USPS-RT-20

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

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

REBUTTAL TESTIMONY
OF
JENNIFER L. EGGLESTON
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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REBUTTAL TESTIMONY
OF
JENNIFER L. EGGLESTON

AUTOBIOGRAPHICAL SKETCH

My name is Jennifer Eggleston. I joined the Postal Service in July 1997 as an Economist in the Product Cost Studies division of Product Finance, which has since been renamed the Special Studies division in the office of Activity Based Management. Since joining the Postal Service, I have been involved with many issues dealing with Parcel Post and Standard (A) parcels. I have visited several Bulk Mail facilities (BMCs), Processing and Distribution Centers (P&DCs), delivery units, and other postal facilities. My previous work includes the Bulk Parcel Return Service (BPRS) Cost Study provided to the Postal Rate Commission in October 1998 to fulfill the requirements of Docket No. MC97-4 and testimony in Docket No. MC99-4 (BPRS Expedited Minor Classification Case).

Earlier in Docket No. R2000-1, I testified before the Postal Rate Commission concerning Parcel Post, Special Standard B, BPRS and Merchandise Return Service.

Before joining the Postal Service, I worked as an Economist for Research Triangle Institute (RTI), a non-profit research firm in North Carolina. I worked with two separate groups at RTI. In the environmental economics group, I was tasked with estimating the potential costs and benefits of specific government regulations. In the health economics group, my main responsibility was to perform cost and benefit analysis of new drug treatments. I also worked for one year for the Naval Center for Cost Analysis in Crystal City, VA. My main responsibility was estimating the costs of procuring weapons systems.

I earned a Bachelor's Degree in Economics from James Madison University in 1992 and a Master's degree in Economics from North Carolina State University in 1995.

I. Purpose

The purpose of my testimony is to rebut the testimony of United Parcel Service witness Luciani (UPS-T-5) and Florida Gift Fruit Shippers Association witness Ball (FGFSA-T-1). Specifically this testimony will rebut witness Luciani's proposal on the Parcel Post transportation final adjustment. It will also rebut witness Ball's accusation that the TRACS distribution keys are inaccurate.

II. Witness Luciani's belief that the Parcel Post final adjustments double counts cost savings is incorrect.

In his testimony, witness Luciani claims that the Parcel Post transportation final adjustments calculated by witness Daniel are incorrect. His view is that her final adjustments double count the cost savings of parcels being dropped at the destination SCF. His rationale is that Parcel Post transportation cost estimates in USPS-T-26 already reflect the cost savings due to the assumption in the model that 7.11 percent of DBMC parcels are dropped at the destination SCF. Therefore, he believes that the final adjustments, which reduce Parcel Post transportation costs for DSCF and DDU, double count the savings. Tr. 25/11777-80. The logical premise of Witness Luciani's proposal must be that 7.11 percent of DBMC volume is dropped at the destination SCF in the pre-mix volume,[1] but that this does not hold true in the post-mix volume. He also assumes that all DBMC parcels that are dropped at the DSCF in the pre-mix volume are entered as DSCF in the post-mix volume. Tr. 25/11860.

If it were true that 7.11 percent of DBMC is dropped at the destination SCF in the pre-mix volume, and not in the post-mix volume, then witness Luciani might be correct that there is some double counting. But if it is rational to assume that 7.11 percent of DBMC is dropped at the destination SCF in the pre-mix volume, then it is also rational to assume that 7.11 percent of DBMC volume is dropped at the destination SCF in the post-mix volume. Because DSCF has much more stringent requirements than DBMC, whatever DBMC parcels are entered at a destination SCF will not necessarily qualify for the DSCF rate. Even witness Luciani testified that he did not believe that DBMC parcels would be dropped at the destination SCF, because, if they were not sorted to 5-digits, they would need to be sent back to the destination BMC and would not qualify for the DBMC rate. Tr. 25/11927. This would imply that the percentage of DBMC parcels dropped at the destination SCF should be zero for both the pre-mix and post-mix volumes.

[1] This assumption is used in the Parcel Post transportation cost model.

Therefore, if one were to accept witness Luciani's argument, then the appropriate correction would be to change the 7.11 percent assumption to zero percent in the cost model supporting the final adjustments. This cost model is located in LR-I-98 (LR98sec4c.xls). Attachment A is a revised version of that file showing the results of the zero percent adjustment. For convenience, only the pages that contain data that change are shown in Attachment A.[2]

To incorporate the zero percent assumption into the final adjustments, the revised estimated unit costs shown in Attachment A (page 2, column 5) should be entered into LR-I-98, file "LR98sec4d.xls". Attachment B is a revised version of the file "LR98sec4d.xls". Changes to the spreadsheet are highlighted. The spreadsheet was also changed to conform with the errata to USPS-T-26 filed on March 22, 2000, by changing the average cubic feet of oversize parcel post from 10.84 to 8.04.

Next the estimated unit costs from Attachment B (LR98sec4d.xls) are entered into the Parcel Post transportation final adjustment page of LR-I-97 (lr97finad.xls). These changes are shown in Attachment C.

As can be seen on page 2 of Attachment C, the impact of the zero percent assumption is to change Parcel Post transportation before rates final adjustments from -9.960 to -11.906 and the Parcel Post transportation after-rate adjustments from -20.901 to -22.808.[3]

It should be noted that the change in the 7.11 percent assumption would also have to be made to the Parcel Post transportation model originally presented in

[2] An electronic version of the file with all pages has been filed with this testimony.
[3] For purposes of analyzing the impact of the 7.11 percent assumption, holding the average cube of oversize Parcel Post constant has the impact of changing the Parcel Post before rates final adjustments from -9.960 to -9.861 and after rates final adjustments from -20.901 to -20.845.

USPS-T-26. For convenience, that model, with the new adjustment is contained in Attachment D.[4]

III. Witness Ball is clearly wrong in concluding that, because of differences between mail volumes and TRACS distribution keys, TRACS data cannot be relied upon.

In his testimony, witness Ball claims that TRACS is flawed based on his view that the Parcel Post DBMC distribution key is inaccurate. Witness Ball compares two tables of data and claims that they prove the TRACS distribution keys are not consistent with other measurements of Parcel Post. However, there are sound reasons why the two tables should be different, and any attempt to relate one table to the other needs to take these differences into account.

In the first table on page 13 of FGFSA-T-1, the column headings (intra-BMC and inter-BMC) refer to transportation modes. In the second table, those same titles refer not to transportation modes, but to rate categories. Transportation modes and rate categories do not have a one-to-one relationship. For example, matter mailed at Inter-BMC rates will generally incur both inter-BMC and intra-BMC transportation.[5]

To make matters worse, the first table shows TRACS BY 98 distribution keys based on cubic-foot-miles, whereas the second table contains total estimated TY01 cubic feet. Witness Ball's presumption that cubic-foot-miles should relate directly to cubic feet is absurd – it is equivalent to assuming that all mail pieces travel the same distance, or cost the same (per cubic foot) regardless of the distance traveled. Thus, although the comparison between BY 98 and TY 01 may not be erroneous on its own, the combination of it with the mismatch

[4] Attachment D is USPS-T-26, Attachments M and N. The electronic version of these attachments, originally filed in LR-I-171 as "cpp_tran.xls", is filed as "Attach_D.xls".

between units, transportation modes and rate categories renders witness Ball's comparisons meaningless.

Additionally, even if there were a problem with the TRACS distribution between DBMC and Parcel Post, it is irrelevant as long as the aggregate distribution of costs to the Standard (B) Parcel Post subclass by TRACS is correct. Although TRACS data collectors differentiate between DBMC and zone-rated Parcel Post, the TRACS data is only used at the aggregate subclass level. The distribution of Parcel Post TY 01 costs to the inter-BMC, intra-BMC and DBMC rate categories, as explained in USPS-T-26, attachment M, page 3, does not use TRACS data. Therefore, the Commission should rely on the Postal Service's distribution of transportation costs.

[5] In addition, approximately 68% of Standard A intra-BMC mail included in the second table is entered at the DSCF or DDU, and hence would be unlikely to even be transported on intra-BMC movements.

Division of Parcel Post Transportation Costs

Division of Functional Costs Into Rate Categories

	Local	Inter-mediate	Long Distance	
Transportation costs for all parcel post:	$143,930	$138,860	$111,694	1/
Transportation costs for Inter-BMC and Intra-BMC only		$11,535		2/
Total Transportation Costs	$143,930	$150,395	$111,694	3/
Inter-BMC cubic feet:	34,214,278	34,214,278	34,214,278	4/
Intra-BMC cubic feet:	14,153,710	14,153,710	14,153,710	5/
DBMC cubic feet:	207,674,244	207,674,244	207,674,244	6/
Total parcel post cubic feet:	256,042,233	256,042,233	256,042,233	7/
Percentage of inter-BMC parcels entered at origin BMCs:	4.48%	4.48%	4.48%	8/
Avg. number of local legs traveled by an inter-BMC parcel:	1.96			9/
Avg. number of intermediate legs traveled by an inter-BMC parcel:		1.96		10/
Avg. number of long distance legs traveled by an inter-BMC parcel:			1.00	11/
Percentage of intra-BMC cubic feet held out at the AO:	3.86%	3.86%	3.86%	12/
Avg. number of local legs traveled by an intra-BMC parcel:	1.92			13/
Avg. number of intermediate legs traveled by an intra-BMC parcel:		1.92		14/
Avg. number of long distance legs traveled by an intra-BMC parcel:			0.00	15/
Percentage of DBMC parcels entered at destination SCFs:	[redacted]			16/
Avg. number of local legs traveled by a DBMC parcel:	1.00			17/
Avg. number of intermediate legs traveled by a DBMC parcel:		[redacted]		18/
Avg. number of long distance legs traveled by a DBMC parcel:			0.00	19/
Transportation costs incurred by DBMC rated parcels:	$99,046	[redacted]	$0	20/
Transportation costs incurred by intra-BMC rated parcels:	$12,979	[redacted]	$0	21/
Transportation costs incurred by inter-BMC rated parcels:	$31,905	[redacted]	$111,694	22/
Transportation costs for all parcel post:	$143,930	$150,395	$111,694	23/

Sources

Row 1/: Attachment M page 2 row 19 (local), row 11 (intermediate), row 15 (long distance).
Row 2/: Attachment M, page 2, row 12.
Row 3/: Row (1) + row (2).
Row 4/: Attachment L, page 7, column 1, total inter-BMC cubic feet.
Row 5/: Attachment L, page 7, column 2, total intra-BMC cubic feet.
Row 6/: Attachment L, page 7, column 3, total DBMC cubic feet.
Row 7/: Row (4) + row (5) + row (6).
Row 8/: Docket No. R97-1 USPS-T-16, Appendix I page 13.
Row 9/: [1 * row (8)] + (2 * [1 - row (8)]) .
Row 10/: [1 * row (8)] + (2 * [1 - row (8)]).
Row 11/: Inter-BMC rated parcels should receive one leg of long distance transportation.
Row 12/: Attachment L, page 7, column 2, intra-BMC local cubic feet divided by intra-BMC total cubic feet.
The resulting quotient is multiplied by .5 to account for half of the intra-BMC parcels being held out at the local AO.
Row 13/: [0 * row (12)] + [2 * (1 - row (12)]).
Row 14/: [0 * row (12)] + (2 * [1 - row (12)]).
Row 15/: Intra-BMC rated parcels should not receive long distance transportation.
Row 16/: Docket No. R97-1 USPS-T-16, Appendix I page 13.
Row 17/: All DBMC parcels should receive one leg of local transportation.
Row 18/: [0 * row (16)] + (1 * [1 - row (16)]).
Row 19/: DBMC parcels should not receive long distance transportation.
Row 20/: Costs distributed based on number of legs and cubic feet.
Row 21/: Costs distributed based on number of legs and cubic feet.
Row 22/: Costs distributed based on number of legs and cubic feet.
Row 23/: Row (17) + row (18) + row (19).

Summary of Parcel Post Unit Transportation Costs by Zone

Cost per Cubic Foot by Zone for Each Rate Category

Inter-BMC	[1]	[2]	[3]	[4]	[5]
Zone	Local costs	Intermediate costs	Long distance ZR costs	Long distance NZR costs	Total inter-BMC costs
Local	N/A	N/A	N/A	N/A	N/A
1-2	$0.9325	[redacted]	$0.4898	$0.0778	[redacted]
3	$0.9325		$1.0725	$0.0778	
4	$0.9325		$1.9476	$0.0778	
5	$0.9325		$3.5758	$0.0778	
6	$0.9325		$5.2686	$0.0778	
7	$0.9325		$6.8505	$0.0778	
8	$0.9325		$10.1262	$0.0778	

Intra-BMC	[6]	[7]	[8]
Zone	Local costs	Intermediate costs	Total intra-BMC costs
Local	$0.5517	[redacted]	[redacted]
1-2	$0.9476		
3	$0.9476		
4	$0.9476		
5	$0.9476		
6	N/A	N/A	N/A
7	N/A	N/A	N/A
8	N/A	N/A	N/A

DBMC	[9]	[10]	[11]
Zone	Local	Intermediate costs	DBMC costs
Local	N/A	N/A	N/A
1-2	$0.4769	[redacted]	[redacted]
3	$0.4769		
4	$0.4769		
5	$0.4769		
6	N/A	N/A	N/A
7	N/A	N/A	N/A
8	N/A	N/A	N/A

DSCF Costs	$0.4769 1/
DDU Cost Avoidance (DSCF costs less DDU costs in $/cf)	$0.3959 2/

Sources

Column [1]: Attachment N, page 2, column 7.
Column [2]: Attachment N, page 2, column 8.
Column [3]: Attachment N, page 2, column 9.
Column [4]: Attachment N, page 2, column 10.
Column [5]: Column [1] + column [2] + column [3] + column [4].
Column [6]: Attachment N, page 3, column 7.
Column [7]: Attachment N, page 3, column 8.
Column [8]: Column [6] + column [7].
Column [9]: Attachment N, page 4, column 5.
Column [10]: Attachment N, page 4, column 6.
Column [11]: Column [9] + column [10].
Row 1/: Same as DBMC local costs, column [9].
Row 2/: Attachment N, page 5, row 12.

Parcel Post Transportation Costs By Rate Category and Zone

Calculation of Inter-BMC Transportation Costs per Cubic Foot by Zone

Inter-BMC parcel transportation costs by function and distance relation

Local costs incurred by inter-BMC parcels (non-distance related)	$31,905 1/
Intermediate costs incurred by inter-BMC parcels (non-distance related)	[redacted] 2/
Long distance costs incurred by inter-BMC parcels (distance related)	$109,031 3/
Long distance costs incurred by inter-BMC parcels (non-distance related)	$2,662 4/
Total inter-BMC parcel costs	[redacted] 5/

	[1]	[2]	[3]	[4]	[5]	[6]
Zone	**Percentage of inter-BMC cubic feet**	**Percentage of inter-BMC cubic foot miles**	**Local costs (000)**	**Intermediate costs (000)**	**Long distance costs - ZR (000)**	**Long distance costs - NZR (000)**
Local	0.00%	0.00%	$0	$0	$0	$0
1-2	9.08%	1.40%	$2,896	[redacted]	$1,521	$242
3	17.28%	5.82%	$5,513	[redacted]	$6,341	$460
4	28.01%	17.12%	$8,936	[redacted]	$18,663	$746
5	23.13%	25.96%	$7,381	[redacted]	$28,302	$616
6	10.50%	17.37%	$3,351	[redacted]	$18,935	$280
7	5.62%	12.09%	$1,794	[redacted]	$13,177	$150
8	6.38%	20.26%	$2,034	[redacted]	$22,092	$170
Total	**100.00%**	**100.00%**	**$31,905**	[redacted]	**$109,031**	**$2,662**

	[7]	[8]	[9]	[10]	[11]	[12]
Zone	**Local unit costs ($/CF)**	**Intermediate unit costs ($/CF)**	**Long distance - ZR unit costs ($/CF)**	**Long distance - NZR unit costs ($/CF)**	**Total unit costs ($/CF)**	**Reconcile to total costs (000)**
Local	N/A	N/A	N/A	N/A	N/A	N/A
1-2	$0.9325	[redacted]	$0.4898	$0.0778	[redacted]	[redacted]
3	$0.9325	[redacted]	$1.0725	$0.0778	[redacted]	[redacted]
4	$0.9325	[redacted]	$1.9476	$0.0778	[redacted]	[redacted]
5	$0.9325	[redacted]	$3.5758	$0.0778	[redacted]	[redacted]
6	$0.9325	[redacted]	$5.2686	$0.0778	[redacted]	[redacted]
7	$0.9325	[redacted]	$6.8505	$0.0778	[redacted]	[redacted]
8	$0.9325	[redacted]	$10.1262	$0.0778	[redacted]	[redacted]
Total						[redacted]

Sources

Row 1/: Attachment M, page 3, row 22.
Row 2/: Attachment M, page 3, row 22.
Row 3/: Attachment M, page 2, row 13.
Row 4/: Attachment M, page 2, row 14.
Row 5/: Row (1) + row (2) + row (3) + row (4).
Column [1]: Attachment L, page 7, column 1, inter-BMC cubic feet in the given zone divided by total inter-BMC cubic feet.
Column [2]: Attachment L, page 7, column 5, inter-BMC cubic foot miles in the given zone divided by total inter-BMC cubic foot miles
Column [3]: Row (1) * column [1].
Column [4]: Row (2) * column [1].
Column [5]: Row (3) * column [2].
Column [6]: Row (4) * column [1].
Column [7]: Column [3] * 1000 / Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).
Column [8]: Column [4] * 1000 / Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).
Column [9]: Column[5] * 1000 / Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).
Column [10]: Column [6] * 1000 / Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).
Column [11]: Column [7] + column [8] + column [9] + column [10].
Column [12]: Column [11] * Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).

Parcel Post Transportation Costs By Rate Category and Zone

Calculation of Intra-BMC Rated Parcel Costs per Cubic Foot by Zone

Intra-BMC parcel transportation costs by function and distance relation

Local costs incurred by intra-BMC parcels (non-distance related)	$12,979 1/
Intermediate costs incurred by intra-BMC parcels (non-distance related)	[redacted] 2/
Long distance costs incurred by intra-BMC parcels	$0 3/
Total Intra-BMC parcel costs	[redacted] 4/

Percent of local intra-BMC that is held out 50.00% 5/

	[1]	[2]	[3]	[4]	[5]	[6]
	Cubic feet	**Average Local / Intermediate Legs**	**Average Cubic foot-legs**	**Percent**	**Local Trans Costs**	**Intermediate Trans Costs**
Local zone	1,092,724	1	1,092,724	4.02%	$433	[redacted]
Non-local zone	13,060,986	2	26,121,973	95.98%	$10,341	
Intra-city / box route adjustment	6/				$2,206	
Total	**14,153,710**		**27,214,697**	**100.00%**	**$12,979**	[redacted]

	[7]	[8]	[9]	[10]
	Local unit costs	**Intermediate unit costs**	**Total unit costs**	**Reconcile to total costs**
Zone	**($/CF)**	**($/CF)**	**($/CF)**	**(000)**
Local	$0.5517	[redacted]		
1-2	$0.9476			
3	$0.9476			
4	$0.9476			
5	$0.9476			
6	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A
Total				**$28,837**

Sources

Row 1/: Attachment M, page 3, row 21.
Row 2/: Attachment M, page 3, row 21.
Row 3/: Attachment M, page 3, row 21.
Row 4/: Row (1) + row (2) + row (3).
Row 5/: Assumption from Docket no. R97-1, USPS-T-16.
Row 6/: Row 1 * Attachment N, page 5, row 10. (even held out parcels incur these costs).
Column [1]: Attachment L, page 7, column 2, intra-BMC cubic feet in the local zone and in all other zones.
Column [2]: Local zone legs reflect half of the local parcels being held out at the AO. Non-local zone legs reflect typical intra-BMC parcel.
Column [3]: Column [1] * column [2].
Column [4]: Percentage of cubic foot legs from column [3].
Column [5]: [Row (1) - row (5)] * column [4].
Column [6]: Row (2) * column [4].
Column [7]: Local zone unit cost = (local zone costs from column [4] / local zone cubic feet from column [1]) + row (5) / total cubic feet.
Non-local zone unit cost = (non-local zone costs from column [4] / non-local zone cubic feet from column [1]) + row (5) / total cubic feet.
Column [8]: Local zone unit cost = local zone costs from column [5] / local zone cubic feet from column [1].
Non-local zone unit cost = non-local zone costs from column [5] / non-local zone cubic feet from column [1].
Column [9]: Column [5] + column [6].
Column [10]: Column [7] * Attachment L, page 7, column 2 (intra-BMC cubic feet by zone).

Parcel Post Transportation Costs By Rate Category and Zone

Calculation of DBMC Rated Parcel Costs per Cubic Foot by Zone

DBMC parcel transportation costs by distance relation

Local costs incurred by DBMC parcels (non-distance related)	$99,046 1/
Intermediate costs incurred by DBMC parcels (distance related)	[redacted] 2/
Long distance costs incurred by DBMC parcels	$0 3/
Total DBMC parcel costs	[redacted] 4/

	[1]	[2]	[3]	[4]
Zone	Percentage of DBMC cubic feet	Percentage of DBMC cubic foot miles	Local costs (000)	Intermediate costs (000)
Local	0.00%	0.00%	$0	$0
1-2	82.80%	54.83%	$82,008	[redacted]
3	14.68%	35.57%	$14,536	[redacted]
4	2.40%	8.42%	$2,380	[redacted]
5	0.12%	1.19%	$121	[redacted]
6	0.00%	0.00%	$0	$0
7	0.00%	0.00%	$0	$0
	0.00%	0.00%	$0	$0
Total	**100.00%**	**100.00%**	**$99,046**	[redacted]

	[5]	[6]	[7]	[8]
Zone	Local / DSCF Unit Costs ($/CF)	Intermediate Unit Costs ($/CF)	Total DBMC Unit Costs ($/CF)	Reconcile to Total Costs (000)
Local	N/A	N/A	N/A	N/A
1-2	$0.4769	[redacted]	[redacted]	[redacted]
3	$0.4769	[redacted]	[redacted]	[redacted]
4	$0.4769	[redacted]	[redacted]	[redacted]
5	$0.4769	[redacted]	[redacted]	[redacted]
6	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A
Total				[redacted]

Sources

Row 1/: Attachment M, page 3, row 20.
Row 2/: Attachment M, page 3, row 20.
Row 3/: Attachment M, page 3, row 20.
Row 4/: Row (1) + row (2) + row (3).
Column [1]: Attachment L, page 7, column 3, DBMC cubic feet in the given zone divided by total DBMC cubic feet.
Column [2]: Attachment L, page 7, column 7, DBMC cubic foot miles in the given zone divided by total DBMC cubic foot miles.
Column [3]: Row (1) * column [1].
Column [4]: Row (2) * column [2].
Column [5]: Column [3] / Attachment L, page 7, column 3 (DBMC cubic feet by zone, all cubic feet will have a local leg).
Column [6]: Column [4] / Attachment L, page 7, column 11 (regular DBMC cubic feet by zone since this is the cubic feet that will have an intermediate leg).
Column [7]: Column [5] + column [6].
Column [8]: (Column [5] * Attachment L, page 7, column 10) + (column [7] * Attachment L, page 7, column 11).

Inter-BMC **NO PIG 14 + 8**

Zone	Total inter-BMC costs	cubic feet	total cost	vol	cost/pc	oversize cube	oversize cost	oversize vol	oversize cost/pc
Local	N/A	0							
1-2		3,106,035							
3		5,911,793							
4		9,582,517							
5		7,914,879							
6		3,593,854							
7		1,923,568							
8		2,181,632			Inter				Inter
		34,214,278		51,620,319				72,268	

Intra-BMC

Zone	Total intra-BMC costs								
Local		1,092,724							
1-2		10,402,027							
3		2,049,770							
4		408,204							
5		200,985							
6	N/A	0							
7	N/A	-							
8	N/A	-			Intra	Intra over vol			Intra
		14,153,710		28,817,368		301,199		37,463	

DBMC

Zone	DBMC costs	DBMC cube	DBMC total $						
Local	N/A	0							
1-2		154,498,909							
3		27,385,185							
4		4,484,191							
5		228,306							
6	N/A	0							
7	N/A	-			DBMC				
8	N/A	-		**DBMC vol**	$/piece	oversize dubic feet		oversize vol	DBMC
		186,596,590		267,762,878				53,552	

					Volume		oversize cubic feet	Over Total $	Over vol	Over unit $
DSCF	$0.4769	1,559,143.71	$	743,601	2,237,344	$0.33			447	
DDU Cost	$0.0811	19,518,511	$	1,582,262	28,008,725	$0.06			5,603	

(Revised LR97fnad.xls)

CLASS OF MAIL	1998GFY Volume 2001br	2001GFY BR Volume	2001BR Total Mixed Cost	**Rollforward BR01 Unit Cost**	TY Unit Cost	2001GFY AR Volume	2001AR Total Mixed Cost	**Rollforward AR01 Unit Cost**	
Parcel Post (USPS-T-14)	378	378	[illegible]	107.3	[illegible]	374	[illegible]	107.1	**includes vehicle servic
Inter BMC (LR-I-98 Section 4)	52	52				48			
Intra BMC	29	29				26			
DBMC	298	267				269			
DSCF	0	2			33	2			
DDU	0	28			6	28			
Inter BMC Oversize	0	0.07				0.07			
Intra BMC Oversize	0	0.01				0.01			
DBMC Oversize	0	0.35				0.35			
DSCF Oversize	0	0.00				0.00			
DDU Oversize	0	0.04				0.04			

(Revised LR97fnad.xls)

Parcel Post (in millions) Transportation plus supervisor piggy vehicle service

BR01 Avg Unit	BR01 Mix Unit	BR01 Volume	BR01 Avg cost	BR01 Mix Cost	Difference
107.29	[redacted]	378	406	[redacted]	

AR01 Avg Unit	AR01 Mix Unit	AR01 Volume	AR01 Avg cost	AR01 Mix Cost	Difference
107.15	[redacted]	374	401	[redacted]	

Division of Parcel Post Transportation Costs

Division of Functional Costs Into Rate Categories

	Local	Inter-mediate	Long Distance	
Transportation costs for all parcel post:	$161,825	$138,860	$111,694	1/
Transportation costs for Inter-BMC and Intra-BMC only		$11,535		2/
Total Transportation Costs	$161,825	$150,395	$111,694	3/
Inter-BMC cubic feet:	34,214,278	34,214,278	34,214,278	4/
Intra-BMC cubic feet:	14,153,710	14,153,710	14,153,710	5/
DBMC cubic feet:	207,674,244	207,674,244	207,674,244	6/
Total parcel post cubic feet:	256,042,233	256,042,233	256,042,233	7/
Percentage of inter-BMC parcels entered at origin BMCs:	4.48%	4.48%	4.48%	8/
Avg. number of local legs traveled by an inter-BMC parcel:	1.96			9/
Avg. number of intermediate legs traveled by an inter-BMC parcel:		1.96		10/
Avg. number of long distance legs traveled by an inter-BMC parcel:			1.00	11/
Percentage of intra-BMC cubic feet held out at the AO:	3.86%	3.86%	3.86%	12/
Avg. number of local legs traveled by an intra-BMC parcel:	1.92			13/
Avg. number of intermediate legs traveled by an intra-BMC parcel:		1.92		14/
Avg. number of long distance legs traveled by an intra-BMC parcel:			0.00	15/
Percentage of DBMC parcels entered at destination SCFs:	[redacted]			16/
Avg. number of local legs traveled by a DBMC parcel:	1.00			17/
Avg. number of intermediate legs traveled by a DBMC parcel:		[redacted]		18/
Avg. number of long distance legs traveled by a DBMC parcel:			0.00	19/
Transportation costs incurred by DBMC rated parcels:	$111,360	[redacted]	$0	20/
Transportation costs incurred by intra-BMC rated parcels:	$14,593	[redacted]	$0	21/
Transportation costs incurred by inter-BMC rated parcels:	$35,871	[redacted]	$111,694	22/
Transportation costs for all parcel post:	$161,825	[redacted]	$111,694	23/

Sources

Row 1/: Attachment M page 2 row 19 (local), row 11 (intermediate), row 15 (long distance).
Row 2/: Attachment M, page 2, row 12.
Row 3/: Row (1) + row (2).
Row 4/: Attachment L, page 7, column 1, total inter-BMC cubic feet.
Row 5/: Attachment L, page 7, column 2, total intra-BMC cubic feet.
Row 6/: Attachment L, page 7, column 3, total DBMC cubic feet.
Row 7/: Row (4) + row (5) + row (6).
Row 8/: Docket No. R97-1 USPS-T-16, Appendix I page 13.
Row 9/: [1 * row (8)] + (2 * [1 - row (8)]) .
Row 10/: [1 * row (8)] + (2 * [1 - row (8)]).
Row 11/: Inter-BMC rated parcels should receive one leg of long distance transportation.
Row 12/: Attachment L, page 7, column 2, intra-BMC local cubic feet divided by intra-BMC total cubic feet.
The resulting quotient is multiplied by .5 to account for half of the intra-BMC parcels being held out at the local AO.
Row 13/: [0 * row (12)] + [2 * (1 - row (12)]).
Row 14/: [0 * row (12)] + (2 * [1 - row (12)]).
Row 15/: Intra-BMC rated parcels should not receive long distance transportation.
Row 16/: Docket No. R97-1 USPS-T-16, Appendix I page 13.
Row 17/: All DBMC parcels should receive one leg of local transportation.
Row 18/: [0 * row (16)] + (1 * [1 - row (16)]).
Row 19/: DBMC parcels should not receive long distance transportation.
Row 20/: Costs distributed based on number of legs and cubic feet.
Row 21/: Costs distributed based on number of legs and cubic feet.
Row 22/: Costs distributed based on number of legs and cubic feet.
Row 23/: Row (17) + row (18) + row (19).

Summary of Parcel Post Unit Transportation Costs by Zone

Cost per Cubic Foot by Zone for Each Rate Category

Inter-BMC	[1]	[2]	[3]	[4]	[5]
Zone	Local costs	Intermediate costs	Long distance ZR costs	Long distance NZR costs	Total inter-BMC costs
Local	N/A	N/A	N/A	N/A	N/A
1-2	$1.0484		$0.4898	$0.0778	
3	$1.0484		$1.0725	$0.0778	
4	$1.0484		$1.9476	$0.0778	
5	$1.0484		$3.5758	$0.0778	
6	$1.0484		$5.2686	$0.0778	
7	$1.0484		$6.8505	$0.0778	
8	$1.0484		$10.1262	$0.0778	

Intra-BMC	[6]	[7]	[8]
Zone	Local costs	Intermediate costs	Total intra-BMC costs
Local	$0.6200		
1-2	$1.0654		
3	$1.0654		
4	$1.0654		
5	$1.0654		
6	N/A	N/A	N/A
7	N/A	N/A	N/A
8	N/A	N/A	N/A

DBMC	[9]	[10]	[11]
Zone	Local	Intermediate costs	DBMC costs
Local	N/A	N/A	N/A
1-2	$0.5362		
3	$0.5362		
4	$0.5362		
5	$0.5362		
6	N/A	N/A	N/A
7	N/A	N/A	N/A
8	N/A	N/A	N/A

DSCF Costs	$0.5362 1/
DDU Cost Avoidance (DSCF costs less DDU costs in $/cf)	$0.4454 2/

Sources

Column [1]: Attachment N, page 2, column 7.
Column [2]: Attachment N, page 2, column 8.
Column [3]: Attachment N, page 2, column 9.
Column [4]: Attachment N, page 2, column 10.
Column [5]: Column [1] + column [2] + column [3] + column [4].
Column [6]: Attachment N, page 3, column 7.
Column [7]: Attachment N, page 3, column 8.
Column [8]: Column [6] + column [7].
Column [9]: Attachment N, page 4, column 5.
Column [10]: Attachment N, page 4, column 6.
Column [11]: Column [9] + column [10].
Row 1/: Same as DBMC local costs, column [9].
Row 2/: Attachment N, page 5, row 12.

Parcel Post Transportation Costs By Rate Category and Zone

Calculation of Inter-BMC Transportation Costs per Cubic Foot by Zone

Inter-BMC parcel transportation costs by function and distance relation

Local costs incurred by inter-BMC parcels (non-distance related)	$35,871 1/
Intermediate costs incurred by inter-BMC parcels (non-distance related)	[redacted] 2/
Long distance costs incurred by inter-BMC parcels (distance related)	$109,031 3/
Long distance costs incurred by inter-BMC parcels (non-distance related)	$2,662 4/
Total inter-BMC parcel costs	[redacted] 5/

	[1]	[2]	[3]	[4]	[5]	[6]
Zone	**Percentage of inter-BMC cubic feet**	**Percentage of inter-BMC cubic foot miles**	**Local costs (000)**	**Intermediate costs (000)**	**Long distance costs - ZR (000)**	**Long distance costs - NZR (000)**
Local	0.00%	0.00%	$0	$0	$0	$0
1-2	9.08%	1.40%	$3,256	[redacted]	$1,521	$242
3	17.28%	5.82%	$6,198		$6,341	$460
4	28.01%	17.12%	$10,047		$18,663	$746
5	23.13%	25.96%	$8,298		$28,302	$616
6	10.50%	17.37%	$3,768		$18,935	$280
7	5.62%	12.09%	$2,017		$13,177	$150
8	6.38%	20.26%	$2,287		$22,092	$170
Total	**100.00%**	**100.00%**	**$35,871**		**$109,031**	**$2,662**

	[7]	[8]	[9]	[10]	[11]	[12]
Zone	**Local unit costs ($/CF)**	**Intermediate unit costs ($/CF)**	**Long distance - ZR unit costs ($/CF)**	**Long distance - NZR unit costs ($/CF)**	**Total unit costs ($/CF)**	**Reconcile to total costs (000)**
Local	N/A	N/A	N/A	N/A	N/A	N/A
1-2	$1.0484	[redacted]	$0.4898	$0.0778	[redacted]	[redacted]
3	$1.0484		$1.0725	$0.0778		
4	$1.0484		$1.9476	$0.0778		
5	$1.0484		$3.5758	$0.0778		
6	$1.0484		$5.2686	$0.0778		
7	$1.0484		$6.8505	$0.0778		
8	$1.0484		$10.1262	$0.0778		
Total						

Sources

Row 1/: Attachment M, page 3, row 22.
Row 2/: Attachment M, page 3, row 22.
Row 3/: Attachment M, page 2, row 13.
Row 4/: Attachment M, page 2, row 14.
Row 5/: Row (1) + row (2) + row (3) + row (4).
Column [1]: Attachment L, page 7, column 1, inter-BMC cubic feet in the given zone divided by total inter-BMC cubic feet.
Column [2]: Attachment L, page 7, column 5, inter-BMC cubic foot miles in the given zone divided by total inter-BMC cubic foot miles
Column [3]: Row (1) * column [1].
Column [4]: Row (2) * column [1].
Column [5]: Row (3) * column [2].
Column [6]: Row (4) * column [1].
Column [7]: Column [3] * 1000 / Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).
Column [8]: Column [4] * 1000 / Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).
Column [9]: Column[5] * 1000 / Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).
Column [10]: Column [6] * 1000 / Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).
Column [11]: Column [7] + column [8] + column [9] + column [10].
Column [12]: Column [11] * Attachment L, page 7, column 1 (inter-BMC cubic feet by zone).

Parcel Post Transportation Costs By Rate Category and Zone

Calculation of Intra-BMC Rated Parcel Costs per Cubic Foot by Zone

Intra-BMC parcel transportation costs by function and distance relation

Local costs incurred by intra-BMC parcels (non-distance related)	$14,593 1/
Intermediate costs incurred by intra-BMC parcels (non-distance related)	[redacted] 2/
Long distance costs incurred by intra-BMC parcels	$0 3/
Total intra-BMC parcel costs	[redacted] 4/
Percent of local intra-BMC that is held out	50.00% 5/

	[1]	[2]	[3]	[4]	[5]	[6]
	Cubic feet	**Average Local / Intermediate Legs**	**Average Cubic foot-legs**	**Percent**	**Local Trans Costs**	**Intermediate Trans Costs**
Local zone	1,092,724	1	1,092,724	4.02%	$487	$637
Non-local zone	13,060,986	2	26,121,973	95.98%	$11,635	$15,221
Intra-city / box route adjustment	6/				$2,471	
Total	**14,153,710**		**27,214,697**	**100.00%**	**$14,593**	**$15,858**

	[7]	[8]	[9]	[10]
	Local unit costs	**Intermediate unit costs**	**Total unit costs**	**Reconcile to total costs**
Zone	**($/CF)**	**($/CF)**	**($/CF)**	**(000)**
Local	$0.6200	[redacted]		
1-2	$1.0654			
3	$1.0654			
4	$1.0654			
5	$1.0654			
6	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A
Total				**$30,451**

Sources

Row 1/: Attachment M, page 3, row 21.
Row 2/: Attachment M, page 3, row 21.
Row 3/: Attachment M, page 3, row 21.
Row 4/: Row (1) + row (2) + row (3).
Row 5/: Assumption from Docket no. R97-1, USPS-T-16.
Row 6/: Row 1 * Attachment N, page 5, row 10. (even held out parcels incur these costs).
Column [1]: Attachment L, page 7, column 2, intra-BMC cubic feet in the local zone and in all other zones.
Column [2]: Local zone legs reflect half of the local parcels being held out at the AO. Non-local zone legs reflect typical intra-BMC parcel.
Column [3]: Column [1] * column [2].
Column [4]: Percentage of cubic foot legs from column [3].
Column [5]: [Row (1) - row (5)] * column [4].
Column [6]: Row (2) * column [4].
Column [7]: Local zone unit cost = (local zone costs from column [4] / local zone cubic feet from column [1]) + row (5) / total cubic feet.
Non-local zone unit cost = (non-local zone costs from column [4] / non-local zone cubic feet from column [1]) + row (5) / total cubic feet.
Column [8]: Local zone unit cost = local zone costs from column [5] / local zone cubic feet from column [1].
Non-local zone unit cost = non-local zone costs from column [5] / non-local zone cubic feet from column [1].
Column [9]: Column [5] + column [6].
Column [10]: Column [7] * Attachment L, page 7, column 2 (intra-BMC cubic feet by zone).

Parcel Post Transportation Costs By Rate Category and Zone

Calculation of DBMC Rated Parcel Costs per Cubic Foot by Zone

DBMC parcel transportation costs by distance relation	
Local costs incurred by DBMC parcels (non-distance related)	$111,360 1/
Intermediate costs incurred by DBMC parcels (distance related)	[redacted] 2/
Long distance costs incurred by DBMC parcels	$0 3/
Total DBMC parcel costs	[redacted] 4/

	[1]	[2]	[3]	[4]
Zone	**Percentage of DBMC cubic feet**	**Percentage of DBMC cubic foot miles**	**Local costs (000)**	**Intermediate costs (000)**
Local	0.00%	0.00%	$0	$0
1-2	82.80%	54.83%	$92,204	[redacted]
3	14.68%	35.57%	$16,343	
4	2.40%	8.42%	$2,676	
5	0.12%	1.19%	$136	
6	0.00%	0.00%	$0	$0
7	0.00%	0.00%	$0	$0
8	0.00%	0.00%	$0	$0
Total	**100.00%**	**100.00%**	**$111,360**	[redacted]

	[5]	[6]	[7]	[8]
Zone	**Local / DSCF Unit Costs ($/CF)**	**Intermediate Unit Costs ($/CF)**	**Total DBMC Unit Costs ($/CF)**	**Reconcile to Total Costs (000)**
Local	N/A	N/A	N/A	N/A
1-2	$0.5362	[redacted]		
3	$0.5362			
4	$0.5362			
5	$0.5362			
6	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A
Total				[redacted]

Sources

Row 1/: Attachment M, page 3, row 20.
Row 2/: Attachment M, page 3, row 20.
Row 3/: Attachment M, page 3, row 20.
Row 4/: Row (1) + row (2) + row (3).
Column [1]: Attachment L, page 7, column 3, DBMC cubic feet in the given zone divided by total DBMC cubic feet.
Column [2]: Attachment L, page 7, column 7, DBMC cubic foot miles in the given zone divided by total DBMC cubic foot miles.
Column [3]: Row (1) * column [1].
Column [4]: Row (2) * column [2].
Column [5]: Column [3] / Attachment L, page 7, column 3 (DBMC cubic feet by zone, all cubic feet will have a local leg).
Column [6]: Column [4] / Attachment L, page 7, column 11 (regular DBMC cubic feet by zone since this is the cubic feet that will have an intermediate leg).
Column [7]: Column [5] + column [6].
Column [8]: (Column [5] * Attachment L, page 7, column 10) + (column [7] * Attachment L, page 7, column 11).