equals Total Costs)	69,644.860	68,933.336	-711.524	-1.0%
Surplus (Deficiency)	<b>(266.431)</b>	<b>0.000</b>	266.4	-100.0%

Total Revenue is obtained from the Revenue Table on p. 6. Total Revenue Requirement (Total Costs) is obtained from the Cost Table on p. 11. Net Surplus(Deficiency) is Total Revenues minus Total Revenue Requirement.

	<u>Proposed</u>	<u>Alternate</u>	<u>Alternate</u>	<u>Percent</u>
	<u>R2000-1</u>	<u>Proposal</u>	<u>Proposal</u>	<u>Difference</u>
			<u>Compared to</u>	<u>Difference</u>
			<u>Proposed</u>	
			<u>R2000-1</u>	
First-Class Letters and Flats - Single Piece Including QBRM	52,877.658	52,273.908	-603.750	-1.1%
First-Class Letters and Flats - Single Piece Additional Ounces	19,331.807	19,111.079	-220.728	-1.1%
First-Class PRM and QBRM Letters	388.063	383.632	-4.431	-1.1%
First-Class Letters and Flats - Workshared	46,979.736	48,121.463	1,141.726	2.4%
Nonautomated Presort	2,586.288	2,633.800	47.512	1.8%
Automated Basic Letters	5,620.726	5,752.462	131.735	2.3%
Automated Basic Flats	52.293	53.443	1.149	2.2%
Automated 3-Digit Letters	24,508.201	25,169.518	661.318	2.7%
Automated 5-Digit Letters	12,362.727	12,627.932	265.206	2.1%
Automated 3/5-Digit Flats	304.691	311.247	6.556	2.2%
Automated Carrier-Route Letters	1,544.810	1,573.060	28.251	1.8%
First-Class Letters and Flats - Workshared Ounces One to Two	1,681.963	1,722.839	40.876	2.4%
First-Class Letters and Flats - Workshared Ounces Two to Three	471.274	482.727	11.453	2.4%
First-Class Letters and Flats - Workshared Ounces Over Three	351.346	359.884	8.539	2.4%
First-Class Stamped Cards	415.873	415.873	0.000	0.0%
First-Class PRM and QBRM Cards	62.005	61.936	-0.069	-0.1%
First-Class Private Cards	5,025.078	5,013.495	-11.583	-0.2%
Single-Piece Cards including QBRM & Stamped	2,354.910	2,352.271	-2.639	-0.1%
Nonautomated Presort Cards	383.715	383.477	-0.238	-0.1%
Automated Basic Cards	548.060	545.904	-2.156	-0.4%
Automated 3-Digit Cards	939.713	935.619	-4.094	-0.4%
Automated 5-Digit Cards	661.035	658.608	-2.427	-0.4%
Automated Carrier-Route Cards	137.645	137.615	-0.029	0.0%
<b>Total First Class</b>	<b>105,748.413</b>	<b>106,270.306</b>	<b>521.893</b>	<b>0.5%</b>
<b>Total Periodical</b>	<b>10,321.166</b>	<b>10,321.166</b>	<b>0.000</b>	<b>0.0%</b>
Standard Single Piece				
Standard Regular	40,998.656	39,772.973	-1,225.683	-3.0%
Nonautomated Basic Letters	1,011.823	1,031.640	19.816	2.0%
Nonautomated Basic Nonletters	1,045.493	1,055.343	9.850	0.9%
Nonautomated Presort Letters	1,455.143	1,791.033	335.890	23.1%
Nonautomated Presort Nonletters	1,791.588	1,784.052	-7.535	-0.4%
Automated Basic Letters	4,120.244	3,990.047	-130.196	-3.2%
Automated Basic Flats	347.480	330.498	-16.982	-4.9%
Automated 3-Digit Letters	13,450.018	12,706.753	-743.265	-5.5%
Automated 5-Digit Letters	6,378.638	5,902.627	-476.011	-7.5%
Automated 3/5-Digit Flats	11,398.229	11,180.979	-217.250	-1.9%
Standard Regular - Second Ounce	21,688.159	21,039.776	-648.382	-3.0%
Standard Regular - Third Ounce	14,231.318	13,805.863	-425.455	-3.0%
Standard Regular - Ounces Above Third	43,681.757	42,375.860	-1,305.896	-3.0%
Standard Regular Enhanced Carrier Route	32,828.212	32,183.785	-644.426	-2.0%
Automated	1,851.903	1,806.137	-45.766	-2.5%
Basic Letters	5,449.490	5,321.569	-127.922	-2.3%
Basic Nonletters	11,794.849	11,644.668	-150.181	-1.3%
High-Density Letters	393.109	381.085	-12.024	-3.1%
High-Density Nonletters	1,479.259	1,454.891	-24.368	-1.6%
Saturation Letters	2,692.107	2,604.027	-88.080	-3.3%
Saturation Nonletters	9,167.496	8,971.409	-196.087	-2.1%
Standard Enhanced Carrier Route - Second Ounce	20,981.342	20,569.473	-411.869	-2.0%
Standard Enhanced Carrier Route - Third Ounce	15,424.743	15,121.952	-302.792	-2.0%
Standard Enhanced Carrier Route - Ounces Above Third	44,786.350	43,907.182	-879.167	-2.0%
Standard Regular and Enhanced Carrier Route	73,826.868	71,956.758	-1,870.109	-2.5%
Standard Nonprofit	11,425.579	11,425.579	0.000	0.0%
Standard Nonprofit Enhanced Carrier Route	2,851.875	2,851.875	0.000	0.0%
<b>Total Standard A</b>	<b>88,104.322</b>	<b>86,234.213</b>	<b>-1,870.109</b>	<b>-2.1%</b>

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1 <u>Difference</u>	<u>Percent</u> <u>Difference</u>
<i>Total Standard B</i>	1,133.060	1,133.060	0.000	0.0%
<i>Priority Mail, Express Mail and Mailgrams</i>	1,381.313	1,381.313	0.000	0.0%
<i>Postal Penalty and Free-for-the Blind</i>	405.217	405.217	0.000	0.0%
<b>Total Domestic Mail</b>	207,093.490	205,745.274	-1,348.216	-0.7%
<b>International Mail</b>	1,032.013	1,032.013	0.000	0.0%
<b>Total Domestic and International Mail</b>	208,125.503	206,777.287	-1,348.216	-0.6%

Proposed R2000-1 volumes are obtained from the direct testimony of George S. Tolley USPS-T-6 . The Alternate volumes are estimated based on the inputs given to the Tolley's forecasting model accompanying his testimony

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1	<u>Percent</u> <u>Difference</u>
First-Class Letters and Flats - Single Piece Except QBRM	18,012.791	17,807.124	-205.667	-1.1%
First-Class Letters and Flats - Single Piece Additional Ounces	4,487.755	4,243.623	-244.133	-5.4%
First-Class PRM and QBRM Letters	121.421	120.034	-1.386	-1.1%
First-Class Single-Piece Letter Fees	167.072	167.072	0.000	0.0%
Nonstandard Pieces	52.825	52.825	0.000	0.0%
First-Class Letters and Flats - Workshared Total	13,250.227	13,103.387	-146.840	-1.1%
First-Class Letters and Flats - Workshared	12,650.896	12,596.289	-54.607	-0.4%
Nonautomated Presort	826.756	841.944	15.188	1.8%
Automated Basic Letters	1,570.409	1,572.775	2.366	0.2%
Automated Basic Flats	12.758	13.039	0.280	2.2%
Automated 3-Digit Letters	6,644.313	6,596.986	-47.327	-0.7%
Automated 5-Digit Letters	3,128.990	3,095.050	-33.940	-1.1%
Automated 3/5-Digit Flats	84.487	86.305	1.818	2.2%
Automated Carrier-Route Letters	383.182	390.190	7.007	1.8%
First-Class Letters and Flats - Workshared Ounces One to Two	387.360	300.168	-87.192	-22.5%
First-Class Letters and Flats - Workshared Ounces Two to Three	108.535	105.131	-3.404	-3.1%
First-Class Letters and Flats - Workshared Ounces Over Three	80.916	79.279	-1.637	-2.0%
First-Class Letters and Flats - Workshared Fees	22.520	22.520	0.000	0.0%
First-Class Stamped Cards	87.587	87.587	0.000	0.0%
First-Class PRM and QBRM Cards	11.193	11.181	-0.013	-0.1%
First-Class Private Cards	944.717	942.678	-2.039	-0.2%
Single-Piece Cards at Cards Rates	459.814	459.299	-0.515	-0.1%
Single-Piece Cards at Letter Rates	37.392	37.350	-0.042	-0.1%
Nonautomated Presort Cards	72.908	72.863	-0.045	-0.1%
Automated Basic Cards	95.362	94.987	-0.375	-0.4%
Automated 3-Digit Cards	156.932	156.248	-0.684	-0.4%
Automated 5-Digit Cards	101.799	101.426	-0.374	-0.4%
Automated Carrier-Route Cards	20.509	20.505	-0.004	0.0%
First-Class Single Piece Cards Fees	7.636	7.636	0.000	0.0%
First-Class Workshared Cards Fees	1.278	1.278	0.000	0.0%
<b>Total First Class</b>	<b>37,144.502</b>	<b>36,544.424</b>	<b>-600.079</b>	<b>-1.6%</b>
<b>Total Periodical</b>	<b>2,447.622</b>	<b>2,447.622</b>	<b>0.000</b>	<b>0.0%</b>
Standard Single Piece				
Standard Regular	9,126.996	9,288.625	161.629	1.8%
Nonautomated Basic Letters	244.861	254.368	9.507	3.9%
Nonautomated Basic Nonletters	244.721	250.654	5.933	2.4%
Nonautomated Presort Letters	311.289	398.698	87.409	28.1%
Nonautomated Presort Nonletters	286.353	295.244	8.891	3.1%
Automated Basic Letters	824.049	834.456	10.407	1.3%
Automated Basic Flats	68.472	67.353	-1.118	-1.6%
Automated 3-Digit Letters	2,461.089	2,490.148	29.059	1.2%
Automated 5-Digit Letters	1,033.214	1,032.273	-0.941	-0.1%
Automated 3/5-Digit Flats	1,694.874	1,761.183	66.308	3.9%
Standard Regular - Second Ounce	0.000	0.000	0.000	---
Standard Regular - Third Ounce	0.000	0.000	0.000	---
Standard Regular - Ounces Above Third	1,804.603	1,750.653	-53.950	-3.0%
Fees, Residual Shape, and Adjustments	146.562	146.562	0.000	0.0%
Standard Regular Enhanced Carrier Route	5,164.832	5,158.188	-6.644	-0.1%
Automated	301.860	302.649	0.789	0.3%
Basic Letters	953.661	955.579	1.918	0.2%
Basic Nonletters	1,392.163	1,410.307	18.144	1.3%
High-Density Letters	41.970	41.909	-0.061	-0.1%
High-Density Nonletters	54.842	55.538	0.696	1.3%
Saturation Letters	263.192	262.711	-0.480	-0.2%
Saturation Nonletters	503.861	508.300	4.439	0.9%
Standard Enhanced Carrier Route - Second Ounce	0.000	0.000	0.000	---
Standard Enhanced Carrier Route - Third Ounce	0.000	0.000	0.000	---
Standard Enhanced Carrier Route - Ounces Above Third	1,634.702	1,602.612	-32.090	-2.0%
Fees, Residual Shape, and Adjustments	19.764	19.764	0.000	0.0%
<b>Standard Regular and Enhanced Carrier Route</b>	<b>14,291.827</b>	<b>14,446.813</b>	<b>154.986</b>	<b>1.1%</b>

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	Alternate Proposal Compared to Proposed R2000-1 <u>Difference</u>	<u>Percent</u> <u>Difference</u>
Standard Nonprofit	1,544.246	1,544.246	0.000	0.0%
Standard Nonprofit Enhanced Carrier Route	262.328	262.328	0.000	0.0%
<i>Total Standard A</i>	16,098.401	16,253.387	154.986	1.0%
<i>Total Standard B</i>	2,147.597	2,147.597	0.000	0.0%
<i>Priority Mail, Express Mail and Mailgrams</i>	6,679.061	6,679.061	0.000	0.0%
<i>Postal Penalty and Free-for-the Blind</i>	0.000	0.000	0.000	---
<b>Total Domestic Mail</b>	<b>64,517.185</b>	<b>64,072.092</b>	<b>-445.093</b>	<b>-0.7%</b>
<i>International Mail</i>	1,778.913	1,778.913	0.000	0.0%
<i>Special Services</i>	2,347.559	2,347.559	0.000	0.0%
<i>Other Income</i>	687.847	687.847	0.000	0.0%
<b>Attributable Revenue</b>	<b>69,331.504</b>	<b>68,886.411</b>	<b>-445.093</b>	<b>-0.6%</b>
<i>Continuing Appropriations</i>	67.093	67.093	0.000	0.0%
<i>Investment Income</i>	-20.168	-20.168	0.000	0.0%
<b>Total Revenue</b>	<b>69,378.429</b>	<b>68,933.336</b>	<b>-445.093</b>	<b>-0.6%</b>

Revenue is revenue per piece or key rate multiplied by volume for First-Class and Standard A.. For other types of mails and other types of revenues (e.g. special services, other income) revenue is set at the levels shown in the response of witness Mayes (USPS-T-32) to POIR No. 16, revised 8-3-00.

	<u>Proposed</u> <u>R2000-1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposal</u> Compared to Proposed R2000-1	<u>Percent</u> <u>Difference</u>
First-Class Letters and Flats - Single Piece	13,565.268	13,344.965	-220.303	-1.6%
First-Class Letters and Flats - Presort	5,081.634	5,083.966	2.332	0.0%
First-Class Cards - Single Piece	543.567	540.309	-3.258	-0.6%
First-Class Cards - Private Presort	173.866	172.438	-1.428	-0.8%
<b>Total First Class</b>	19,364.335	19,141.679	-222.656	-1.1%
<b>Total Periodical</b>	2,431.920	2,420.057	-11.863	-0.5%
Standard Single Piece				
Standard Regular	6,512.735	6,287.213	-225.522	-3.5%
Standard Regular Enhanced Carrier Route	2,629.439	2,565.248	-64.191	-2.4%
Standard Regular and Enhanced Carrier Route	9,142.174	8,809.278	-332.896	-3.6%
Standard Nonprofit	1,363.390	1,356.739	-6.651	-0.5%
Standard Nonprofit Enhanced Carrier Route	199.829	198.854	-0.975	-0.5%
<b>Total Standard A</b>	10,705.393	10,408.054	-297.339	-2.8%
<b>Total Standard B</b>	1,987.663	1,977.967	-9.696	-0.5%
<b>Priority Mail, Express Mail and Mailgrams</b>	3,663.310	3,645.440	-17.870	-0.5%
<b>Postal Penalty and Free-for-the Blind</b>	31.833	31.678	-0.155	-0.5%
<b>Total Domestic Mail</b>	38,184.454	37,624.875	-559.579	-1.5%
<b>International Mail</b>	1,570.744	1,563.082	-7.662	-0.5%
<b>Special Services</b>	1,546.107	1,538.565	-7.542	-0.5%
<b>Other Variable Costs</b>	0.000	0.000	0.000	—
<b>Attributable Costs</b>	41,301.305	40,726.522	-574.783	-1.4%
<b>Total Other Costs</b>	28,031.846	27,895.105	-136.741	-0.5%
<b>Prior Years Loss Recovery</b>	311.709	311.709	0.000	0.0%
<b>Total Costs</b>	69,644.860	68,933.336	-711.524	-1.0%

  

Volume Variable Cost per Piece (Dollars per Piece)			
	<u>Proposed R2000-1</u>	<u>Alternate Proposal</u>	
First-Class Letters and Flats - Single P	0.2565	0.2565	
First-Class Letters and Flats - Presort	0.1082	0.1062	
First-Class Cards - Single Piece	0.2308	0.2308	
First-Class Cards - Private Presort	0.0651	0.0651	
Standard Regular	0.1589	0.1589	
Standard Regular Enhanced Carrier R	0.0801	0.0801	
			Balanced Cost Reduction Contingency
			-0.00200
			2.0%

Costs are cost per piece multiplied by volume for First-Class and standard (A) commercial mail. For other types of mail and other types of revenue (e.g., special services, other variable costs), costs are set at the levels expected by the Postal Service in R2000-1 Proposed.

	<u>Proposed R2000-1</u>	<u>Alternate Proposal</u>	<u>Alternate Proposal Compared to Proposed R2000-1 Difference</u>	<u>Percent Difference</u>
First-Class Single Piece Letters Rate	0.340	0.340	0.000	0.0%
First-Class Letters and Flats - Workshared Discounts for:				
Nonautomated Presort	0.020	0.020	0.000	0.0%
Automated Basic Letters	0.060	0.066	0.006	10.0%
Automated Basic Flats	0.030	0.030	0.000	0.0%
Automated 3-Digit Letters	0.069	0.078	0.009	13.0%
Automated 5-Digit Letters	0.087	0.095	0.008	9.2%
Automated 3/5-Digit Flats	0.063	0.063	0.000	0.0%
Automated Carrier-Route Letters	0.092	0.092	0.000	0.0%
Workshared Discount on Second Ounce	0.000	0.046	0.046	—
Workshared Discount on Third Ounce	0.046	0.046	0.000	0.0%
First-Class Single Piece Cards Rate	0.210	0.210	0.000	0.0%
First-Class Private Cards - Workshared Discounts for:				
Nonautomated Presort Cards	0.020	0.020	0.000	0.0%
Automated Basic Cards	0.036	0.036	0.000	0.0%
Automated 3-Digit Cards	0.043	0.043	0.000	0.0%
Automated 5-Digit Cards	0.056	0.056	0.000	0.0%
Automated Carrier-Route Cards	0.061	0.061	0.000	0.0%
Standard Regular Discount Decrease and Enhanced Carrier Route Rate Increase from Proposed R2000-1			0.00457	
Standard Regular Nonautomated Basic Letters Rate	0.242	0.247	0.005	1.9%
Standard Regular Letters Discounts for:				
Nonautomated Presort Letters	0.017	0.012	-0.005	-26.9%
Automated Basic Letters	0.042	0.037	-0.005	-10.9%
Automated 3-Digit Letters	0.032	0.027	-0.005	-14.3%
Automated 5-Digit Letters	0.053	0.048	-0.005	-8.6%
Standard Regular Nonautomated Basic Nonletters Rate	0.311	0.316	0.005	1.5%
Standard Regular Nonletters Discounts for:				
Nonautomated Presort Nonletters	0.053	0.048	-0.005	-8.6%
Automated Basic Flats	0.044	0.039	-0.005	-10.4%
Automated 3/5-Digit Flats	0.027	0.022	-0.005	-16.9%
Standard Regular Enhanced Carrier Route Basic Letters Rate	0.175	0.180	0.005	2.6%
Standard Regular Enhanced Carrier Route Letters Discounts for:				
Automated	0.012	0.012	0.000	0.0%
High-Density Letters	0.023	0.023	0.000	0.0%
Saturation Letters	0.032	0.032	0.000	0.0%
Standard Regular Enhanced Carrier Route Basic Nonletters	0.175	0.180	0.005	2.6%
Standard Regular Enhanced Carrier Route Nonletters Discount for:				
High-Density Nonletters	0.021	0.021	0.000	0.0%
Saturation Nonletters	0.027	0.027	0.000	0.0%
Standard Regular				
BMC Destination Entry	0.017	0.012	0.005	26.9%
SCF Destination Entry	0.022	0.017	0.005	20.8%
DDU Destination Entry	0.028	0.023	0.005	16.3%

Discounts are inputs to the model and are the discount for one specific type of mail. The discounts for Proposed R2000-1 are obtained from Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, Docket No. R2000-1. Discounts for an alternative proposal are set by the model user by changing each key rate or each discount and the mail type to which the discount is relative. Key rates are shown on p. 3.

	<u>Proposed R2000-</u> <u>1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposal</u> <u>Compared to</u> <u>Proposed</u> <u>R2000-1</u>  <u>Difference</u>
First-Class Letters and Flats - Single Piece	0.3442	0.3442	0.000
First-Class Letters and Flats - Single Piece Additional Ounces	0.2300	0.2200	-0.010
First-Class PRM and QBRM Letters	0.3100	0.3100	0.000
First-Class Letters and Flats - Workshared per Piece Rate			
Nonautomated Presort	0.3197	0.3197	0.000
Automated Basic Letters	0.2794	0.2734	-0.006
Automated Basic Flats	0.2440	0.2440	0.000
Automated 3-Digit Letters	0.2711	0.2621	-0.009
Automated 5-Digit Letters	0.2531	0.2451	-0.008
Automated 3/5-Digit Flats	0.2773	0.2773	0.000
Automated Carrier-Route Letters	0.2480	0.2480	0.000
First-Class Letters and Flats - Workshared per Pound Rate			
Nonautomated Presort	0.0000	0.0000	0.000
Automated Basic Letters	0.0000	0.0000	0.000
Automated Basic Flats	0.0000	0.0000	0.000
Automated 3-Digit Letters	0.0000	0.0000	0.000
Automated 5-Digit Letters	0.0000	0.0000	0.000
Automated 3/5-Digit Flats	0.0000	0.0000	0.000
Automated Carrier-Route Letters	0.0000	0.0000	0.000
First-Class Letters and Flats - Workshared Ounces One to Two	0.2300	0.1740	-0.056
First-Class Letters and Flats - Workshared Ounces Two to Three	0.2300	0.2175	-0.013
First-Class Letters and Flats - Workshared Ounces Over Three	0.2300	0.2200	-0.010
First-Class Stamped Cards	0.2106	0.2106	0.000
First-Class PRM and QBRM Cards	0.1805	0.1805	0.000
First-Class Private Cards			
Single Piece Cards at Cards Rates	0.2106	0.2106	0.000
Single Piece Cards at Letter Rates	0.3410	0.3410	0.000
Nonautomated Presort Cards	0.1900	0.1900	0.000
Automated Basic Cards	0.1740	0.1740	0.000
Automated 3-Digit Cards	0.1670	0.1670	0.000
Automated 5-Digit Cards	0.1540	0.1540	0.000
Automated Carrier-Route Cards	0.1490	0.1490	0.000
Standard Single Piece			
Standard Regular			
Nonautomated Basic Letters	0.2420	0.2466	0.005
Nonautomated Basic Nonletters	0.2341	0.2375	0.003
Nonautomated Presort Letters	0.2139	0.2226	0.009
Nonautomated Presort Nonletters	0.1598	0.1655	0.006
Automated Basic Letters	0.2000	0.2091	0.009
Automated Basic Flats	0.1971	0.2038	0.007
Automated 3-Digit Letters	0.1830	0.1960	0.013
Automated 5-Digit Letters	0.1620	0.1749	0.013
Automated 3/5-Digit Flats	0.1487	0.1575	0.009
Standard Regular - Second Ounce	0.0000	0.0000	0.000
Standard Regular - Third Ounce	0.0000	0.0000	0.000
Standard Regular - Ounces Above Third	0.0413	0.0413	0.000
Standard Regular Enhanced Carrier Route			
Automated	0.1630	0.1676	0.005
Basic Letters	0.1750	0.1796	0.005
Basic Nonletters	0.1180	0.1211	0.003
High-Density Letters	0.1068	0.1100	0.003
High-Density Nonletters	0.0371	0.0382	0.001
Saturation Letters	0.0978	0.1009	0.003
Saturation Nonletters	0.0550	0.0567	0.002
Standard Enhanced Carrier Route - Second Ounce	0.0000	0.0000	0.000
Standard Enhanced Carrier Route - Third Ounce	0.0000	0.0000	0.000
Standard Enhanced Carrier Route - Ounces Above Third	0.0365	0.0365	0.000
Standard Nonprofit	0.1351	0.1351	0.000
Standard Nonprofit Enhanced Carrier Route	0.0926	0.0926	0.000

Updated revenue per piece for Proposed R2000-1 is taken from Lr-I-436 FCM\_HybRev.xls and WP1\_HybV.xls. Revenue per piece in the Alternative Proposal is the key rate per piece (p. 3) multiplied by the key rate to revenue per piece adjustment (p. 15).

	<u>Proposed R2000-</u> <u>I</u>	<u>Alternate</u> <u>Proposal</u>
First-Class Single Piece	36.56%	36.56%
First-Class Workshared		
Second Ounce	3.58%	3.58%
Third Ounce	1.00%	1.00%
Ounces Above Third Ounce	0.75%	0.75%
Standard Regular		
Second Ounce	52.90%	52.90%
Third Ounce	34.71%	34.71%
Ounces Above Third Ounce	106.54%	106.54%
Standard Enhanced Carrier Route		
Second Ounce	63.91%	63.91%
Third Ounce	46.99%	46.99%
Ounces Above Third Ounce	136.43%	136.43%
Additional ounces charged for as a percentage of first ounces is obtained from R2000-1 LR-1-91 revised 3/1/00 and LR-1-92		

	<u>Proposed R2000-</u> <u>1</u>	<u>Alternate</u> <u>Proposal</u>	<u>Alternate</u> <u>Proposal</u> <u>Compared to</u> <u>Proposed</u> <u>R2000-1</u>  <u>Difference</u>
First-Class Single Piece	1.012	1.012	0.000
First-Class Letters and Flats - Single Piece Additional Ounces	1.000	1.000	0.000
First-Class PRM and QBRM Letters	1.000	1.000	0.000
First-Class Letters and Flats - Workshared per Piece Rate			
Nonautomated Presort	0.999	0.999	0.000
Automated Basic Letters	0.998	0.998	0.000
Automated Basic Flats	0.787	0.787	0.000
Automated 3-Digit Letters	1.000	1.000	0.000
Automated 5-Digit Letters	1.000	1.000	0.000
Automated 3/5-Digit Flats	1.000	1.000	0.000
Automated Carrier-Route Letters	1.000	1.000	0.000
First-Class Letters and Flats - Workshared per Pound Rate			
Nonautomated Presort	0.000	0.000	0.000
Automated Basic Letters	0.000	0.000	0.000
Automated Basic Flats	0.000	0.000	0.000
Automated 3-Digit Letters	0.000	0.000	0.000
Automated 5-Digit Letters	0.000	0.000	0.000
Automated 3/5-Digit Flats	0.000	0.000	0.000
Automated Carrier-Route Letters	0.000	0.000	0.000
First-Class Letters and Flats - Workshared Second Ounce	1.000	1.000	0.000
First-Class Letters and Flats - Workshared Third Ounce	1.250	1.250	0.000
First-Class Letters and Flats - Workshared Ounces Above 3	1.000	1.000	0.000
First-Class Stamped Cards	0.916	0.916	0.000
First-Class PRM and QBRM Cards	1.003	1.003	0.000
First-Class Private Cards			
Single Piece Cards	1.003	1.003	0.000
Nonautomated Presort	1.000	1.000	0.000
Automated Basic	1.000	1.000	0.000
Automated 3-Digit	1.000	1.000	0.000
Automated 5-Digit	1.000	1.000	0.000
Automated Carrier-Route	1.000	1.000	0.000
Standard Single Piece			
Standard Regular			
Nonautomated Basic Letters	1.000	1.000	0.000
Nonautomated Basic Nonletters	0.753	0.753	0.000
Nonautomated Presort Letters	0.951	0.951	0.000
Nonautomated Presort Nonletters	0.620	0.620	0.000
Automated Basic Letters	1.000	1.000	0.000
Automated Basic Flats	0.738	0.738	0.000
Automated 3-Digit Letters	0.948	0.948	0.000
Automated 5-Digit Letters	0.942	0.942	0.000
Automated 3/5-Digit Flats	0.644	0.644	0.000
Standard Regular - Second Ounce	1.000	1.000	0.000
Standard Regular - Third Ounce	1.000	1.000	0.000
Standard Regular - Ounces Above Third	1.000	1.000	0.000
Standard Regular Enhanced Carrier Route			
Automated	1.000	1.000	0.000
Basic Letters	1.000	1.000	0.000
Basic Nonletters	0.674	0.674	0.000
High-Density Letters	0.702	0.702	0.000
High-Density Nonletters	0.241	0.241	0.000
Saturation Letters	0.684	0.684	0.000
Saturation Nonletters	0.371	0.371	0.000
Standard Enhanced Carrier Route - Second Ounce	1.000	1.000	0.000
Standard Enhanced Carrier Route - Third Ounce	1.000	1.000	0.000
Standard Enhanced Carrier Route - Ounces Above Third	1.000	1.000	0.000

The key rate to revenue adjustment is the ratio of the key rate per piece (p. 3) to revenue per piece (p. 13).

	<u>Proposed R2000-1</u>	<u>Alternate Proposal</u>	<u>Alternate Proposal Compared to Proposed R2000-1 Difference</u>
<b>First-Class</b>			
Nonautomated Presort	0.020	0.020	0.000
Automated Basic Letters	0.060	0.066	0.006
Automated Basic Flats	0.030	0.030	0.000
Automated 3-Digit Letters	0.069	0.078	0.009
Automated 5-Digit Letters	0.087	0.095	0.008
Automated 3/5-Digit Flats	0.063	0.063	0.000
Automated Carrier-Route Letters	0.092	0.092	0.000
Second Ounce	0.000	0.046	0.046
Third Ounce	0.046	0.046	0.000
<b>First Class Cards</b>			
Nonautomated Presort	0.020	0.020	0.000
Automated Basic	0.036	0.036	0.000
Automated 3-Digit	0.043	0.043	0.000
Automated 5-Digit	0.056	0.056	0.000
Automated Carrier-Route	0.061	0.061	0.000
<b>Standard Regular</b>			
Nonautomated Presort Letters	0.017	0.012	-0.005
Nonautomated Presort Nonletters	0.053	0.048	-0.005
Automated Basic Letters	0.042	0.037	-0.005
Automated Basic Flats	0.044	0.039	-0.005
Automated 3-Digit Letters	0.032	0.027	-0.005
Automated 5-Digit Letters	0.053	0.048	-0.005
Automated 3/5-Digit Flats	0.027	0.022	-0.005
BMC Destination Entry Discount	0.017	0.012	-0.005
SCF Destination Entry Discount	0.022	0.017	-0.005
DDU Destination Entry	0.028	0.023	-0.005