

RECEIVED

SEP 24 6 39 PM '01

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

LR-J-120

**Parcel Post and Special Services Final Cost Adjustments for
Delivery Confirmation**

Introduction

The purpose of this library reference is to describe and document the calculation of the final cost adjustments to Parcel Post costs and Special Services costs arising from making no-fee Delivery Confirmation available to Parcel Select.

Witness Kiefer developed this library reference and Witnesses Patelunas (USPS-T-12) and Kay (USPS-T-21) use the cost adjustments. Witness Mayo (USPS-T-36) uses the projection of Parcel Select Delivery Confirmation volume.

1. Description

Library Reference USPS-LR-J-120 consists of a worksheet that calculates final cost adjustments for Parcel Post and Special Services. It has three inputs and produces five outputs.

2. Inputs

Forecasted total Delivery Confirmation volume—from Library Reference USPS-LR-J-125, Table 125-2.

Forecasted total Parcel Select volume— from Library Reference USPS-LR-J-125, Table 125-2.

Electronic Delivery Confirmation marginal cost—from USPS-T-26, Table 1b.

3. Calculations

The calculations are described in the notes accompanying the worksheet.

Final Adjustments for Delivery Confirmation

Inputs^[1]

DC TYAR Forecast	202,040,828
Parcel Select TYAR Forecast	314,684,404
Electronic DC Marginal Cost	\$ 0.0851

Calculations

Parcel Select Electronic DC Volume to Remove From Special Services ^[2]	17,779,593
Package Services Electronic DC Volume Remaining in Special Services ^[3]	4,444,898
Parcel Select Electronic DC Volume with Zero Fee ^[4]	118,006,652
Final Adjustment to Remove from Special Services Costs ^[5]	\$ 1,513,043
Final Adjustment to Add to Parcel Post (Parcel Select) Costs ^[6]	\$ 10,042,366

Notes

- [1] Sources: DC TYAR Forecast: USPS-LR-J-125, Table 125-2;
Parcel Select TYAR Forecast: USPS-LR-J-125, Table 125-2;
Electronic DC Marginal Cost: USPS-T-26, Table 1b.
- [2] Calculation based on volume shares from RPW data for FY01, pq3:
(Priority Mail electronic DC: 53%; Priority Mail retail DC: 33%;
Package Services electronic DC: 11%; Package Services retail DC: 3%)
Calculation: (DC TYAR Forecast) *
(Package Services share of electronic Delivery Confirmation (11%)) *
(Parcel Select share of Package Services electronic DC (80%), assumed).
- [3] Calculation: (DC TYAR Forecast) *
(Package Services share of electronic Delivery Confirmation (11%), from
RPW data for FY01, pq3) *
(Non-Parcel Select share of Package Services electronic DC (20%), assumed).
- [4] Calculation: (Parcel Select TYAR Forecast) *
(Share of Parcel Select projected to use no-fee DC in test year (37.5%), from
James Kiefer's workpaper (USPS-T-33, WP-PP-1, Input [15].)
- [5] Calculation: (Parcel Select DC TYAR Forecast with fees, from Note [2] above) *
(Electronic DC Marginal Cost).
- [6] Calculation: (Parcel Select DC TYAR Forecast with no fee, from Note [4] above) *
(Electronic DC Marginal Cost).