USPS-T-31

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

POSTAL RATE AND FEE CHANGES, 2001	Docket No. R2001-1

DIRECT TESTIMONY
OF
LARAINE B. HOPE
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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AUTOBIOGRAPHICAL SKETCH

My name is Laraine B. Hope. I am an Economist in the office of Pricing and Product Design at Postal Service Headquarters. My responsibilities include rate design for Standard Mail Enhanced Carrier Route and Nonprofit Enhanced Carrier Route, as well as research on postal regulatory issues.

I joined the Postal Service in 1998 as a Marketing Specialist in Customer Relations Program Management. Prior to my current assignment in Pricing and Product Design, I was a Program Manager in Strategic Marketing, where I was responsible for the development, analysis, and management of strategic marketing initiatives.

I was previously a Senior Associate at the McNamee Consulting Company in New York, where I managed projects and developed business plans for new ventures, including trade magazines, newsletters, and niche book publishing. Subsequently, I served as an independent management consultant specializing in product and service development and evaluation. My clients included Amtrak, Boise Cascade, Federal Employees News Digest, the Museum of Modern Art, and the Solomon R. Guggenheim Museum.

I began my career as a Marketing Manager at Feffer & Simons, Inc., an international subsidiary of Doubleday & Company, and have held other management positions in the publishing industry.

I received a Bachelor of Arts degree, *magna cum laude,* from Wesleyan University and a Master's degree in Business Administration from Yale University.

I. PURPOSE OF TESTIMONY

The purpose of my testimony is to present the proposed classification changes and rates for Standard Mail Enhanced Carrier Route and Nonprofit Enhanced Carrier Route subclasses. Rates for Standard Mail Regular and Nonprofit subclasses are presented by witness Moeller (USPS-T-32). Library Reference USPS-LR-J-131 contains workpapers cited throughout my testimony. This library reference is incorporated by reference into my testimony.[1]

Rates for the commercial subclass, Enhanced Carrier Route (ECR), are developed using cost data from various cost witnesses, including witnesses Schenk (USPS-T-43) and Miller (USPS-T-24). Rate level requirements have been submitted by witness Moeller (USPS-T-28).

Rates for the preferred subclass, Nonprofit Enhanced Carrier Route (NECR), also are developed from cost data provided by cost witnesses, in accordance with the Revenue Forgone Reform Act (RFRA), as amended by Public Law No. 106-384, 114 Stat. 1460, which was enacted in October, 2000.

The ECR subclass was created in July 1996, consistent with the Commission's Recommended Decision in Docket No. MC95-1, when the former Third-Class Mail Bulk Rate Regular subclass was divided into two commercial subclasses, Regular and Enhanced Carrier Route. Rate changes for both

[1] For convenience and ease of reference, the workpapers in the library reference are cited using the acronym "WP" in lieu of the library reference number.

subclasses were implemented in accordance with the Commission's recommended decisions in Docket Nos. R97-1 and R2000-1. In addition, rates for both subclasses were changed, effective July 2001, as a result of the Governors' modification decision following Docket No. R2000-1.

In October, 1996 the NECR subclass was created to mirror ECR. Prior to the NECR designation, nonprofit mail was eligible for preferred rates under the RFRA and prior legislation.

The Enhanced Carrier Route and Nonprofit Enhanced Carrier Route proposals discussed herein meet the rate level requirements (cost coverage specifications) proposed by witness Moeller. In addition, the proposals build on current rate design elements and maintain current rate relationships, while limiting individual rate cell increases to less than 10 percent. Limiting rate cell increases to less than 10 percent allows the rates to vary around the average cost coverage in a manner that reflects costs and maintains current rate relationships, while not disproportionately affecting any single category.

Rate design between the Regular and Enhanced Carrier Route commercial and nonprofit subclasses has been coordinated to assure structural consistency, where appropriate, and to maintain appropriate rate relationships. An example of structural consistency between the two commercial subclasses is that the proposed destination entry discounts are identical. An example of an appropriate rate relationship is that the proposed ECR basic letter rate is slightly higher than the 5-digit automation letter rate in the Regular subclass. This

maintains the current rate relationship and encourages the use of automation by mailers.[2]

[2] See PRC Op., R97-1, ¶ 5560; PRC Op., R2000-1, ¶ 5381.

II. PROPOSAL OVERVIEW

A. Proposed Classification Change

In this docket, the Postal Service proposes a requirement that ECR and NECR High Density and Saturation Letters bear barcodes.[3]

B. Average Rate Changes

The average percentage change in revenue per piece for Standard Enhanced Carrier Route and Nonprofit Enhanced Carrier Route under this proposal are as follows: 6.19 percent for Enhanced Carrier Route and 6.47 percent for Nonprofit Enhanced Carrier Route.[4]

[3] See Section III.C. for details.
[4] See WP1, p. V and WP2, p V. For percentage changes by rate cell, see Appendix 2.

III. STANDARD MAIL ENHANCED CARRIER ROUTE SUBCLASS

A. Characteristics

In Docket No. MC95-1, the Postal Service proposed, and the Commission recommended, the creation of the Enhanced Carrier Route subclass so that the distinct cost and market characteristics of mail within this subclass could be more fully and fairly recognized.

Enhanced Carrier Route (ECR) consists primarily of geographically-targeted advertisements, which generally feature widely-used products or services. Examples of ECR users include local shops, service establishments, and real estate agents, as well as larger mailers who consolidate multiple advertising pieces from local establishments. Parcel-shaped pieces within ECR are limited to merchandise samples and are less prevalent in the ECR subclass relative to the Regular subclass. ECR pieces are typically addressed to a concentrated geographic region, although this subclass includes mailings with as few as 10 pieces per carrier route in the Basic tier.

Total ECR volume in FY 2000 was 32.78 billion pieces. The following is an overview of the current ECR volume profile, based on FY 2000 Billing Determinants.[5]

[5] Detailed volume and weight information is in WP1, page A.

Table #1

ECR VOLUME PROFILE IN FY 2000
Percentage of Total

	Basic	Auto	High Density	Saturation	Total
Letters (pc-rated)	12.9%	6.0%	1.3%	11.1%	31.3%
Nonletters(pc-rated)	19.2%	N/A	2.6%	19.4%	41.2%
Nonletters (lb-rated)	17.1%	N/A	2.0%	8.3%	27.4%
Total	49.2%	6.0%	5.9%	38.8%	100.0%

Source: Billing Determinants, USPS-LR-J-98.
Figures are rounded.

Detailed revenue, volume, and rate histories are available in Library References USPS-LR-J-90 and USPS-LR-J-91.

B. History of Rate Design

In Docket No. R90-1, the Postal Service proposed, and the Commission adopted, a rate design methodology for the third-class Bulk Rate Regular subclass, which used an equation to calculate rates. Prior to Docket No. R97-1, the inputs required for the equation included: the selection of a benchmark category from which discounts will be applied, selection of a breakpoint,[6] a target cost coverage for the subclass, and a piece rate for pound-rated mail.[7]

In Docket No. R97-1, the Postal Service proposed a modification to the formula so that the pound rate would be an input to the equation, rather than the

[6] The breakpoint is the maximum weight for a piece subject to the minimum per-piece rate.
[7] Docket No. MC95-1, ¶ 5639.

solution. Alternatively, the piece rate for pound-rated mail would be an output, rather than an input. Another output of the formula, before and after the Docket No. R97-1 modification, is the basic undiscounted piece rate for nonletters.[8] The Commission adopted these modifications, noting that the change was a "distinction without a difference."[9] The Commission used the same formula in its Docket No. R2000-1 Recommended Decision.

As noted above, in Docket No. MC95-1, the Commission recommended the establishment of two commercial subclasses to replace Bulk Rate Regular, and used separate formulas to develop rates for these subclasses (PRC Op., MC95-1 ¶ 5639). In that same docket, the Postal Service proposed elimination of separate rates for letters in the new subclass, but the Commission recommended retention of the existing letter rates, introduced a letter rate for the High Density tier, and placed the carrier route automation rate in the Enhanced Carrier Route subclass.

The *presort tree*, which was introduced by witness R.W. Mitchell in Docket No. R90-1, is the means by which the effective passthroughs (*i.e.*, measured cost passthroughs) at different presort tiers are calculated. In this docket, witness Moeller (USPS-T-32) explains the implications of the presort tree in the Standard Regular subclasses. For Enhanced Carrier Route, the presort tree is used to calculate the effective passthroughs at the three density tiers: Basic,

[8] PRC Op., R97-1, ¶ 5375.
[9] PRC Op., R97-1, ¶ 5376.

High Density, and Saturation, as well as the effective shape passthroughs.[10] In Docket No. R97-1, the Postal Service proposed the elimination of a rate differential for letters in the Basic tier, without elimination of the letter rate category itself, and the Commission recommended the change. Although this means, in practice, that the Basic Letter rate is equal to the Basic Nonletter rate, retention of a separate Basic letter tier facilitates the rate design.

Also in Docket No. R97-1, a residual shape surcharge was proposed by the Postal Service and recommended by the Commission. This was based on witness Crum's testimony (Docket No. R97-1, USPS-T-27), which demonstrated a significant, measurable difference between the costs for flat-shaped pieces and the costs for the remaining pieces in the nonletter categories of both Regular and Enhanced Carrier Route. In Docket No. R2000-1, the Postal Service proposed, and the Commission recommended, an increase in the residual shape surcharge for Standard Mail Regular, and a parcel barcode discount was added in Regular to encourage use of automation. The recommended ECR residual shape surcharge was equivalent to the difference between the surcharge on Regular parcels and the barcode discount.

No structural changes to the basic rate design of the Enhanced Carrier Route subclass were made as a result of Docket No. R2000-1. However, one change is being made in this docket with regard to calculation of volume variable costs. This change is a result of Public Law No. 106-384, 114 Stat.1460, amending the RFRA. Separate costs for the Enhanced Carrier Route and

[10] For a more detailed description of the ECR *presort tree*, see Appendix 1.

Nonprofit Enhanced Carrier Route subclasses are no longer available; instead, one set of costs is provided that combines data for both subclasses.

Since the rate design formula requires volume variable costs as an input for both Enhanced Carrier Route and Nonprofit Enhanced Carrier Route, a reasonable estimate had to be developed for allocating the combined costs to each of the two subclasses. Data from Docket No. R2000-1 were used to determine the cost shares of the respective subclasses. For Enhanced Carrier Route, the ratio of commercial ECR costs to the sum of commercial ECR costs plus NECR costs was determined and applied to the aggregate volume variable costs. For Nonprofit Enhanced Carrier Route, the ratio from Docket No. R2000-1 of NECR costs to the sum of commercial ECR costs plus NECR costs was determined and applied to the aggregate volume variable costs in this docket.

C. Proposed Classification Change

In this docket, the Postal Service is proposing that High Density and Saturation letters must bear delivery point (*i.e.*, 11-digit) barcodes and meet other Postal Service requirements for automation compatibility, in addition to the existing requirements for the rates. Letters that are not automation-compatible would be subject to the basic Enhanced Carrier Route rate or the appropriate nonletter rate, assuming they meet the other requirements in these density tiers.

This proposed change applies to both Enhanced Carrier Route and Nonprofit Enhanced Carrier Route. It promotes fairness and equity by applying uniform automation criteria to ECR letter rates in these tiers, resulting in a more logical rate relationship with the nonletter rates. To the extent that this mail is

merged into the DPS mailstream, an issue addressed by witness Kingsley (USPS-T-39), it has advantages over non-automation compatible nonletters and therefore deserves rate recognition. (Mailers who choose not to make their High Density and Saturation letters automation-compatible have the option of mailing at the Basic Enhanced Carrier Route rate or at the appropriate nonletter rate.)

The proposed classification change is desirable from the perspective of mailers and the Postal Service because it will allow more flexibility and options in mail processing and delivery, and increased reliability. As noted above, barcoding has the potential to decrease handling and sortation for DPS mail. In addition, barcoded pieces will allow automation equipment to "catch" carrier assignment updates earlier than would be otherwise be possible. Under the current system, mailers must update their software at least three months before the mailing; as witness Kingsley (USPS-T-39) explains, carrier assignments change on a regular basis. Witness Kingsley describes the operational advantages and potential cost savings implications of this proposed classification change in her testimony.

This classification change was taken into account in determining the Letter-Nonletter passthroughs in the High Density and Saturation tiers. The rate gap between High Density letters and nonletters, measured in cents, was widened, from the current 0.3 cent to 0.5 cent, a 66.6 percent increase. At the Saturation tier, the gap was widened from 0.4 cent to 0.7 cent, a 75.0 percent increase. These figures represent significant savings to mailers who barcode their High Density and Saturation letters.

D. Proposed Rate Design

1. Rate Design Formula

The proposed rate design uses the Commission's methodology and rate design formula from Docket No. MC95-1 along with the recommended modifications from Docket Nos. R97-1 and R2000-1.

2. Pound Rate

The Postal Service is proposing a pound rate of 59.8 cents for Enhanced Carrier Route. This reduction of 6.3 percent from today's pound rate of 63.8 cents is not as large as the reductions proposed by the Postal Service in Docket Nos. MC95-1, R97-1, or R2000-1. The table below shows the Postal Service's proposed reductions over the past six years as compared to Commission's recommended rates, which were implemented.

Table #2

POUND RATE PROPOSALS AND RECOMMENDATIONS
MC95-1 to R2001-1

DOCKET NUMBER	EXISTING RATE (cents)	USPS PROPOSAL (cents)	PERCENTAGE REDUCTION	PRC RECOMMENDATION (cents)	PERCENTAGE CHANGE
MC95-1	68.7	51.0	25.8%	66.3	-3.49%
R97-1	66.3	53.0	20.1%	66.3	0.00%
R2000-1	66.3	58.4	11.9%	63.8	-3.77%
R2001-1	63.8	59.8	6.3%	N/A	N/A

Multiple factors support the proposed pound rate reduction. Witness Schenk (USPS-T-43) presents a cost study that provides detailed data regarding the weight-cost relationship of pound- and piece-rated pieces. Witness Schenk's study provides unit cost estimates for each grouping by ounce increment. This analysis suggests that, strictly on a cost basis, a lower ECR pound rate would be appropriate.

In addition, these data can be further analyzed to compare the relative implicit cost coverage for piece-rated pieces and pound-rated pieces, using current ("before") and proposed ("after") rates.[11] The following table compares the unit cost and unit revenue, through calculation of an implicit cost coverage, for piece-rated versus pound-rated pieces.[12]

[11] Although cost coverage is of primary importance at the subclass level, and is not required for subcategories of subclasses, in this instance, estimates of implicit coverage are enlightening.
[12] It is not possible to break the 16 ounce weight range precisely at 3.3 ounces for the measurement of costs, but it is possible to use 3.0 and 3.5 ounce breaks. Rather than selecting one "dividing line," in this analysis, comparisons are presented for both.

Table #3

COMPARISON OF COST COVERAGES
FOR PIECE-RATED VS. POUND-RATED ECR NONLETTERS

	BEFORE RATES				*AFTER RATES*		
	Unit Revenue	*Unit Cost*	*Implicit Coverage*		*Unit Revenue*	*Unit Cost*	*Implicit Coverage*
3.0 ounce Dividing Line *for Costs*							
Piece-rated	.14245	.0675	211.0%		0.15074	.0675	223.3%
Pound-rated	.20655	.0827	249.8%		0.20887	.0827	252.6%
3.5 ounce Dividing Line *for Costs*							
Piece-rated	.14245	.0684	208.3%		0.15057	.0684	220.1%
Pound-rated	.20655	.0839	246.2%		0.20895	.0839	249.0%

Source: WP1, page Y for Revenue and USPS-LR-J-59 for Estimated Test Year Costs.
Implicit Coverage equals Unit Revenue/Unit Cost.

The "Before Rates" information shows that the implicit coverage for pound-rated pieces exceeds that for piece-rated pieces. While equalizing cost coverage of the two groupings is not strictly necessary, the information suggests that a reduction in the pound rate can be made without distorting the relative implicit coverage of the two groupings. The gap in the difference in coverage between piece- and pound-rated pieces narrows *somewhat* in the "After Rates" scheme with a lower pound rate (by approximately 10 percentage points under both the 3.0 and 3.5 ounce dividing lines); however, *the implicit coverage for pound-rated pieces is still significantly higher.* It is 29.3 percentage points higher than piece-rated pieces under the 3.0 ounce dividing line, and 28.9 percentage points higher under the 3.5 ounce dividing line. If a goal of rate design were to have equal implicit coverage, and the pound rate were the only variable under

examination, *this suggests that a pound rate even lower than the proposed 59.8 cents would be appropriate.*

In addition, this analysis confirms that there is no risk of a below-cost situation for pound-rated ECR pieces, as their implicit cost coverage under both current and proposed rates exceeds that of piece-rated pieces. This is not surprising. As described by witness Moeller (USPS-T-35) in Docket No. R2000-1, high pound rate(s) have historically been supported by acknowledgment of a changing shape mix between flats and parcels as weight increased.[13] Higher pound rates were advocated by the Postal Service prior to Docket No. MC95-1, when carrier route was a part of the Bulk Rate Regular subclass.[14] At that time, there was one pound rate for the entire Bulk Rate Regular subclass, and parcels were heavier than flats on average for the subclass.[15] Since Bulk Rate Regular was split into two commercial subclasses, Regular and ECR, each subclass can be independently evaluated to determine if the pound rate needs to act as a proxy for shape.[16] Although the pound rate for ECR was reduced slightly when the subclass was created, it still carries traces of this former role.

Despite the proposed reduction in the pound rate, the percentage price change for the vast majority of pound-rated pieces is positive, as demonstrated below. (Although one might suspect that a lower pound rate would result in a

[13] To the extent that parcels were heavier and cost more to handle, a steep pound rate generated a higher revenue-per-piece from parcels. See Docket No. R2000-1, USPS-T-35.
[14] At the time of the Commission's decision for Docket No. MC95-1, the current ECR pound rate was 70.7 cents. (PRC Op., MC95-1, Table V-3A, p. V-260).
[15] Docket No R84-1, USPS-RT-8 at 21.
[16] In Docket No. MC95-1, the pound rate was reduced by 2.4 cents. However, ECR rates were reduced in general. Also, the pound rate was set at a level that resulted in a zero piece rate for Saturation mail, rather than due to an explicit acknowledgment of the reduced role as proxy for shape change.

price reduction for all pound-rated pieces, the lower pound rate is accompanied by a higher per-piece rate for pound-rated pieces, resulting in a net increase in price for most pound-rated ECR volume.) To put the percentage changes by ounce increment in perspective and to further illustrate the minimal impact of the proposed lower pound rate on the overall ECR subclass, an examination of test year volume by density tier, destination entry, and ounce increment is helpful. This information, based on data supplied by witness Schenk (USPS-T-43), is summarized below.[17] Detail is included in Exhibit USPS-31A.

Table #4

SUMMARY OF ECR VOLUME BY OUNCE INCREMENT

Ounce Increment	*Percentage of Total Volume*
Under 4.0	79.84%
04	9.30%
05	5.21%
06	2.51%
07	1.26%
08	0.80%
09	0.41%
10	0.21%
11	0.23%
12	0.10%
13	0.06%
14	0.03%
15	0.03%
16	0.00%
TOTAL	100.0%

Source: USPS-LR-J-58.
Figures are rounded.

[17] Library Reference USPS-LR-J-58.

The series of tables below (Tables #5A- #5C) details the percentage change by ounce increment for all shapes at 4 ounces and above, at *all density tiers, with all destination entry options*. The shaded areas show the cells where the percentage increase in the proposed rate at that ounce increment is negative. For example, a piece at the Basic level and no destination entry, would have to weigh over 10 ounces to realize a net reduction in price. According to witness Schenk (USPS-T-43), the percentage of ECR volume that is 10 ounces and above is projected to be less than 0.7 percent in the test year, which is very small.

The following charts, grouped by Basic, High Density, and Saturation tiers, show the percentage changes by ounce increment. (The percentage change calculations for volume affected at each tier are calculated by ounce increment and include ounce cells where the change to a decrease in rate may also include some fractional ounces with a positive or zero change. This overstates the percentage of volume affected by a decrease in rate, but is the only feasible way of performing the analysis.)

BASIC TIER

At the Basic level, rates start to decrease at the various destination entries in the following ounce increments: No Destination Entry, 11 ounces; DBMC, 9 ounces; DSCF and DDU, 8 ounces. Based on the analysis of ECR test year volume presented by witness Schenk (USPS-T-43), only 1.9 percent of total ECR volume will be affected by this decrease at the Basic tier. Of all volume at the Basic tier, 3.4 percent will be affected. The percentage rate change by ounce increment is given below:

Table #5A

BASIC TIER
Percentage Change by Ounce Increment

DESTINATION ENTRY	4	5	6	7	8	9	10	11	12	13	14	15	16
None	7.30%	5.09%	3.51%	2.31%	1.37%	0.62%	0.00%	-0.52%	-0.95%	-1.33%	-1.65%	-1.94%	-2.19%
DBMC	7.27%	4.77%	2.95%	1.56%	0.47%	-0.41%	-1.13%	-1.74%	-2.25%	-2.70%	-3.08%	-3.42%	-3.72%
DSCF	6.92%	4.32%	2.42%	0.98%	-0.16%	-1.08%	-1.84%	-2.48%	-3.02%	-3.48%	-3.89%	-4.25%	-4.56%
DDU	6.30%	3.56%	1.56%	0.02%	-1.19%	-2.17%	-2.97%	-3.65%	-4.23%	-4.73%	-5.16%	-5.54%	-5.88%

Source: Calculations utilize rates from WP1, page T and USPS-LR-J-58.

HIGH DENSITY TIER

At the High Density level, with a deeper destination entry discount, rates start to decrease in the following ounce increments: No Destination Entry, 9 ounces; DBMC, 8 ounces; DSCF and DDU, 7 ounces. Based on the analysis of ECR test year volume presented by witness Schenk (USPS-T-43), only 0.8 percent of total ECR volume will be affected by this decrease at the High Density tier. Of all volume at the High Density tier, 13.1 percent will be affected. The percentage rate change by ounce increment is given below:

Table #5B

HIGH DENSITY TIER
Percentage Change by Ounce Increment

DESTINATION ENTRY	4	5	6	7	8	9	10	11	12	13	14	15	16
None	6.54%	4.25%	2.66%	1.48%	0.58%	-0.13%	-0.71%	-1.19%	-1.59%	-1.94%	-2.23%	-2.49%	-2.72%
DBMC	6.40%	3.76%	1.92%	0.55%	-0.51%	-1.34%	-2.02%	-2.59%	-3.06%	-3.47%	-3.82%	-4.12%	-4.39%
DSCF	5.97%	3.23%	1.30%	-0.12%	-1.22%	-2.10%	-2.81%	-3.40%	-3.90%	-4.32%	-4.69%	-5.01%	-5.29%
DDU	5.22%	2.33%	0.30%	-1.21%	-2.38%	-3.31%	-4.06%	-4.69%	-5.22%	-5.67%	-6.06%	-6.40%	-6.70%

Source: Calculations utilize rates from WP1, page T and USPS-LR-J-58.

SATURATION TIER

At the Saturation level, with the maximum destination entry discount, rates start to decrease in the following ounce increments: No Destination Entry, 9 ounces; DBMC and DSCF, 7 ounces; DDU, 6 ounces. Based on the analysis of ECR test year volume presented by witness Schenk (USPS-T-43), only 3.0 percent of total ECR volume will be affected by this decrease at the Saturation tier. Of all volume at the Saturation tier, 7.8 percent will be affected. The percentage rate change by ounce increment is given below:

Table #5C

SATURATION DENSITY TIER
Percentage Change by Ounce Increment

DESTINATION ENTRY	4	5	6	7	8	9	10	11	12	13	14	15	16
None	5.67%	3.47%	1.95%	0.84%	0.00%	-0.67%	-1.20%	-1.65%	-2.02%	-2.33%	-2.61%	-2.84%	-3.05%
DBMC	5.38%	2.84%	1.07%	-0.22%	-1.21%	-1.99%	-2.62%	-3.14%	-3.58%	-3.96%	-4.28%	-4.56%	-4.80%
DSCF	4.90%	2.25%	0.41%	-0.94%	-1.97%	-2.79%	-3.45%	-3.99%	-4.45%	-4.84%	-5.18%	-5.47%	-5.73%
DDU	4.06%	1.27%	-0.67%	-2.10%	-3.20%	-4.06%	-4.76%	-5.34%	-5.83%	-6.24%	-6.60%	-6.91%	-7.18%

Source: Calculations utilize rates from WP1, page T and USPS-LR-J-58.

As demonstrated above, the proposed reduction in the pound rate of 4 cents is eminently reasonable, in terms of bringing the piece and pound implicit coverages closer in line, and has a minimal impact on overall ECR volume. It is also supported by the Commission's decision in Docket No. R2000-1. When the Commission recommended a 2.5-cent reduction in the pound rate in Docket No. R2000-1, which represented a 3.8 percent change, the Commission outlined the arguments of intervenors on both sides of the pound rate issue (PRC Op., R2000-1, ¶ 5453-5531). The Commission concluded that it found:

> no persuasive evidence on this record that a reduction in the pound rate, at the Commission's recommended level, will unduly interfere with competition. The Commission's recommendation must also consider the impact on mailers (and their customers) who pay the pound rate. (PRC Op., R2000-1, ¶ 5532).

The pound rate proposed in this docket likewise balances the concerns of those who contend that they may be disadvantaged by a significant reduction in the pound rate with cost evidence that strongly suggests that the current pound rate is out-of-line with the actual costs incurred. As the Commission explained above, an examination of the pound rate must also balance the interests of all businesses whose mailing expenses are directly affected. Current cost evidence clearly highlights a discrepancy, even under the current proposal, between costs to the Postal Service and the pound rate paid by mailers, who are both large and small businesses. In this docket, however, the request for a reduction in the pound rate has been moderated for several reasons.

In addition to the Commission's conclusions in the past rate case with regard to the competitive environment and the ECR pound rate, two additional

factors were considered in the Postal Service's decision not to request a decrease greater than 4 cents. First, the guideline of maintaining current rate relationships, which is an important concern in Standard Mail rate design, was considered. A further decrease in the pound rate would drive up piece rates, which would make it more difficult to maintain current rate relationships or moderate the percentage increase for individual rate cells. Second, the concerns of alternative providers of saturation advertising services were taken into account and balanced with the concerns of businesses that would prefer a lower pound rate.

3. Breakpoint

The proposed breakpoint weight, which is incorporated into the rate design formula is 3.3 ounces. A standardized 3.3 ounce breakpoint, which applies across the standard subclasses, was proposed by witness Moeller (USPS-T-35) in Docket No. R2000-1 and recommended by the Commission. The Commission explained:

> As witness Moeller indicates, the introduction of destination entry discounts has effectively eliminated the application of a single breakpoint to the entire Standard A subclass. Therefore, the use of a breakpoint with four decimal places, which was adopted in the interest of providing a smooth transition, has lost essentially all of its original significance. *Simplicity and practicality are also valid considerations in rate administration.* (PRC Op., R2000-1, ¶ 5401, emphasis added).

The 3.3 ounce designation is near the actual breakpoint weights by rate cell, as demonstrated by the following chart, using current rates:

Table #6

CALCULATION OF ECR BREAKPOINTS

	Minimum per Piece (Dollars)	*Pound-rated Pieces* *Per piece* (Dollars)	*Per pound* (Dollars)	Calculated Breakpoint (Ounces)
None	0.178	0.046	0.638	3.3103
DBMC	0.159	0.046	0.545	3.3174
DSCF	0.154	0.046	0.524	3.2977
DDU	0.149	0.046	0.498	3.3092

Source: WP1, page Z.

As demonstrated above, a standardized 3.3 ounce breakpoint simplifies rate design and is, in fact, very close to actual calculated breakpoints. No change in the breakpoint as it affects ECR rate design is proposed. In this docket, as in Docket No. R2000-1, the 3.3-ounce breakpoint applies across all Standard Mail subclasses.

4. Shape Recognition

a. Residual Shape Surcharge

As noted above, in Docket No. R97-1, the Postal Service proposed a surcharge for pieces that are neither letter- nor flat- shaped, or are prepared as parcels. This proposal was recommended by the Commission. In the Regular subclass, the proposed surcharge is 23 cents, and in ECR, the proposed surcharge is 20 cents. This ECR surcharge is equivalent to the net surcharge on Regular parcels eligible for the proposed barcode discount of 3 cents. (See testimony of witness Moeller (USPS-T-32).)

Parcels are a small portion of ECR volume, comprising less than 0.07 percent of total ECR nonletters.[18] According to Witness Schenk (USPS-T-43), parcels will comprise only 0.05 percent of ECR volume in the test year.[19] The parcel-shaped pieces allowed to be mailed at ECR rates are merchandise samples. Pieces of these dimensions are also required to use Detached Address Labels (DALs); thus, merchandise samples with DALs are the only surcharged pieces in ECR. Some merchandise samples are mailed as flats and therefore are not surcharged.

b. Letter/Nonletter Differential

In Docket No. MC95-1, the Postal Service proposed elimination of separate rates for letters at all density tiers in the proposed Enhanced Carrier Route subclass. The Commission, citing data showing a cost difference by shape, recommended the continuation of the existing rate categories for letters and extended letter rates to High Density (formerly 125-piece walk sequence). In Docket No. R97-1, the Postal Service did not propose elimination of all ECR letter categories, but it did propose a passthrough for the letter/nonletter differential of zero percent for the Basic tier.[20] A zero percent shape passthrough at the Basic tier, combined with rate distinctions for letters at the other tiers, was proposed to balance the Commission's concern for recognition of

[18] See WP1, page 1.
[19] Library Reference USPS-LR-J-58, Section 2, at 1.
[20] The proposal did not include the elimination of the Basic letter rate category; however, since the rate is equal to the nonletter rate, letters and nonletters were subject to a single rate.

cost differences with the Postal Service's concern regarding its letter automation program.[21] The Commission recommended the proposal.

In Docket No. R2000-1, the Postal Service proposed a zero percent passthrough at the Basic tier, along with a passthrough of 65 percent at the High Density tier, and 95 percent at the Saturation tier. These passthroughs were the same as those used by the Commission in its Docket No. R97-1 Recommended Decision. The Commission's recommendation in Docket No. R2000-1 changed the passthroughs on a percentage basis and increased the passthroughs on an effective cost basis (see discussion under Section 6, "Density Tiers," below).

5. Automation

In Docket No. MC95-1, the Commission recommended a discount for Basic automation letters in the Enhanced Carrier Route subclass. In this docket, the Postal Service proposes a passthrough of 78 percent of the cost differential, or a discount of 2.3 cents. This represents a 0.2 cent increase over the discount recommended by the Commission in Docket No. R2000-1. (In that docket, the Commission recommended a 100 percent passthrough off of a different base, which netted to a 2.1 cents discount.)

[21] In Docket No. MC95-1, the Commission acknowledged the Postal Service's concern that lower rates for carrier route letter mail would be counterproductive to the Postal Service's letter automation program, but on balance determined that it could not ignore cost differences of the magnitude presented by Postal Service witnesses. PRC Op., MC95-1, ¶ 5593.

6. Density Tiers

Prior to Docket No. R97-1, density discounts were based solely on delivery cost differences. In that proceeding and in Docket No. R2000-1, the proposed rate differentials were based on the combined mail processing and delivery cost differences.

This docket closely follows the design of the Docket No. R2000-1 proposal and subsequent Commission recommendations. An updated study presented by witness Schenk (USPS-T-43) uses In-Office Cost System data to help ascertain the relevant mail processing cost differences that underlie the density tier rate differentials. The High Density and Saturation letter rates are calculated off of the Basic letter rate, which is set to equal the nonletter rate in order to facilitate the desired rate relationship with Regular subclass 5-digit automation letters.

In this proposal, close attention was paid to the measured passthrough amounts (in cents), with the goal of maintaining or increasing the absolute discounts, if feasible. The proposed letter density tier passthroughs are 80 percent, resulting in a difference of 3.0 cents, between Basic and High Density, and 85 percent, resulting in a difference of 1.1 cents, between High Density and Saturation. This results in an increased cost savings to mailers of 0.5 cent at the High Density Letter tier and 0.3 cent at the Saturation tier for letters. The following chart summarizes the current Postal Service proposal for letters, as

well as the proposal in Docket No. R2000-1 and the Commission's recommendations in Docket No. R2000-1, which were implemented.[22]

Table #7

DENSITY COST PASSTHROUGHS
Letters

	Basic → High Density → Saturation	
R2001-1 USPS Proposed	3.0 cents	1.1 cents
PRC Op., R2000-1	2.5 cents	0.8 cent
R2000-1 USPS Proposed	2.3 cents	0.9 cent

Application of the rate design formula, specifically, the presort tree, results in passthroughs of 73.8 percent, or a difference of 2.5 cents, between Basic and High Density nonletters, and 108.3 percent, or a difference of 0.9 cent, between High Density and Saturation nonletters. The following chart summarizes the measured cost passthroughs for nonletters.

[22] Density discounts *per se* were not changed by the modification to Docket No. R2000-1. The modification affected all of the piece rates in a uniform manner.

Table #8

DENSITY COST PASSTHROUGHS
Nonletters

	Basic	*High Density*	*Saturation*
	→		→
R2001-1 USPS Proposed		2.5 cents	0.9 cent
PRC Op., R2000-1		2.2 cents	0.7 cent
R2000-1 USPS Proposed		2.1 cents	0.6 cent

In summary, the proposed passthroughs for ECR density discounts remain sensitive to the rate increases for individual rate categories and preserve relevant rate relationships as recommended by the Commission in Docket No. R2000-1. Where possible, savings to mailers using the High Density and Saturation tiers have been increased, without unduly raising the basic rates.

7. Destination Entry

Destination entry discounts were first proposed in Docket No. R90-1 and offered in 1991. They reflect a significant portion of the savings realized by the Postal Service when mailers dropship their bulk mail deep into the postal operational system. (Other worksharing incentives offered by the Postal Service for Standard Mail include an automation discount, which encourages mailers to use barcodes. In this docket, current estimates of the savings due to destination

entry are presented by witness Schenk (USPS-T-43). The following chart compares the current measured cost savings in dollars presented by Schenk with those presented in Docket No. R2000-1 by witness Crum (USPS-T-27).

Table #9

COMPARISON OF DESTINATION ENTRY COST SAVINGS IN R2000-1 and R2001-1

	Cost Savings Per Pound		*Difference*	
	R2000-1	*R2001-1*	*(Cents)*	*(Percentage)*
DBMC	0.114	0.117	0.003	2.6%
DSCF	0.140	0.147	0.007	5.0%
DDU	0.173	0.185	0.012	6.9%

Source for R2000-1: Moeller, WP 1at 7
Source for R2001-1: USPS LR-J-131 at. G.

To maintain the integrity of the rate design, and to facilitate a smooth transition from minimum-per-piece-rated rates to piece-pound-rated pieces, there must be uniform destination delivery passthroughs for pound- and piece-rated pieces at each of the respective destination entries. Also, a standardized breakpoint, 3.3 ounces, must be used as the weight for calculating the piece-rated discounts. In other words, if the per pound passthrough at destination BMCs is ***x*** percent, then the per piece passthrough at destination BMCs must also be ***x*** percent, and the discount must assume a 3.3 ounce piece. In this docket, the Postal Service proposes an 85 percent destination entry passthrough for all subclasses of Standard Mail. This percentage is applied to witness Schenk's cost savings analysis and results in *increased savings for mailers at all destination entry points.*

It is difficult to compare the passthrough *percentages* proposed by the Postal Service in Docket No. R2000-1 with those recommended by the

Commission in that docket. The calculated costs and, thus, the cost savings used as the basis for the passthrough percentages, were somewhat different in the two analyses. A straightforward comparison of *measured savings* is more meaningful. The following series of charts summarize the calculated destination entry cost savings, on a per pound and per piece basis for ECR. They compare the underlying cost differences with destination entry discounts proposed or adopted in Docket No. R2000-1 and this docket.

Table #10A

DESTINATION ENTRY DISCOUNTS
USPS PROPOSAL R2000-1

	Cost Savings (Dollars)			**Passthrough**	**Net Discount (Dollars)**	
	Per pound	*Per piece*		Percentage	*Per pound*	*Per piece*
DBMC	0.114	0.024		73.0%	0.083	0.017
DSCF	0.140	0.029		77.0%	0.108	0.022
DDU	0.173	0.036		77.5%	0.134	0.028

Source: Docket No. R2000-1, Moeller WP1 at 9.

Table #10B

DESTINATION ENTRY DISCOUNTS
GOVERNORS' MODIFICATION R2000-1

	Cost Savings (Dollars)			Passthrough	Net Discount (Dollars)	
	Per pound	*Per piece*		Percentage	*Per pound*	*Per piece*
DBMC	0.111	0.023		84.0%	0.093	0.019
DSCF	0.136	0.028		84.0%	0.114	0.024
DDU	0.171	0.035		82.0%	0.140	0.029

Source: PRC Op., R2000-1, GOVS-LR-8 at 9.

Table #10C

DESTINATION ENTRY DISCOUNTS
USPS PROPOSAL R2001-1

	Cost Savings (Dollars)			Passthrough	Net Discount (Dollars)	
	Per pound	*Per piece*		Percentage	*Per pound*	*Per piece*
DBMC	0.117	0.024		85.0%	0.100	0.021
DSCF	0.147	0.030		85.0%	0.125	0.026
DDU	0.185	0.038		85.0%	0.157	0.032

Source: WP1, page G.

In this docket, the following per pound increases are proposed: 0.7 cent for DBMC entry; 1.1 cents for DSCF entry; and 1.7 cents for DDU entry. Per piece increases of 0.2 cent for DBMC and DSCF destination entry are proposed, along with an increase of 0.3 cent for DDU. The increase in measured destination entry passthrough amounts, in dollars, is summarized below.

Table #11

INCREASE IN MEASURED
DESTINATION ENTRY PASSTHROUGHS
(Dollars)

	Per Pound		*Per Piece*	
From: / To:	**R2000-1 USPS Proposed / PRC Op. 2000-1**	**PRC Op. 2000-1 / R2001-1 USPS Proposed**	**R2000-1 USPS Proposed / PRC Op. 2000-1**	**PRC Op. 2000-1 / R2001 USPS Proposed**
DBMC	0.010	0.007	0.002	0.002
DSCF	0.006	0.011	0.002	0.002
DDU	0.006	0.017	0.001	0.003

Source: Calculations derived from Tables #10A - #10C.

The proposed destination entry discounts across the Standard Mail subclasses continue to recognize the cost savings due to dropship, while limiting increases in the basic rates. For example, *ceteris paribus*, if all of the destination entry passthroughs were increased to 100 percent, the basic letter/nonletter piece rate increase in ECR would be 11.8 percent, rather than 9.0 percent. The non-destination Basic automation letter rate would increase 12.1 percent, rather than 8.9 percent, and the Saturation letter and nonletter increases would be 9.0 percent and 10.7 percent, respectively, rather than 5.5 percent and 7.4 percent under the current proposal. Many individual rate cells would increase over 10 percent, including Basic letters and nonletters, with no destination entry discount and with BMC destination entry discount. Piece-rated saturation nonletters with no destination entry discount would increase over 10 percent at all density levels. In short, passing through more than 85 percent of the destination entry cost

savings would drive up basic and other rates. Although the specific examples differ, this principle applies across other Standard Mail subclasses as well.

E. Summary of Proposed Enhanced Carrier Route Rates

Below is a summary of the proposed Enhanced Carrier Route rates:

Table #12

SUMMARY OF PROPOSED RATES
ENHANCED CARRIER ROUTE
(Dollars)

		Entered at Destination		
		BMC	***SCF***	***DDU***
Letters				
Basic	0.194	0.173	0.168	0.162
Auto	0.171	0.150	0.145	0.139
High Density	0.164	0.143	0.138	0.132
Saturation	0.153	0.132	0.127	0.121
Nonletters (pc-rated)				
Basic	0.194	0.173	0.168	0.162
High Density	0.169	0.148	0.143	0.137
Saturation	0.160	0.139	0.134	0.128
Nonletters (lb-rated)				
Per piece:				
Basic	0.071	0.071	0.071	0.071
High Density	0.046	0.046	0.046	0.046
Saturation	0.037	0.037	0.037	0.037
Per pound:				
Basic	0.598	0.498	0.473	0.441
High Density	0.598	0.498	0.473	0.441
Saturation	0.598	0.498	0.473	0.441

The proposed Residual Shape Surcharge is 20 cents.

Source: WP1, Page T.

IV. STANDARD MAIL NONPROFIT ENHANCED CARRIER ROUTE

A. Characteristics

In October 1996, Nonprofit Classification Reform was implemented. The new structure for nonprofit mail mirrored the structure implemented in July 1996 for commercial Standard Mail (A). The Nonprofit Enhanced Carrier Route (NECR) subclass was created to mirror the Enhanced Carrier Route subclass. Nonprofit Enhanced Carrier Route consists primarily of requests for funds or information regarding nonprofit organizations.[23]

Total NECR volume in FY 2000 is 2.92 billion pieces. The table below provides an overview of the current NECR volume profile, based on FY 2000 Billing Determinants.[24]

Table #13

NECR VOLUME PROFILE IN FY 2000
Percentage of Total

	Basic	Auto	High Density	Saturation	Total
Letters (pc-rated)	16.1%	10.2%	2.6%	24.0%	52.9%
Nonletters(pc-rated)	29.2%	N/A	0.3%	9.3%	38.8%
Nonletters (lb-rated)	5.2%	N/A	0.1%	2.9%	8.3%
Total	50.5%	10.2%	3.0%	36.2%	100.0%

Source: Billing Determinants, USPS-LR-J-98.
Figures are rounded.

[23] Examples of NECR users include churches and both local and national philanthropic organizations.
[24] Detailed volume and weight information is in WP2, page A.

A more detailed history of nonprofit rate design and recent reform is presented in Section IV.B., below. Revenue, volume, and rate histories are available in Library References USPS-LR-J-90 and USPS-LR-J-91.

B. History of Rate Design

Prior to enactment of the Postal Reorganization Act of 1970, Nonprofit Standard Mail (A) was eligible for preferred rates under former title 39, United States Code, former sections 4452(b) and (c). Under the Postal Reorganization Act, Nonprofit Standard (A) Mail was required to cover only its attributable costs. Nonprofit Standard Mail (formerly Third-Class Mail) was not required to contribute to the Postal Service's institutional costs; the difference was to be made up through annual congressional appropriations for the "revenue forgone."

In 1993, the Revenue Foregone Reform Act (RFRA) was enacted. The RFRA mandated that the markup for each preferred subclass, including Nonprofit Standard Mail (A), be tied to its corresponding commercial counterpart. It provided for a six-year phase-in, each year representing a "step" in the process to ultimately allow a markup of 50 percent of its corresponding commercial subclass of mail. This phase-in period ended in FY 1999. As noted in section I, this was amended in October 2000 by passage of Public Law No. 106-384, 114 Stat. 1460.

One reason for the amendment was that extraordinarily large increases and various rate anomalies appeared, particularly in Nonprofit ECR mail and Classroom Periodicals. In some instances, markups for the nonprofit subclasses could lead to mandated nonprofit rates that were significantly higher than their

corresponding commercial subclass rates. The new law provides that the average revenue per piece in the nonprofit subclasses is mandated to be "as nearly as practicable" to 60 percent of the average revenue per piece from its corresponding commercial-rate subclass. For NECR, the average revenue per piece is mandated to be as close as possible to 60 percent of the average revenue per piece from ECR. [See Sen. Rpt. No. 468, 106th Congress, 2nd Session, at p. 3 (2000)]

C. Proposed Rate Design

1. Rate Design Formula

In keeping with the effort to mirror the commercial subclasses, the proposed rate design uses the same formula to develop the rates for the NECR subclass. The markup selected for the formula produces rates that, when applied to the after-rates volume forecast with the other variables, result in an average revenue per piece of 10.06 cents. The average revenue per piece in commercial ECR is 16.78 cents. This leads to a ratio of 59.9 percent, which meets the mandated relationship of "as nearly as practicable, to 60 percent of the estimated average revenue per piece to be received from the most closely corresponding regular-rate subclass of mail."

In this docket, cost studies presented by witness Schenk (USPS-T-43) provide estimates of differences in mail processing and mail delivery costs by

rate categories in Enhanced Carrier Route commercial and nonprofit subclasses.[25]

2. *Pound Rate and Breakpoint*

The proposed pound rate for NECR is 37 cents. This is the pound rate recommended by the Commission in Docket No. R2000-1. The proposed breakpoint weight incorporated into the rate design formula is 3.3 ounces. This mirrors the breakpoint weight used for the other Standard Mail subclasses. It was proposed by Postal Service witness Moeller in Docket No. R2000-1 and was recommended by the Commission. (PRC Op., R2000-1, ¶¶ 5401-02).

3. *Shape Recognition*

a. *Residual Shape Surcharge*

In order to mirror the commercial subclasses, the Postal Service proposes a residual shape surcharge of 20 cents for residual shapes or items prepared as parcels. The projected surcharge revenue does not significantly lower the letter and flat rates, because there are relatively few parcels in NECR. In fact, less than 0.2 percent of NECR nonletters are parcels.[26]

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[25] This situation differs from that of Standard Regular and Nonprofit, where one set of costs is used for both commercial and nonprofit subclasses. See testimony of witness Moeller (USPS-T-32).

[26] See WP2, page I.

b. Letter/Nonletter Differential

As in its commercial counterpart, in NECR the Basic tier rate design helps to establish a rate relationship between the Basic and 5-digit automation rates that favors 5-digit automation. Thus, following the recommendation of the Commission in Docket No.R2000-1, a zero percent letter-flat passthrough is proposed.

The High Density and Saturation shape passthroughs are proposed at 110 percent (0.8 cent) and 100 percent (0.9 cent), respectively. Although these percentages are lower from the Commission's recommendation in Docket No. R2000-1, the measured cost passthroughs are each 0.1 cent higher, because the Commission calculated its passthroughs from a different base. These proposed shape passthroughs illustrate a basic tenet of the proposed rate design in this docket: to preserve or increase the measured cost passthroughs wherever feasible, without unduly raising the overall rate increases or changing established rate relationships.

4. Automation

The proposed passthrough for the Automation discount is 65 percent. This results in a discount of 1.5 cents, an increase from the current level of 1.3 cents. (In Docket No. R2000-1, the Commission recommended a 24 percent automation passthrough, which translated to a discount of 1.3 cents.)

5. Density Tiers

Given the shape passthroughs described above, the resulting density passthroughs for nonletters are 55.4 percent between Basic and High Density, and 95.1 percent between High Density and Saturation.

This translates into measured cost passthroughs for nonletters of 1.6 cents for the High Density tier and 0.6 cent for the Saturation tier. (These figures can be compared to the Commission's recommendations in Docket No. R2000-1, of 44.1 percent, or 1.6 cents, for the High Density tier, and 118.2 percent, or 0.5 cent, for the Saturation tier.)

6. Destination Entry

Destination entry discounts are determined for this subclass in the same manner as the other standard subclasses. The cost study presented by Witness Schenk (USPS-T-43), which was discussed above in the Section III.D.7, measures savings for all subclasses combined. Discounts do not vary by subclass, since the passthroughs selected are the same for each: 85 percent.[27]

[27] See discussion of Destination Entry discounts in ECR, Section III.D.7.

D. Proposed Nonprofit Enhanced Carrier Route Rates

Below is a summary of proposed rates for Nonprofit Enhanced Carrier Route:

Table #14

SUMMARY OF PROPOSED RATES
NONPROFIT ENHANCED CARRIER ROUTE
(Dollars)

		Entered at Destination		
		BMC	***SCF***	***DDU***
Letters				
Basic	0.126	0.105	0.100	0.094
Auto	0.111	0.090	0.085	0.079
High Density	0.102	0.081	0.076	0.070
Saturation	0.095	0.074	0.069	0.063
Nonletters (pc-rated)				
Basic	0.126	0.105	0.100	0.094
High Density	0.110	0.089	0.084	0.078
Saturation	0.104	0.083	0.078	0.072
Nonletters (lb-rated)				
Per piece:				
Basic	0.050	0.050	0.050	0.050
High Density	0.034	0.034	0.034	0.034
Saturation	0.028	0.028	0.028	0.028
Per pound:				
Basic	0.370	0.270	0.245	0.213
High Density	0.370	0.270	0.245	0.213
Saturation	0.370	0.270	0.245	0.213

The proposed Residual Shape Surcharge is 20 cents.

Source: WP2, Page T.

V. TEST YEAR 2003 FINANCIAL SUMMARY

The following table summarizes the financial implications of the Standard Mail commercial ECR and Nonprofit ECR proposals.[28] The revenue, cost, and contribution figures are in millions of dollars. As discussed above, the average revenue per piece relationship between commercial and nonprofit ECR meets the legislative mandate of Public Law No. 106-384, 114 Stat. 1460, the October 2000 amendment to the Revenue Foregone Reform Act (RFRA). Also as a result of this law, costs (and therefore, cost coverage) are calculated for the combined ECR and Nonprofit ECR subclasses.

Table #15

TEST YEAR *AFTER RATES*
FINANCIAL SUMMARY
Enhanced Carrier Route and Nonprofit Enhanced Carrier Route

	----------In Millions----------			
	Revenue	*Cost*	*Contribution*	*Coverage*
ECR	$5,555.7			
Nonprofit ECR	325.2			
TOTAL	**$5,880.9**	**$2,700.7**	**$3,180.4**	**217.8%**

Source: WP1, page R.
Figures are rounded.

The coverage for the ECR and NECR subclasses meets that proposed by witness Moeller (USPS-T-28).

[28] WP1 and WP2, page R.