

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 THE UNITED STATES POSTAL SERVICE OF FILING OF REVISION TO  
THE DIRECT TESTIMONY OF JATONA S. HATCHER (ERRATA)  
(June 8, 2005)

The United States Postal Service hereby provides notice that it is filing revisions to the Direct Testimony of Jatona S. Hatcher. The revisions reflect the incorporation into witness Hatcher's testimony of the sections from witness Moser's original testimony: Sections IV (Caller Service), V (Certificate of Mailing), VI (Correction of Mailing Lists, VIII (Insurance), IX (Money Order Inquiry), X (On-Site Meter Service), XII (Post Office Box Key and Lock Changes), XIII (Restricted Delivery), XIV (Stamped Cards), and XVI (ZIP Coding of Mailing Lists). See Notice of United States Postal Service on Replacement of Witness Moser (May 20, 2005). The revisions also reflect changes to the testimony that result from the revisions to library references USPS-K-69 and USPS-K-104. Because these changes impact numerous pages, the entire testimony has been refiled.

Specifically, the testimony amends the Table of Contents to reflect the addition of the sections identified above and the sponsorship of Library Reference USPS-LR-K-59, Attachments 2-4, 6-8, 10-11, 12a, and 13. The testimony also amends pages 1 and 2, the Purpose and Scope, the Associated Library Reference, Roadmap, and Data Sources Sections by adding new text that reflect the incorporation of the new material.

There are no changes to the testimony on QBRM, BRM or On-Call and Scheduled Pickup Costs. After those sections, the testimony is now amended to add sections VII to XVI on the special services identified above.

Finally, the Proposed Changes Relative to PRC Methodology section has been renumbered to XVII. The chart with the Test Year Cost Estimates changes the QBRM Cost Avoidance numbers to reflect the impact of errata filed for library references USPS-LR-K-69 and K-104 on June 2, 2005, which were caused by errata filed for USPS-LR-K-48 and K-110 on May 24, 2005. The chart also adds the cost estimates for the special services developed in library references, USPS-LR-K-59 and K-111.

The revised testimony is attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Nan K. McKenzie

### **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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Nan K. McKenzie

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June 8, 2005

**USPS-T-22**

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

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

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**Docket No. R2005-1**

**DIRECT TESTIMONY  
OF  
JATONA S. HATCHER  
ON BEHALF OF THE  
UNITED STATES POSTAL SERVICE**

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**DIRECT TESTIMONY  
OF  
JATONA S. HATCHER**

**AUTOBIOGRAPHICAL SKETCH**

My name is Jatona S. Hatcher. I have worked as an Economist in the Special Studies group since 2003. Special Studies is a unit of Corporate Financial Planning in the Finance Department at Headquarters. In this capacity, my primary responsibilities include the development of the costing of Business Reply Mail and issues related to that product. I am also responsible for providing costing support for all Negotiated Service Agreement (NSA) filings, including serving on cross-functional teams during the development stages for potential NSAs. I have performed cost analysis of the Customs Pre-Advisory Service (CPAS) operations in response to requests from product managers. In order to familiarize myself with Field operations, I have visited numerous field sites such as Delivery Units, Processing and Distribution Centers, and Bulk Mail Centers. This testimony represents my first appearance before the Postal Rate Commission.

Prior to joining the Postal Service, I worked as an Analyst in the Marketing Department of US Airways. In that role, I conducted in-depth market and agency account analyses, recommending agency incentive and Marketing programs for my assigned regions. I also worked as an Inventory Analyst, where I was responsible for monitoring and planning for future flights.

I earned a Bachelor's Degree in Economics from The University of Virginia and I have taken graduate courses in pursuit of my MBA.

1 **I. PURPOSE AND SCOPE OF TESTIMONY**

2 The purpose of this testimony is to present estimated costs for the following:  
3 Qualified Business Reply Mail (QBRM) Discount, Business Reply Mail, On-Call and  
4 Scheduled Pickup Service, and various Special Services. The QBRM discount cost  
5 study supports the QBRM postage discount. This discount applies to certain Business  
6 Reply Mail (BRM) First-Class Mail letters and cards that are preapproved and  
7 prebarcoded.

8 The BRM cost studies support a variety of services and fees. These fees include  
9 Annual Permit fee, Annual Accounting fee, QBRM Quarterly fee, Non-Letter Size BRM  
10 Monthly fee, High-Volume QBRM Per-Piece fee, Basic QBRM Per-Piece fee, High-  
11 Volume BRM Per-Piece fee, Basic BRM Per-Piece fee, and Non-Letter Size BRM Per-  
12 Piece fee.

13 The Special Services cost studies support a variety of services and fees. These  
14 fees include: Caller Service, Certificate of Mailing, Correction of Mailing Lists,  
15 Insurance, Money Order Inquiry, On-site Meter Service, Post Office Box Key and Lock  
16 Changes, Restricted Delivery, Stamped Cards, and Zip Coding of Mailing Lists.

17

18 **II. ASSOCIATED LIBRARY REFERENCE**

19 I am sponsoring the following Category 2 library reference in association with my  
20 testimony: USPS-LR-K-69 (*Supporting Materials for Costs of Business Reply Mail,*  
21 *Miscellaneous Fees, and Pickup Service*). The library reference contains printed and  
22 electronic spreadsheets used to develop test year cost estimates of Annual Permit and  
23 Annual Accounting fees, Business Reply Mail fees and per-piece costs, QBRM Cost

1 Avoidance, and On-Call and Scheduled Pickup Costs. The Business Reply Mail and  
2 QBRM Cost Avoidance studies update previous studies sponsored by witness Miller  
3 (USPS-T-22/R2001-1, USPS-J-60). The On-Call and Scheduled Pickup Cost study  
4 updates a previous study sponsored by witness Abdirahman (USPS-T-42/R2001-1,  
5 USPS-LR-J-69, SECTION D.).

6 I am also sponsoring certain attachments in library reference USPS-LR-K-59  
7 (*Supporting Materials for Special Service and Express Mail Costs, and Final*  
8 *Adjustments*). The attachments are as follows: Attachment 2 (*Caller Service*),  
9 Attachment 3 (*Certificate of Mailing*), Attachment 4 (*Correction of Mailing Lists*),  
10 Attachment 6 (*Insurance*), Attachment 7 (*Money Order Inquiry*), Attachment 8 (*On-site*  
11 *Meter Service*), Attachment 10 (*Post Office Box Key and Lock Changes*), Attachment 11  
12 (*Restricted Delivery*), Attachment 12a (*Stamped Cards*), and Attachment 13 (*Zip Coding*  
13 *of Mailing Lists*).

### 14 III. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION

#### 15 A. ROADMAP

16 I develop my cost estimates using inputs I obtain from the following witnesses in  
17 this case: Witness Tayman (USPS-T-6) provides wage rates (USPS-LR-K-50); witness  
18 Van-Ty-Smith (USPS-T-11) provides volume variability factors, premium pay factors,  
19 and deaveraged wage rates (USPS-LR-K-55); witness Smith (USPS-T-13) provides  
20 piggyback factors (USPS-LR-K-52) and Remote Computer Read (RCR) costs (USPS-  
21 LR-K-53); witness Abdirahman (USPS-T-21) provides the letter-related operations-  
22 specific piggyback and volume variabilities factors and Bulk Metered Mail letter CRA  
23 adjustment factor (USPS-LR-K-48) and the mail processing accept rates (USPS-LR-K-

1 68); and witness Bozzo (USPS-T-12) provides MODS productivities (USPS-LR-K-56) .  
 2 The roll forward cost forecast was obtained from witness Waterbury (USPS-LR-K-7);  
 3 volume forecast data is from witness Bernstein (USPS-T-8; USPS-LR-K-66); witness  
 4 Meehan (USPS-T-9) provides base year cost segment data. I also rely on the following  
 5 Category 1 library reference: LR-K-77 for the billing determinants.

6 My test year cost estimates are provided to witnesses Robinson (USPS-T-27)  
 7 and Taufique (USPS-T-28).

## 8 **B. DATA SOURCES**

9 Numerous data sources have been used in my cost models to calculate the cost  
 10 estimates presented in this testimony. I rely upon the following data sources from  
 11 Docket Nos. R80-1, R-84-1, R90-1, MC-95-1, R97-1, MC99-2, R2000-1, and R2001-1:

12 <u>Docket No.</u>	<u>Data Description</u>	<u>Data Source</u>
13 R80-1	Clerk Activity for Permit issuance	LR-C-9
14	PO Box Card Information	LR-C-14
15		
16 R84-1	Correction of Mailing List costs	LR-D-23
17 R90-1	Clerk Activity	USPS-T-23
18 MC95-1	Productivity per Hour	USPS-T-10
19 R97-1	Meter Setting Cost	USPS-T-21
20	BRM Practices Survey	USPS-T-27
21	Volume of Restricted Delivery	USPS LR-H-107
22	Accept/Upgrade Rates	USPS LR-H-130
23	Pickup Fee Cost Study	USPS LR-H-157
24	Pickup Fee Cost Study	USPS LR-H-158
25	Pickup Fee Cost Study	USPS LR-H-159
26	Transaction Times	USPS LR-H-167
27	BRM Practices Survey/Table 13	USPS LR-H-179
28	Cost Revenue and Analysis (CRA)	Cost Segment 7
29	Cost Revenue and Analysis (CRA)	Cost Segment 9

1	MC99-2	BRM Survey	USPS-T-3
2	R2000-1	BRM Rating and Billing Study	USPS-T-29
3		Derivation of High-Volume and	
4		Low-Volume QBRM Piece Costs	Exhibit KE-1B
5		Stop-Variable Access Costs	USPS-LR-I-108
6			
7	R2001-1	Riffle Letter Productivity	USPS LR-J-56
8		High-Volume QBRM Survey/	USPS LR-J-60
9		Weight Averaging/Counting Machine	
10		Supporting Materials for Special Service	USPS LR-J-69
11		Mail Costs, and Express and Final	
12		Adjustments	
13			
14	In addition, I obtain inputs from the following Docket No. R2005-1 library		
15	references.		
16	R2005-1	Test Year Cost Segment Data	USPS-T-7
17		Base Year Cost Segment Data	USPS-T-9
18		Volume Variability Factors	USPS-T-11, Table 1
19		Rollforward Model	USPS-LR-K-6/7, Table 1
20		CRA Adjustment Factor	USPS-LR-K-48
21		Letter-related Piggyback Factors	USPS-LR-K-48
22		MPBCS/DBCS Accept Rate	USPS-LR-K-48
23		Wage Rates	USPS-LR-K-50
24		Piggyback Factors	USPS-LR-K-52
25		Remote Computer Read (RCR) Costs	USPS-LR-K-52
26		First Class Mail Processing Costs	USPS-LR-K-53
27		Test Year Wage Rates (disaggregated)	USPS-LR-K-55
28		Premium Pay Factors	USPS-LR-K-55
29		MODS Productivities	USPS-LR-K-56
30		Test Year Volumes	USPS-LR-K-66
31		Billing Determinants	USPS-LR-K-77
32		RCR Factors	GFY 2004 RBCS Data
33			
34			

#### IV. QUALIFIED BUSINESS REPLY MAIL DISCOUNT

##### A. SCOPE OF ANALYSIS

38 This section develops the estimate of test year mail processing costs that are  
39 avoided by a prebarcoded Business Reply Mail piece (letter or card) compared to a  
40 handwritten reply mail piece.

1           **B.     BACKGROUND**

2           The QBRM discount was established in Docket No. R97-1 based on an analysis  
3 showing cost savings associated with a Postal Service-approved, prebarcoded reply  
4 mail piece. This cost savings, or cost avoidance, is calculated as the difference  
5 between the mail processing costs of a handwritten First-Class Mail reply mail piece  
6 and those of a preapproved, prebarcoded First-Class Mail single-piece reply mail piece.  
7 The costs avoided were defined as the costs incurred by the Postal Service applying a  
8 barcode to the handwritten reply mail piece.

9

10           **C.     COST METHODOLOGY**

11           In Docket No. R2001-1, witness Miller was responsible for updating the QBRM  
12 discount cost study.<sup>1</sup> Witness Miller refined and narrowed the scope of the model in  
13 order to only incorporate mail processing costs through the incoming primary operation.  
14 The methodology for the cost study I am presenting in this case is unchanged from the  
15 model presented by witness Miller. The cost avoidance underlying the discount is still  
16 defined as the difference between mail processing costs of a prebarcoded First-Class  
17 Mail reply mailpiece compared to those of a handwritten First-Class Mail reply mail  
18 piece. The model has been updated to include test year 2006 equipment changes, test  
19 year finalization factors, piggyback factors, volume variability factors, and wage rates.

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<sup>1</sup> Docket No. R2001-1, USPS-T-22, at 26-27.

1           **D.     QBRM COST AVOIDANCE**

2           The test year cost avoidance for a QBRM mail piece is 2.163 cents. This is  
3           calculated by subtracting the total costs of a prebarcoded reply mail piece from the total  
4           costs of a handwritten reply mail piece. The primary driver of this cost difference is the  
5           cost of postal application of a barcode to a handwritten mail piece.

6           **V.     BUSINESS REPLY MAIL AND MISCELLENEOUS FEES**

7           This section of my testimony covers the cost studies that support several special  
8           service fees. Business Reply Mail (BRM) is a special service in which permitted mailers  
9           offer their customer's prepaid postage on letters, cards, and parcels preaddressed to  
10          the mailer. Customers use these mail pieces to reply to the mailer with subscription  
11          renewals, bill payments, survey responses, fundraising donations, and other  
12          remittances. The mailer has the advantage of not having to pay postage on the mail  
13          piece until and unless it is actually returned by the customer.

14          Mailers of BRM mail pieces are required to pay the applicable First-Class Mail or  
15          Priority Mail postage, plus the applicable per-piece fee, for all returned BRM. In  
16          addition, all mailers of BRM mail pieces must pay an Annual Permit fee. Mailers may  
17          choose to have the postage and fees paid for out of an Advance Deposit Account or a  
18          Postage Due Account. Mailers who choose to pay out of an Advance Deposit Account  
19          must pay an Annual Accounting fee. The size of the respective per-piece fees depend  
20          upon whether the mail piece is automation-compatible and whether associated fees are  
21          paid on a monthly, quarterly, or annual basis.

1 This section provides the cost estimates for a variety of BRM fees and services.  
2 The fees are: the Annual Permit fee, Annual Accounting fee, QBRM Quarterly fee, Non-  
3 Letter Size BRM Monthly fee, High-Volume QBRM Per-Piece fee, Basic QBRM Per-  
4 Piece fee, High-Volume BRM Per-Piece fee, Basic BRM Per-Piece fee, and Non-Letter  
5 Size BRM Per-Piece fee. These costs are all associated with the counting, rating,  
6 billing, and sampling functions for the BRM service, above and beyond the costs  
7 attributed to First-Class Mail. Several of these fees (e.g. the Annual Permit fee and  
8 the Annual Accounting fee) apply to services other than BRM.

9 The respective methodologies used to calculate these fees are unchanged from  
10 Docket No. R2001-1. I have updated the models by using test year 2006 wage rates,  
11 volume variable productivities, and piggyback factors.

12

### 13 **A. ANNUAL PERMIT FEE**

14 Mailers have the option of using a permit imprint (e.g. BRM permit) to pay for  
15 postage, rather than using either stamps or meter strips. Permits must be obtained at  
16 the post office point-of-entry. The mailer submits a Form 3615, *Mailing Permit*  
17 *Application and Customer Profile*, and pays the Permit fee. The mailer must thereafter  
18 pay the Permit fee annually. If a mailer does not mail permit imprint mailings during a  
19 24-month period, does not pay the annual fee, or does not comply with any standard  
20 applicable to permit imprints, the permit may be revoked.

21 The cost methodology used to calculate this permit fee remains unchanged from  
22 Docket No. R2001-1.<sup>2</sup> The cost study incorporates the costs of the following elements:

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<sup>2</sup> Docket No. R2001-1, USPS-T-22, at 36.

1 permit issuance, literature, and permit revocation. The test year cost estimate for the  
2 Annual Permit fee is \$109.08.

### 3 **B. ANNUAL ACCOUNTING FEE**

4 In order to qualify for some special service fee categories, mailers must establish  
5 an Advance Deposit Account. For example, use of an Advance Deposit Account  
6 qualifies returned BRM mail pieces for reduced per-piece fees. An Annual Accounting  
7 fee must be paid by mailers who establish an Advance Deposit Account. Clerks deduct  
8 the appropriate charges from these accounts after performing all the counting, rating  
9 and billing tasks. If a permit mailer account is deficient of funds, a postage due clerk  
10 must contact the mailer. The Annual Accounting fee covers such costs associated with  
11 the maintenance and oversight of the accounts, including those used for Bulk Parcel  
12 Return Service (BPRS), Merchandise Return Service, Shipper Paid Forwarding, and  
13 BRM.

14 The cost methodology has remained unchanged from Docket No. R2001-1.<sup>3</sup> The  
15 test year cost estimate for the Annual Accounting fee is \$347.92.

### 16 **C. QUALIFIED BUSINESS REPLY MAIL QUARTERLY FEE**

17 A new category for high-volume QBRM mailers was established in Docket No.  
18 R2000-1 after it was determined that the rating and billing functions for this type of mail  
19 were fixed in nature. The quarterly fee was established to cover the rating and billing  
20 costs of this mail type. This quarterly fee can be paid for any consecutive three

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<sup>3</sup> Id.

1 calendar month period, which in turn authorizes the mailer to pay the High-Volume  
2 QBRM Per-Piece fee for returned mail pieces.

3 The cost methodology used to calculate this fee remains unchanged since  
4 Docket No. R2001-1.<sup>4</sup> The test year cost estimate for the QBRM Quarterly fee is  
5 \$814.15.

6 **D. NON-LETTER SIZE BUSINESS REPLY MAIL MONTHLY FEE**

7 The Non-Letter Size BRM category was established in Docket No. MC99-2. This  
8 category is primarily used by film processors and printing companies which have film  
9 and ink cartridges returned via the mail. The process used for sampling and billing  
10 these pieces is called bulk weight averaging, which is based upon principles of  
11 mathematical statistics. These pieces are weighed, in bulk, at participating facilities,  
12 where computers with special software calculate average postage due per pound and  
13 average piece count per pound based on statistically valid samples drawn from the total  
14 volume. The sampling is done monthly in order to ensure that the conversion factors  
15 are current. The total weight is multiplied by these conversion factors to obtain the  
16 estimated volume received and the appropriate postage and fee amounts. The monthly  
17 fee was established in order to cover the related costs of billing and sampling.

18 The cost methodology used to calculate costs for this fee remains the same as  
19 the one used in Docket No. R2001-1.<sup>5</sup> The test year cost estimate for the Non-Letter  
20 Size BRM Monthly fee is \$613.57.

21

22

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<sup>4</sup> Id. at 37.

<sup>5</sup> Id.

1           **E.     HIGH-VOLUME QUALIFIED BUSINESS REPLY MAIL PER-PIECE FEE**

2           As discussed earlier, high-volume QBRM mailers who pay the QBRM Quarterly  
3 fee are entitled to a lower per-piece fee. The quarterly fee covers the fixed rating and  
4 billing costs for this category. The per-piece fee covers the costs associated with  
5 counting the mail pieces above and beyond the activities covered by the First-Class  
6 Mail postage.

7           The cost methodology used to calculate costs for this fee remains the same as  
8 the one used in Docket No. R2001-1.<sup>6</sup> The test year cost estimate for the High-Volume  
9 QBRM Per-Piece fee is 0.367 cents.

10  
11           **F.     BASIC QUALIFIED BUSINESS REPLY MAIL PER-PIECE FEE**

12           Mailers who do not have sufficient BRM volume to justify paying a quarterly fee  
13 have the option of using the Basic QBRM category. Basic QBRM mail pieces have to  
14 meet the same requirements as High Volume QBRM mail, and mailers of Basic QBRM  
15 pieces must have all fees and charges deducted from an Advance Deposit account.

16           This Basic QBRM Per-Piece fee covers the counting, rating, and billing costs above and  
17 beyond the activities covered by the First-Class Mail postage.

18           The cost methodology used to calculate costs for this fee remains the same as  
19 the one used in Docket No. R2001-1.<sup>7</sup> The test year cost estimate for the Basic QBRM  
20 Per-Piece fee is 3.682 cents.

21  

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<sup>6</sup> Id. at 37-39.

<sup>7</sup> Id. at 40.

1           **G.     HIGH-VOLUME BUSINESS REPLY MAIL PER-PIECE FEE**

2           Mailers who choose not to meet the Postal Service automation requirements for  
3     QBRM mailings have the option of using the High-Volume BRM fee category. These  
4     mailers are still required to have all postage and fees deducted from an Advance  
5     Deposit Account. The High-Volume BRM Per-Piece fee covers the counting, rating, and  
6     billing costs above and beyond the activities associated with the First-Class Mail  
7     postage.

8           The cost methodology used to calculate costs for this fee remains the same as  
9     the one used in Docket No. R2001-1.<sup>8</sup> The test year cost estimate for the High-Volume  
10    BRM Per-Piece fee is 4.938 cents.

11  
12          **H.     BASIC BUSINESS REPLY MAIL PER-PIECE FEE**

13          Mailers who do not have enough volume to justify paying an Annual Accounting  
14    fee can use the Basic BRM category. This fee has the highest costs associated with its  
15    usage due, in part, to its mostly manual counting, rating, billing, and collection methods.  
16    Mailers who use this category have the option of paying their postage and fees upon  
17    pickup or by using a Postage Due account. Postage Due accounts require  
18    maintenance and oversight similar to an Advance Deposit account. The oversight and  
19    maintenance activities also significantly increase the costs associated with this fee  
20    category.

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<sup>8</sup> Id.

1 The cost methodology used to calculate costs for this fee remains the same as  
2 the one used in Docket No. R2001-1.<sup>9</sup> The test year cost estimate for the Basic QBRM  
3 Per-Piece fee is 52.215 cents.

#### 4 5 **I. NON-LETTER SIZE BUSINESS REPLY MAIL PER-PIECE FEE**

6 As discussed in section V, part D, the Non-Letter Size BRM category is primarily  
7 used by printer companies and film processors for the return of their ink cartridges and  
8 film canisters. The per-piece fee for Non-Letter Size BRM covers the costs associated  
9 with counting these mail pieces. Bulk weight averaging is used to count the incoming  
10 non-letter size BRM mail pieces in the manner described in part D.

11 The cost methodology used to calculate costs for this fee remains the same as  
12 the one used in Docket No. R2001-1.<sup>10</sup> The test year cost estimate for the Non-Letter  
13 Size BRM Per-Piece fee is .549 cents.

#### 14 15 **VI. ON-CALL AND SCHEDULED PICKUP SERVICE**

16 On-Call and Scheduled Pickup Service is available for Express Mail, Priority Mail,  
17 and single-piece rate Parcel Post for a charge. There are no limitations on the number  
18 of pieces that may be picked up. A customer must sign Form 5541, *Pickup Service*  
19 *Statement*, when paying the charge.

20 The costs I am presenting are those associated with the On-Call and Scheduled  
21 Pickup Service. The cost methodology used to calculate costs for these services

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<sup>9</sup> Id. at 40-41.

<sup>10</sup> Id. at 41.

1 remain the same as the one used in Docket No. R2001-1.<sup>11</sup> The estimated On-Call and  
2 Scheduled Pickup costs for the test year are \$11.20 and \$10.49, respectively.

3

## 4 **VII. CALLER SERVICE**

### 5 **A. Introduction**

6 Caller Service allows an individual or firm to pick up its mail one or more times  
7 per day at a caller window or loading dock. Banks, insurance companies, and other  
8 financial institutions are examples of customers using this service. The service allows  
9 these customers to receive cash payments and other time-sensitive mail as soon as  
10 they become available without waiting for carrier delivery. Other Caller Service  
11 customers include small businesses and post office box customers whose mail volume  
12 exceeds the largest post office (P.O.) box capacity.

13 A customer using Caller Service is assigned a “phantom” P.O. box number that is  
14 used for mail sortation purposes (i.e., the box does not physically exist). The Caller  
15 Service customer is charged a semi-annual fee for each P.O. box number or separation.  
16 Upon payment of an annual fee, the Postal Service allows customers to reserve caller  
17 box numbers for future use. When a reserved caller box number is activated, the  
18 customer is assessed the semi-annual caller service fee.

### 19 **B. Methodology**

20 The cost methodology for Caller Service is unchanged from the methodology in  
21 Docket No. R2001-1 (USPS-T-42). I have updated hourly wage rates and piggyback  
22 factors for the test year. See USPS-LR-K-59 for the Caller Service cost model.

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<sup>11</sup> Docket No. R2001-1, USPS-T-42.

1       **C. Results**

2           The estimated test year costs resulting from the Caller Service Study are shown  
 3 in Table 2 below. The estimated test year cost per caller service separation is \$689.17  
 4 per year. The estimated test year cost per reserved caller number is \$19.46, using  
 5 window service accounting costs as a proxy.

6                           **Table 2: Test Year Caller Service Costs**

<b>Activity</b>	<b>Annual Cost (Direct and Indirect)</b>
Window Service Accounting	\$19.457
Window Service Delivery	\$208.891
Platform Delivery	\$325.591
Storage	\$135.234
<b>Total Cost per Separation</b>	<b>\$689.172</b>

7

8

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10       **VIII. CERTIFICATE OF MAILING**

11

12       **A. Introduction**

13

14           Certificate of Mailing service provides evidence that mail has been presented to  
 15 the Postal Service for mailing. Certificate of mailing service does not provide a record of  
 16 delivery.

17           Form 3606 is used for a bulk mailing as a certificate to specify the number of

18 pieces mailed. This certificate is provided only for a mailing of identical pieces of First-

19 Class Mail, Standard Mail, or Package Services. This certificate states only the total

20 number of articles mailed and does not certify an itemized list.

1 Form 3817 is used as a certificate for a single piece of First-Class Mail (including  
 2 Priority Mail) or Package Services. Facsimile forms also may be used. When  
 3 requesting a Certificate of Mailing for three or more pieces presented at one time, a  
 4 mailer may use Form 3877 (firm sheet) or a facsimile, subject to payment of the  
 5 applicable fee for each item listed. Facsimile Forms 3877 must contain the same  
 6 information as the postal-provided form. The sheets become the sender's receipts.

### 7 **B. Methodology**

8 The Certificate of Mailing cost methodology is unchanged from the methodology  
 9 in Docket No. R2001-1 (USPS-T-42). I have updated hourly wage rates and piggyback  
 10 factors for the test year. See USPS-LR-K-59 for the Certificate of Mailing cost model.

### 11 **C. Results**

12 The estimated test year costs resulting from the Certificate of Mailing study are in  
 13 Table 3 below.

14 **Table 3: Test Year Certificate of Mailing Costs**

<u>Individual Pieces</u>	
Form 3817, Original (no duplicate)	\$0.67
Form 3817, Duplicate	\$0.53
Form 3877, Original - 13 pieces/cost per piece	\$0.23
<u>Bulk Quantities</u>	
Form 3606, Original - first 1000 pieces	\$3.47
Each Additional 1000 pieces	\$0.34
Form 3606, Duplicate	\$0.46

1

## 2 **IX. CORRECTION OF MAILING LISTS**

### 3 **A. Introduction**

4 Correction of Mailing Lists is a service used primarily by small businesses to  
5 improve the accuracy of their mailing lists. A mailer typically presents a mailing list to  
6 the Postal Service via an Address Management System (AMS) unit, either on cards or  
7 sheets of paper separated by ZIP Code. The AMS unit enters the customer name into a  
8 log, corrects any apparent address errors, and then forwards the list to individual post  
9 offices for correction. At each post office, the mailing list is circulated among carriers for  
10 manual correction and then returned to the AMS unit upon completion. The AMS unit  
11 confirms completion and returns the corrected list to the customer. The Postal Service  
12 charges a fee for each name on the mailing list.

### 13 **B. Methodology**

14 The cost methodology presented here is unchanged from the methodology in  
15 Docket No. R2001-1 of witness Abdirahman (USPS-T-42). I have updated wage rates,  
16 piggyback factors, and the First-Class Mail single piece cost. See USPS-LR-K-59 for  
17 the Correction of Mailing Lists cost study.

### 18 **C. Results**

19 The estimated test year cost per name on a mailing list is 26.9 cents (see USPS-  
20 LR-K-59).

1 **X. INSURANCE**

2 **A. Introduction**

3 Insurance is a special service that provides indemnity coverage for lost, rifled or  
 4 damaged articles. Insurance for up to \$50 in value is unnumbered, and no delivery  
 5 record is obtained. Insurance for over \$50 in value is numbered, and a delivery record  
 6 is obtained.

7 **B. Methodology**

8 The Insurance cost methodology is unchanged from the methodology of witness  
 9 Abdirahman in Docket No. R2001-1 (USPS-T-42). I have updated wage rates,  
 10 piggyback factors, test year roll-forward costs, test year volume, and the average  
 11 indemnity per transaction.

12 **C. Results**

13 The estimated costs resulting from the Insurance cost study are in Table 5 below.

14 **Table 5: Estimated Insurance Costs**

Numbered	\$2.34
Unnumbered	\$0.94
Combined	\$1.93
Volume Variable Cost Differential	\$1.40
Bulk Insurance Cost Savings – Numbered	\$1.386
Bulk Insurance Cost Savings -- Unnumbered	\$0.974

15

16

## 1 **XI. MONEY ORDER INQUIRY**

### 2 **A. Introduction**

3 A purchaser, payee, or endorsee may, at any time, inquire about payment of a  
4 domestic money order by completing, signing, and filing Form 6401, and paying the  
5 appropriate fee; a separate form and fee are required for each money order.

### 6 **B. Methodology**

7 The Money Order Inquiry cost methodology is unchanged from the methodology  
8 of witness Abdirahman in Docket No. R2001-1 (USPS-T-42). I have updated the First-  
9 Class Mail processing cost, the test year roll-forward cost, the base year CRA cost, and  
10 Money Order volume. See USPS-LR-K-59 for the Money Order Inquiry cost study.

### 11 **C. Result**

12 The estimated costs resulting for a Money Order Inquiry is \$2.76.  
13

## 14 **XII. ON-SITE METER SERVICE**

### 15 **A. Introduction**

16 Under the on-site meter service program, qualified Postal Service employees  
17 may set or examine postage meters at a licensed customer's place of business for a  
18 fee. This program also allows a meter manufacturer to have qualified Postal Service  
19 employees check meters into and out of service at the meter manufacturer's place of  
20 business (also known as a direct distribution center, or DDC) for a fee.



1       **C. Results**

2           A summary of the costs for providing additional post office box keys and for  
 3 changing post office box locks is presented below in Table 8. The detailed analysis is  
 4 presented in USPS-LR-K-59.

**Table 8: Test Year Unit Volume Variable Costs  
 for Post Office Box Key and Lock Change Service**

<b>Type of Service</b>	<b>Volume Variable Cost</b>
Providing additional post office box key	\$3.452
Changing post office box lock	\$7.714

5

6       **XIV. RESTRICTED DELIVERY**

7       **A. Introduction**

8           Restricted delivery service permits a mailer to direct delivery only to the  
 9 addressee or addressee's authorized agent. The addressee must be an individual  
 10 specified by name. Restricted Delivery service is available for (a) First-Class Mail  
 11 (including Priority Mail) when purchased at the time of mailing with certified mail, COD,  
 12 insured mail (for more than \$50), or registered mail service; (b) Standard Mail subject to  
 13 the residual shape surcharge when bulk insurance (for more than \$50) is purchased at  
 14 the time of mailing; and (c) Package Services when purchased at the time of mailing  
 15 with COD or insured mail (for more than \$50) service.

1       **B. Methodology**

2           The Restricted Delivery cost methodology is unchanged from the methodology of  
3 witness Abdirahman in Docket No. R2001-1 (USPS-T-42). I have updated wage rates,  
4 piggyback factors and the cost of First-Class Mail - Single Piece. See USPS-LR-K-59.

5       **C. Results**

6           The estimated test year costs for Restricted Delivery is \$2.279.  
7

8       **XV. STAMPED CARDS**

9       **A. Introduction**

10           Stamped Cards allow firms and individuals to purchase cards already embossed  
11 with postage for the First-Class Mail single card rate. Presently, four types of Stamped  
12 Cards are available: (1) single-cut, (2) single-sheet, (3) reply card, and (4) banded.

13           Stamped Cards may be purchased in bulk or in single units through post offices  
14 and the Stamp Fulfillment Services Center (SFSC) in Kansas City. Postal vending  
15 machines sometimes offer stamped cards for purchase in banded packs.

16       **B. Methodology**

17           Test year costs for Stamped Cards are based solely on contract prices  
18 negotiated with the U.S. Government Printing Office. These costs include materials,  
19 printing, and distribution.



1 and USPS-LR-K-104, *PRC Version of Supporting Materials for Costs of Business*  
 2 *Reply Mail, Miscellaneous Fees, and Pickup Service*, are volume variabilities,  
 3 piggybacks factors and premium pay factors.

4 The material changes between Attachments 2-4, 6-8, 10-11, 12a, and 13 in cost  
 5 model, USPS-LR-K-59, *Supporting Materials for Special Service and Express Mail*  
 6 *Costs, and Final Adjustments* and USPS-LR-K-111, *PRC Version Supporting Materials*  
 7 *for Special Service and Express Mail Costs, and Final Adjustments*, are volume  
 8 variabilities, piggybacks factors and premium pay factors.

9 The following chart compares the test year cost estimates produced in LR-K-69  
 10 and LR-K-59 to the ones produced in the PRC versions of LR-K-104 and LR-K-111.

<b>TEST YEAR COST ESTIMATES</b>			
<b>Fee</b>	<b>USPS-LR-K-69</b>	<b>USPS-LR-K-104</b>	
QBRM Cost Avoidance	\$000.02163	\$000.02183	
Annual Permit Fee	\$109.08	\$119.94	
Annual Accounting Fee	\$347.92	\$382.82	
QBRM Quarterly Fee	\$814.15	\$820.21	
Non-Letter Size BRM Monthly Fee	\$613.57	\$618.14	
Non-Letter Size BRM Per-Piece Fee	\$000.00549	\$000.00653	
High Volume QBRM Per-Piece Fee	\$000.00367	\$000.00443	
Basic QBRM Per-Piece Fee	\$000.03682	\$000.04383	
High Volume BRM Per-Piece Fee	\$000.04938	\$000.05874	
Basic BRM Per-Piece Fee	\$000.52215	\$000.58004	
On-Call Pickup Service	\$11.203	\$11.485	
Scheduled Pickup Service	\$10.486	\$10.749	
	<b>USPS-LR-K-59</b>	<b>USPS-LR-K-111</b>	
Caller Service			
Annual cost per call number	\$19.46	\$19.43	
Annual cost per reserved number	\$689.17	\$693.21	
Certificate of Mailing Costs			
Individual Pieces			
Form 3817, Original(no duplicate)	\$000.67	\$000.67	
Form 3817, Duplicate	\$000.53	\$000.53	
Form 3877, Original-13 pieces	\$000.23	\$000.23	

1	Bulk Quantities		
2	Form 3606, Original-first 1000	\$003.47	\$003.51
3	pieces		
4	Each Additional 1000 pieces	\$000.34	\$000.35
5	Form 3606, Duplicate	\$000.46	\$000.47
6	Correction of Mailing Lists	\$000.269	\$000.276
7	Insurance		
8	Numbered	\$002.34	\$002.50
9	Unnumbered	\$000.94	\$001.13
10	Combined	\$001.93	\$002.10
11	Volume Variable Cost Differential	\$001.40	\$001.37
12	Bulk Insurance Cost Savings		
13	Numbered	001.386	\$001.399
14	Unnumbered	\$000.974	\$000.983
15	Money Order Inquiry	\$002.76	\$003.34
16	Onsite Meter Service		
17	Access Cost	\$028.86	\$028.87
18	Each Meter Reset	\$005.66	\$005.66
19	Each Meter Checked in	\$002.84	\$002.84
20	Pox Office Box Key and Lock Changes		
21	Additional Post Office Key	\$003.452	\$003.475
22	Changing Post Office Box Lock	\$007.714	\$007.786
23	Restricted Delivery	\$002.279	\$002.311
24	Stamped Cards		
25	<u>Cost Per Thousand</u>		
26	Single Cut	\$14.00	\$14.00
27	Single Sheet	\$14.00	\$14.00
28	Reply Card	\$28.00	\$28.00
29	Banded	\$31.00	\$31.00
30	Zip Coding of Mailing Lists	\$072.85	\$073.81

31  
32  
33 To the extent that, in response to Commission Rule 53, I discuss and compare  
34 PRC versions of costing materials in this testimony, I do not sponsor those materials, or  
35 in any way endorse the methodologies used to prepare them. In its Order No. 1380  
36 adopting the roadmap rule, the Commission included the following statements regarding  
37 the role played by Postal Service witnesses under these circumstances:

38 The comparison required by this exercise cannot be equated with  
39 sponsoring the preexisting methodology. It merely identifies and gives  
40 context to the proposed change, serving as a benchmark so that the  
41 impact can be assessed. ... Witnesses submitting testimony under Rule

1           53(c) sponsor the proposed methodological changes, not the preexisting  
2           methodology. That they may be compelled to reference the preexisting  
3           methodology does not mean that they are sponsoring it.  
4  
5           Order No. 1380 (August 7, 2003) at 7. Therefore, although I may be compelled to refer  
6           to the PRC methodologies and versions corresponding to the Postal Service proposals  
7           which are the subject of my testimony, my testimony does not sponsor those PRC  
8           materials.  
9