

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF ERRATA TO
TESTIMONY OF WITNESS WESNER (USPS-T-24) [Errata]
(May 24, 2005)

The United States Postal Service hereby provides notice of the filing of errata to the testimony of witness Wesner (USPS-T-24). The errata correct a few references to other witnesses, and make a small correction to Delivery Confirmation costs reflecting the use of a corrected rural carrier scan time for Delivery Confirmation mail items of 20 seconds instead of 18 seconds.

A summary of the changes is attached, along with the revised pages. A complete, revised electronic copy of witness Wesner's testimony is also being filed today.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Summary of revisions to USPS-T-24 (witness Wesner):

Page 1, line 10: Change “Bernstein (USPS-T-8)” to “Thress (USPS-T-7)”

Page 1, line 19: Change “Moser” to “Page”

Page 3, lines 20-21: Change “witness Moser required these calculations” to “these calculations are needed by witness Page”

Page 4, line 3: Change “20” to “18”

Page 6, Table 1: Change “\$0.1083” to \$0.1044” in Delivery line

Change “0.1115” to “0.1076”, “0.5234” to “0.5194”, “0.1123” to “0.1083, and “0.5246” to “0.5200” in Total volume variable cost line.

Change “0.1115” to “0.1076” in Less: Cost allocated to base product line.

Change “0.1123” to “0.1083”, and “0.5240” to “0.5200” in Net volume variable cost line.

Page 13, Table 4, lines 3, 5, and 6:

Change “0.1123” to “0.1083”, and “0.1206” to “0.1166”.

Page 13, Table 4, lines 4 and 7:

Change “0.5240” to “0.5200”, and “0.5353” to “0.5313”.

1 I. PURPOSE AND SCOPE OF TESTIMONY

2 The purpose of this testimony is to present estimated test year volume
3 variable costs for the Delivery Confirmation, Signature Confirmation, and Return
4 Receipt services.

5

6 II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION

7

8 I develop my cost estimates using inputs from the following witnesses in
9 this case: Witness Tayman (USPS-T-6) provides productive hourly rates for city
10 and rural carriers (USPS-LR-K-50); witness Thress (USPS-T-7) provides test
11 year before rates volumes (USPS-LR-K-66); witness Meehan (USPS-T-9)
12 provides base year revenue (USPS-LR-K-4), base year costs, window service
13 costs, waiting time costs, and distribution key inputs (USPS-LR-K-5); witness
14 Waterbury (USPS-T-10) provides rollforward costs (USPS-LR-K-7); witness Van-
15 Ty-Smith (USPS-T-11) provides MODS based costs, hourly wage rates for
16 window and box section clerks, and window costs for Delivery Confirmation
17 (USPS-LR-K-55); witness Smith (USPS-T-13) provides piggyback factors (USPS-
18 LR-K-52); and billing determinants were obtained from USPS-LR-K-77.

19 My cost estimates are provided to witness Page (USPS-T-23) for use in
20 developing the final adjustments, and also to witness Robinson (USPS-T-27) and
21 witness Taufique (USPS-T-28).

22 Section 2 of my testimony provides updated Test Year costs for both the
23 manual and electronic options of Delivery Confirmation service for Priority Mail,

1 III. DELIVERY CONFIRMATION

2 A. Overview

3 Delivery Confirmation service provides the mailer with information about
4 the date and time a mailpiece was delivered or delivery was attempted. Delivery
5 Confirmation is offered at the time of mailing in two forms: the electronic option
6 and the manual (or retail) option. In the electronic option, the mailer creates and
7 applies a Delivery Confirmation barcode to the mailpiece, and receives
8 information about Delivery Confirmation items electronically. Pieces mailed
9 under the electronic option must be identified in an electronic manifest provided
10 to the Postal Service. In the manual option, customers purchase Delivery
11 Confirmation through the retail window, and obtain delivery information by
12 telephone or computer. Delivery Confirmation service is available for Priority
13 Mail, and for parcels sent using First-Class Mail, Package Services, and the
14 electronic option only for Standard Mail and Parcel Select.

15

16 B. Methodology

17

18 I made several changes to witness Nieto's analysis in Docket No. R2001-1
19 (USPS-T-26). My testimony now includes costing for Delivery Confirmation in
20 the base year, 2005, and test year, since these calculations are needed by
21 witness Page in order to develop final adjustments for Special Services.

22

23 I obtained improved estimates of the unit volume variable costs for
Delivery Confirmation manual acceptance by using base year unit window costs

1 multiplied by a piggyback factor. New analysis also improves the accuracy of the
2 unit volume variable costs of rural carrier scans for delivery and attempted
3 delivery, by using the time permitted under the labor agreement of 18 seconds
4 per scan for Delivery Confirmation, rather than a calculated scan time.
5 Additionally, the MODS 44 cost pool, which was used by witness Nieto in Docket
6 No. R2001-1 (USPS-T-26) to calculate the overhead time factor, has been
7 replaced with the manual letter cost pool at Post Offices, stations and branches
8 (NMOD MANL), because the MODS 44 cost pool has been eliminated in the
9 base year CRA.

10 My testimony also reflects the availability of more current information.
11 Wage rates, piggyback factors, and costs for corporate call management,
12 postmaster, information systems, and supplies have all been updated. Updated
13 operational information has also been incorporated. Scanning times at delivery
14 were determined using witness Davis' application of Methods Time Measurement
15 (MTM) time standards in Docket No. R2000-1, combined with the average time
16 required per scan of 2.46 seconds developed by witness Treworgy (Docket No.
17 R97-1, USPS-T-22, Appendix A).

18 The MTM analysis was applied to each of three categories of personnel
19 (city carriers, box section clerks, and window clerks) who deliver Delivery
20 Confirmation mail pieces. Library Reference I-108/Docket No. R2000-1, at 1-9,
21 presents the applicable MTM standards for each of these three categories. As
22 mentioned above, for delivery by rural carriers, the time permitted under the labor
23 agreement has been used.

Table 1: Test Year Delivery Confirmation Unit Volume Variable Costs				
<u>Cost Category</u>	<u>Priority Mail</u> <u>Electronic</u>	<u>Priority Mail</u> <u>Manual</u>	<u>Letters/Sealed</u> <u>Parcels</u> <u>Electronic</u>	<u>Letters/Sealed</u> <u>Parcels</u> <u>Manual</u>
Acceptance	\$0.0000	\$0.3159	\$0.0000	\$0.3159
Delivery	\$0.1044	\$0.1044	\$0.1044	\$0.1044
Postmasters	\$0.0000	\$0.0027	\$0.0008	\$0.0033
Corporate call management	\$0.0000	\$0.0899	\$0.0000	\$0.0899
Information systems	\$0.0032	\$0.0024	\$0.0032	\$0.0024
Supplies	\$0.0000	\$0.0042	\$0.0000	\$0.0042
Total volume variable cost	\$0.1076	\$0.5194	\$0.1083	\$0.5200
Less: Cost allocated to base product	\$0.1076	\$0.1076	\$0.0000	\$0.0000
Net volume variable cost	\$0.0000	\$0.4118	\$0.1083	\$0.5200

Table 1: Test Year Delivery Confirmation Unit Volume Variable Costs				
<u>Cost Category</u>	<u>Standard</u> <u>Mail</u> <u>Electronic</u>	<u>Package</u> <u>Services</u> <u>Electronic</u>	<u>Package</u> <u>Services</u> <u>Manual</u>	<u>Parcel</u> <u>Select</u> <u>Electronic</u>
Acceptance	\$0.0000	\$0.0000	\$0.3159	\$0.0000
Delivery	\$0.1044	\$0.1044	\$0.1044	\$0.1044
Postmasters	\$0.0000	\$0.0008	\$0.0033	\$0.0008
Corporate call management	\$0.0000	\$0.0000	\$0.0899	\$0.0000
Information systems	\$0.0032	\$0.0032	\$0.0024	\$0.0032
Supplies	\$0.0000	\$0.0000	\$0.0042	\$0.0000
Total volume variable cost	\$0.1083	\$0.1083	\$0.5200	\$0.1076
Less: Cost allocated to base product	\$0.0000	\$0.0000	\$0.0000	\$0.1076
Net volume variable cost	\$0.1083	\$0.1083	\$0.5200	\$0.0000

1 VI. PROPOSED CHANGES RELATIVE TO PRC METHODOLOGY

2 The substantive changes between my cost models, found in LR-K-60, and
 3 the PRC version presented in LR-K-105 are the use in LR-K-105 of the following
 4 PRC version inputs: cost components derived from the Cost Segment and
 5 Component report (LR-K-94), roll forward costs (LR-K-96), piggyback factors
 6 (LR-K-98), and MODS costs (LR-K-100). In response to Commission Rule 53,
 7 table 4 compares the test year cost estimates produced in LR-K-60 to the test
 8 year cost estimates produced in the PRC version LR-K-105.

9

TABLE 4: Test Year Unit Volume Variable Cost Comparison

<u>Service</u>	<u>LR-K-60</u>	<u>LR-K-105</u>
Delivery Confirmation		
Priority Mail Electronic	\$0.0000	\$0.0000
Priority Mail Manual (excludes cost allocated to base)	\$0.4118	\$0.4149
First-Class Mail Electronic	\$0.1083	\$0.1166
First-Class Mail Manual	\$0.5200	\$0.5313
Standard Mail Electronic	\$0.1083	\$0.1166
Package Services Electronic	\$0.1083	\$0.1166
Package Services Manual	\$0.5200	\$0.5313
Parcel Select Electronic	\$0.0000	\$0.0000
Signature Confirmation		
Priority Mail Electronic	\$1.1143	\$1.2357
Priority Mail Manual	\$1.3360	\$1.5156
Package Services Electronic	\$1.1143	\$1.2357
Package Services Manual	\$1.3360	\$1.5156
First-Class Mail Electronic	\$1.3114	\$1.4456
First-Class Mail Manual	\$1.5331	\$1.7256
Return Receipt		
Non-Merchandise	\$1.4331	\$1.4476
Merchandise	\$2.3173	\$2.4624
After Mailing	\$2.2315	\$2.2527
Electronic	\$0.8895	\$0.8932