

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING SECOND  
ERRATA TO TESTIMONY OF JENNIFER L. EGGLESTON (USPS-T-25)  
ERRATA (November 27, 2001)

The United States Postal Service hereby provides notice that it is today filing errata to five pages of the testimony of Jennifer L. Eggleston (USPS-T-25). Witness Eggleston's testimony was filed on September 24, 2001. The first errata to it was filed on November 13, 2001. The changes filed today are attached, and are summarized as follows:

page 5, line 17 - change to the total weighted average modeled cost figure

page 5, line 29 - change to the CRA adjustment factor

page 7, line 16 - change to estimated BMC presort unit cost savings figure

page 7, line 27 - change to estimated OBMC cost savings figure

page 10, Table III-I - changes to the Cost Difference figures

page 20, Table IV-3 - changes to Parcel Post unit cost-per-cubic-foot estimates

page 38, Table X-1 - changes to Parcel Post final adjustments

These changes result from errata, being filed today, to USPS LR-J-64. The reasons for the changes are explained in the errata notice regarding USPS LR-J-64, which is also being filed today.

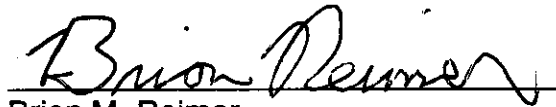
Corrected pages 5, 7, 10, 20, and 38 are attached. They should be substituted for pages 5, 7, 10, 20, and 38 of USPS-T-25, as revised on November 13, 2001.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

A handwritten signature in cursive script that reads "Brian Reimer". The signature is written in black ink and is positioned above a horizontal line.

Brian M. Reimer  
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November 27, 2001

1 in one handling. Usually this refers to the number of parcels that fit into each type of  
2 container. When parcels are handled individually, the conversion factor equals one.

3 The fourth column in the cost summary worksheets displays piggyback factors.  
4 Piggyback factors account for indirect costs associated with the direct labor costs of  
5 each operation.

6 The fifth column in the cost summary worksheets is the cost per operation. This  
7 is calculated as the product of the test year mail processing wage rate and piggyback  
8 factor divided by the product of the conversion factor and units per workhour.

9 The sixth column displays the cost per facility. This is calculated by multiplying  
10 the cost per operation by the number of handlings.

## 11

### 12 **2. Calculate the Weighted Average of All of the Cost Summary Worksheets**

13 At the bottom of each of the Parcel Post cost summary sheets is the total  
14 modeled cost of that mailstream. The model weight is displayed directly below the  
15 modeled cost. Model weights are derived from base year (BY) 2000 Parcel Post  
16 volumes. Row 1 on page 1 of LR-J-64, Attachment A, shows the total weighted  
17 average modeled cost, \$1.105.

### 18

### 19 **3. Calculate the CRA Adjustment Factors**

20 CRA adjustment factors are used to tie the modeled costs to the costs reported  
21 in the Cost and Revenue Analysis Report (CRA). Page 2 of LR-J-64, Attachment A  
22 shows the separation of CRA cost pools into two categories; proportional and fixed.  
23 Proportional cost pools are those cost pools that are included in the model. Fixed cost  
24 pools are those cost pools that are not included in the model because either the cost  
25 pool is not worksharing-related, or the cost pool is not parcel-related.

26 Attachment A, page 1 shows the calculation of the CRA adjustment factors. The  
27 proportional CRA adjustment factor is calculated by dividing the sum of CRA  
28 proportional costs by the total weighted average modeled cost. This results in a  
29 proportional CRA adjustment factor of 1.231. The fixed CRA adjustment factor is the  
30 sum of the fixed CRA components. The fixed CRA adjustment factor is 17.0 cents.

1

**2 2. BMC Presort Mail Processing Cost Savings**

3 The estimated cost savings of BMC presort is shown on page 24 of LR-J-64,  
4 Attachment A. The cost savings are estimated by subtracting the modeled BMC  
5 presorted cost per piece (column 2) from the modeled nonpresorted (inter-BMC) cost  
6 per piece (column 1).

7 The BMC presorted cost per piece is estimated on page 25 of Attachment A. It is  
8 estimated using a methodology similar to the mail processing models discussed in  
9 Section III B above. The operations in the model have been changed to reflect the fact  
10 that the BMC presorted parcels only need to be crossdocked at the origin BMC. In  
11 addition, the conversion factors have been changed to reflect the BMC presort  
12 requirements. Machinable parcels must be sorted in a 69 inch pallet box with a  
13 minimum of 52 inches of mail in each, and NMOs must be sorted onto pallets with a  
14 minimum height of 42 inches of mail.<sup>1</sup>

15 As shown in row 6, on page 24 of LR-J-64, Attachment A, the estimated BMC  
16 presort unit cost savings is ~~26.9~~ cents.

17

**18 3. Origin BMC Mail Processing Cost Savings**

19 The estimated cost savings of Origin BMC (OBMC) has two parts. The first part  
20 is the cost an OBMC parcel avoids by being dropped at the origin BMC. Since an  
21 OBMC parcel avoids costs at the facilities upstream of the BMC, these costs are  
22 equivalent to the costs a DBMC parcel avoids, including window service costs.<sup>2</sup> The  
23 second part of the cost savings relates to the fact that OBMC parcels are presorted by  
24 destination BMC. These avoided costs are the same as the BMC-presorted parcel cost  
25 savings. Therefore, the estimated costs avoided by an OBMC parcel are the sum of the  
26 DBMC unit cost savings and the BMC presort unit cost savings. This estimated OBMC  
27 cost savings is ~~112.6~~ cents.

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<sup>1</sup> The BMC presort requirement is from DMM § M045.11.8. The cost analysis assumes that on average the pallet boxes and pallets will be filled halfway between the minimum requirement and the maximum fullness.

1 **E. Summary**

2  
3 The following table summarizes the estimated mail processing cost differences  
4 for Parcel Post. The appropriate benchmarks are shown in parenthesis.

5  
6 **Table III-I. Summary of Parcel Post Mail Processing Cost Differences**  
7

<u>Rate Category</u>	<u>Cost Difference</u>
Weighted Average BMC Presort Savings (compared to Inter-BMC)	\$1,269
Weighted Average OBMC Cost Savings (compared to Inter-BMC)	\$1,229
Machinable Intra-BMC Cost savings (compared to mach Inter-BMC)	\$9,482
Machinable DBMC Cost Savings (compared to mach Intra-BMC)	\$6,338
Weighted Average DSCF Cost Savings (compared to DBMC)	\$9,658
Weighted Average DDU Cost Savings (compared to DBMC)	\$1,084
Cost Data to Support NMO surcharge (compared to machinable in same rate category)	
Inter-BMC NMO	\$3,184
Intra-BMC NMO	\$2,425
DBMC NMO	\$1,333
Cost Data to Support oversize rates (compared to NMO in same rate category )	
Inter-BMC oversize	\$1,207
Intra-BMC oversize	\$1,321
DBMC oversize	\$7,389
DSCF oversize	\$3,292
DDU oversize	\$0,311
Proposed NMO-3-digit DSCF (compared to DSCF weighted average)	\$1,027
Parcel Pre-barcode Savings (compared to non-barcode parcel)	\$0,003

1 **C. Summary**

2 The summary of the Parcel Post unit cost-per-cubic-foot estimates is shown in  
 3 Table IV-3 below.

4  
 5 **Table IV-3. Parcel Post Unit Cost-Per-Cubic-Foot Estimates**

<u>Rate Category</u>	<u>\$/cf</u>
<b>Inter-BMC</b>	
Zone 1/2	\$3,886
Zone 3	\$4,319
Zone 4	\$5,030
Zone 5	\$6,075
Zone 6	\$7,259
Zone 7	\$8,587
Zone 8	\$11,736
<b>Intra-BMC</b>	
Local-Zone	\$1,872
Zone 1/2	\$3,490
Zone 3	\$3,490
Zone 4	\$3,490
Zone 5	\$3,490
<b>DBMC</b>	
Zone 1/2	\$1,306
Zone 3	\$2,789
Zone 4	\$4,096
Zone 5	\$9,815
<b>DSCF</b>	\$0,806
<b>DDU</b>	\$0,139

Table X-1: Final Adjustments (\$000)

	2001	2002	BR 2003	AR 2003
<b>Mail Processing (c/s 3.1)</b>				
First-Class Presort	(46,416)	(74,572)	(86,802)	(85,463)
First-Class Presort Cards	(2,024)	(2,173)	(2,719)	(3,955)
Priority (For Presort)	(514)	(4,141)	(4,514)	(4,254)
Standard Regular	(157,667)	(210,860)	(251,229)	(262,810)
Parcel Post	<del>(23,471)</del>	<del>(49,702)</del>	<del>(69,761)</del>	<del>(79,769)</del>
<b>Window Service (c/s 3/2)</b>				
First-Class Presort	99	93	89	239
Standard Regular	67	67	70	44
Parcel Post	338	(1,642)	(3,116)	(3,549)
<b>City Carrier (c/s 6 &amp; 7)</b>				
First-Class Presort	(7,675)	(14,173)	(18,520)	(18,302)
First-Class Presort Cards	(207)	(298)	(443)	(412)
Standard Regular	(26,835)	(31,752)	(35,928)	(38,263)
<b>Vehicle Service Driver (c/s 8)</b>				
First-Class Presort	230	217	208	557
Standard Regular	(2,402)	(2,395)	(2,541)	(2,727)
Parcel Post	(4,615)	(8,596)	(11,787)	(12,552)
<b>Rural Carrier (c/s 10)</b>				
First-Class Presort	(2,111)	(3,221)	(3,970)	(4,343)
First-Class Presort Cards	(47)	(67)	(100)	(93)
Standard Regular	(14,424)	(16,975)	(19,208)	(20,441)
<b>Transportation (c/s 14)</b>				
First-Class Presort	3,973	3,059	2,770	7,415
Standard Regular	(14,862)	(14,309)	(14,637)	(15,702)
Parcel Post	<del>(18,740)</del>	<del>(58,097)</del>	<del>(78,336)</del>	<del>(87,875)</del>
<b>Total</b>				
First-Class Presort	(51,899)	(88,598)	(106,226)	(99,897)
First-Class Presort Cards	(2,278)	(2,538)	(3,262)	(4,460)
Priority (For Presort)	(514)	(4,141)	(4,514)	(4,254)
Standard Regular	(216,124)	(276,224)	(323,472)	(339,897)
Parcel Post	<del>(46,497)</del>	<del>(118,040)</del>	<del>(163,017)</del>	<del>(189,240)</del>
<b>Total For All Classes</b>	<del>(317,312)</del>	<del>(484,541)</del>	<del>(600,490)</del>	<del>(632,248)</del>

2

3

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
\_\_\_\_\_  
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