

USPS-T-33

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

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

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Docket No. R2005-1

DIRECT TESTIMONY OF
HOWARD S. ALENIER
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

REVISED: 6/27/05

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SUPPORTING DOCUMENTATION

- Attachment 1 - Roadmap Testimony Quick Reference Guide
- Attachment 2 - Postal Testimony Flowchart

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DIRECT TESTIMONY
OF
HOWARD S. ALENIER

AUTOBIOGRAPHICAL SKETCH

10 My name is Howard S. Alenier. I am a Vice President of Foster Associates, Inc.,
11 an economic consulting firm with offices in Bethesda, Maryland and Fort Myers,
12 Florida. I previously was employed at the Postal Service from August 1973 to
13 November 2002. At the Postal Service, I held a variety of positions over the
14 course of my career. In addition to staff work as an economist, I was responsible
15 for the cost, revenue and volume, and service measurement data collection and
16 processing systems. I also produced the Origin-Destination System (ODIS)
17 reports, the Revenue, Pieces & Weight (RPW) reports, the Cost & Revenue
18 Analysis (CRA) reports and the International Cost & Revenue Analysis (ICRA)
19 reports, among others. I testified in rate, classification and rulemaking
20 proceedings: Dockets No. R77-1, MC78-1, R80-1, RM83-6 and R84-1. Prior to
21 joining the Postal Service, I spent two years as a rate analyst for the Postal Rate
22 Commission. Before that I worked for two years as a computer programmer with
23 the Federal Power Commission, now the Federal Energy Regulatory
24 Commission.

25

26 I received a BA from the University of Pennsylvania in 1969 and an MBA from

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1 American University in 1971. I have taken additional graduate coursework in
2 economics and industrial organization at George Washington University.

3 **PURPOSE AND SCOPE OF TESTIMONY**

4

5 The Postal Service Request, dated April 8, 2005, seeks a recommended decision
6 from the Postal Rate Commission on proposed changes in rates and fees.

7

8 The purpose of this testimony is to provide an overview of the filing, including
9 identifying the subject matter of each witness's testimony, explaining how the
10 testimonies of all witnesses interrelate, and to describe changes in cost
11 methodology, volume estimation, or rate design, as compared to the manner in
12 which they were calculated by the Commission to develop recommended rates
13 and fees in the most recent general rate proceeding. I also identify, with
14 reference to appropriate testimony, each witness responsible for addressing any
15 material methodological change.

16

17 My testimony is designed to satisfy the requirements of Rule 53(b) of the
18 Commission's Rules of Practice and Procedure.

19

20 It is divided into four major sections. Section 1 describes how to use the
21 roadmap testimony to navigate the rate case. Section 2 provides a generic
22 discussion of functional areas and data flows. Section 3 describes each

1 witness's testimony and the interrelationships among testimonies within the
2 context of functional areas. Section 4 describes for each witness changes in
3 methodology since the last omnibus rate case. Attachments 1 and 2 contain a
4 "Quick Reference Guide" and "Functional Data Flows," respectively.

5

6

7 **Section 1: USING THE ROADMAP TESTIMONY TO NAVIGATE THE**
8 **POSTAL RATE CASE FILING**

9

10 The fastest way to navigate the Postal Service direct case is through the
11 "Roadmap Quick Reference Guide." The quick reference guide is included as
12 Attachment 1 to this testimony. The Guide contains a summary of test year
13 volumes, costs, revenues, cost coverages, and percent rate changes by
14 subclass. It lists the major tables and charts presented in the Request and it
15 provides tables which list postal testimony by witness name, by witness number,
16 and by function. Attachment 2 provides a generalized flow diagram of the overall
17 process.

18

19

20 **Section 2: GENERIC DISCUSSION OF POSTAL RATE FILINGS**

21

22 The structure of the Postal Service's direct case in an omnibus proceeding, and
23 the interrelationships among testimonies are primarily a function of the necessary

1 components. While the number of testimonies and witness identities may vary
2 among cases, the core components tend to be quite stable over time.

3 Functional components in rough order of their sequence in testimony numbers
4 are:

5 Policy
6 Data Systems
7 Revenue Requirement
8 Volumes
9 Base Year Costs
10 Roll-Forward
11 Attributable Cost Studies
12 Special Studies
13 Rate Policy
14 Rate Design
15 Operations

16 The parameters that guide any rate case filing are established by postal policy.
17 In this case that policy will be articulated by our general policy witness,
18 Postmaster General John Potter. Once policy is established, attention turns to
19 technical information.

20

21 The foundation of any omnibus case is recent financial and operating
22 information. This information is a necessary component of any large business.
23 Accounting information, for example, would exist regardless of the need for an
24 omnibus rate case filing. Data systems witnesses, however, describe systems
25 that augment basic business information to provide necessary inputs for the rate
26 case.

27 Descriptions of these data collection systems constitute the next subset of rate

1 case testimonies, that of the data systems witnesses. The purpose of these
2 testimonies is to explain the design and operation of the data systems that
3 provide the informational foundation of a rate case filing. These systems include
4 both revenue/volume and cost measurement. Any changes in data collection or
5 estimation methodology since the last omnibus rate case will be described in
6 these testimonies.

7

8 These systems augment accounting and related information to produce the Cost
9 & Revenue Analysis, or CRA. The CRA provides cost, revenue and volume
10 information for the most recent fiscal year, FY 2004, in total and by mail category.
11 The development of this document, and its supporting segments and
12 components, is described in detail in the Summary Description of USPS
13 Development of Cost by Segment and Component, FY 2004, filed as USPS-LR-
14 K-1. Generally, the analytical underpinning of these documents can be
15 determined by reference to the most recent omnibus rate case. The incremental
16 cost witness develops incremental costs displayed in the CRA.

17

18 The next group of witnesses, who rely on the inputs to this point, are the costing
19 witnesses. Most of the CRA costing witnesses present testimony regarding
20 analysis of a particular cost segment or group of related segments. These
21 analyses generally modify the fiscal year information described in the fiscal year
22 CRA. The results for those cost segments which are the subjects of testimony

1 are provided to a base year CRA costing witness. The testimony and
2 workpapers of the base year witness show base year costs for all cost segments
3 and the distribution of the volume-variable portion of those costs to subclasses
4 and special services. In other words, base year costs are generally fiscal year
5 costs adjusted by new studies. In this case, however, the results of all the new
6 studies were incorporated into the fiscal year CRA, and thus there are no
7 differences between the fiscal year and base year CRAs.

8

9 The next step in the ratemaking process is to project from historical data into a
10 future period, known as the test year, chosen for purposes of comparing
11 expected revenues and costs. Critical to this process is the ability to forecast
12 mail volumes, which is the province of the volumes witnesses. The volume
13 forecasting witnesses examine historical information to determine the factors
14 which best explain past trends in mail volumes for each subclass, and then use
15 that demand analysis research as the basis for forecasting trends in mail
16 volumes between the base year and the test year. Volume witnesses also
17 provide information that assists in the determination of the difference in revenues
18 and costs between “before” and “after” rates. Finally, a portion of the results of
19 the demand analysis (e.g., price elasticities of demand) play a role in the pricing
20 process. Since volume levels affect both costs and revenues, the volume
21 forecasts provide important inputs for a wide variety of downstream witnesses.
22 The revenue requirement witness presents a host of financial and accounting

1 information that will be incorporated into the projection of test year expenses.
2 This witness provides information on a number of discrete elements that affect
3 test year estimates. Cost level changes, both personnel and non-personnel,
4 have a major impact. Mail volume projections, of course, affect revenue and
5 expense forecasts. Non-volume workload, such as changes in city carrier
6 deliveries, is a factor. Other factors are changes in workday components, cost
7 reduction programs, other programs, corporatewide activities (e.g., Headquarters
8 staff), servicewide costs (for example, annuitant health benefits), workyear mix
9 adjustments (such as proportions of overtime) and final adjustments (like
10 Negotiated Service Agreement effects).

11

12 The revenue requirement witness works very closely with the rollforward witness.
13 The rollforward witness uses volume forecasting and revenue requirement
14 inputs, to roll historical base year expenses forward to projected test year
15 expenses. The rollforward witness presents test year costs by subclass of mail
16 and special service. The rollforward witness presents both before-rates and
17 after-rates versions of test year costs.

18

19 The before-rates costs, provided in the rollforward witness testimony, are relied
20 upon by rate level, special study and rate design witnesses. For incremental
21 costs, the incremental cost witness applies an analysis comparable to the
22 rollforward exercise to base year incremental costs, thereby producing test year

1 estimates of incremental costs for each subclass and service. Another category
2 of witness contributing to the revenue requirement and rollforward efforts is the
3 operations witness, who describes changes in the operating environment,
4 including new equipment and new programs, which are expected to have an
5 effect on test year expenses.

6
7 Once before-rates test year revenues, volumes and costs are produced, the
8 magnitude of the revenue shortfall is passed to the rate policy witness,
9 sometimes also referred to as the rate level witness. This witness, along with
10 others in the rate design process, establish rates to conform with §3622(b) of title
11 39.

12
13 The pricing process normally has two major steps. The first step is performed by
14 the rate policy witness. This witness examines each subclass and service, and,
15 in light of the total pool of institutional costs and the magnitude of the systemwide
16 percentage rate increase required, determines what share of the institutional cost
17 burden seems most appropriate for that product when balanced against the
18 subclass percentage rate increase necessary to achieve it. The outputs of this
19 analysis are target cost coverages for each subclass and service.

20 In the second step of the pricing process, the target cost coverages are passed
21 onto the rate design witnesses, whose responsibility is then to design rates which
22 meet assigned targets. The subclass targets are met by blending different rate

1 changes for various rate categories, workshare discounts, and rate elements
2 within the subclass. In order to effectively do this, rate design witnesses rely on
3 special studies. The special study witnesses provide analyses of costing issues
4 below the subclass level. For example, within a subclass, the CRA does not
5 identify the amount of costs avoided by particular kinds of mailer worksharing.
6 Since such avoided cost information is necessary for rate design witnesses to
7 propose appropriate workshare discounts within subclasses, special study
8 witnesses conduct analyses to provide that type of information, and present the
9 results in their testimonies.

10

11 In addition to proposing specific rates, rate design witnesses also present and
12 explain any proposed classification changes, and incorporate such classification
13 changes into their proposed rate design.

14

15 In summary, data systems augment accounting information to produce a fiscal
16 year. Cost studies modify that fiscal year to establish a base year. Forecasts of
17 various types, gathered by the revenue requirement witness, are passed to the
18 roll-forward witness, who produces an initial test year. The rate level witness
19 uses that information to guide the rate design witnesses, who also may rely on
20 special studies to design rates. The rate design results are used to create a
21 Test Year After Rates to yield appropriate revenues and costs. See Appendix 1,
22 “Roadmap Quick Reference Guide.” In this case the across-the-board approach

1 mitigates the need for some aspects of the rate design and cost study efforts.

2

3 **Section 3: OVERVIEW, PURPOSE, INTERRELATIONSHIPS OF TESTIMONY**

4

5 **I. Purpose of Omnibus Rate Case**

6

7 The Postal Service Request in Docket No. R2005-1 seeks a recommended
8 decision on proposed changes in rates of postage and fees. As explained by
9 witness Tayman, the Postal Service projects that, at existing rates, it will incur a
10 net revenue deficiency due to the requirements of Public Law 108-18 of \$2.880
11 billion in fiscal year 2006, the proposed test year (USPS-T-6).

12

13 To eliminate that projected deficiency, the Postal Service is requesting an
14 increase in rates and fees sufficient to generate additional revenues of \$2.584
15 billion. Exhibit USPS-6A-1 shows that if our proposals are implemented, test
16 year revenue surplus would be \$281.5 million. The rate and fee proposals entail
17 a systemwide average increase of 5.4 percent, implemented on an across-the-
18 board basis. See USPS-T-1. To support its proposals, the Postal Service has
19 submitted the testimony and exhibits of 31 witnesses, encompassing 33
20 testimonies, and 116 library references.

21

22 The remainder of this section identifies, for each functional area, respective

1 testimonies and their interrelationships with other testimonies. Included as
 2 Attachment 2 to this roadmap testimony is a spreadsheet flowchart showing data
 3 flows among functional areas.

4

5 **II. Policy**

6

7 The Postal Service policy witness in this case is Postmaster General John Potter
 8 (USPS-T-1). Witness Potter provides rate design policy guidance.

9
10

Witnesses Utilizing Policy Guidance
USPS-T-1

Witness	Witness Number	Data/Information Provided
Robinson	USPS-T-27	▪ Rate design policy guidance
Taufique	USPS-T-28	▪ Rate design policy guidance

11

12 **III. Data Systems**

13

14 The Service's revenue and cost accounting systems are not generally designed
 15 to meet the requirements for rate cases. As a result, the Postal Service operates
 16 a number of revenue and cost systems that augment accounting information to
 17 produce mail category information necessary to meet the requirements of rate
 18 and classification cases.

19 One category of systems begins with accounting information and applies
 20 estimation procedures to produce revenue, piece and weight information by mail
 21 category. Witness Pafford, in USPS T-4, provides an explanation of these

1 systems. Accounting information provides a foundation for his work. There are a
 2 variety of systems and subsystems that develop Revenue, Pieces and Weight
 3 information, as well as ODIS information.

4 Witnesses Utilizing Data Systems (ODIS/RPW) Data Testimony
 5 USPS-T-4

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ RPW, ODIS and Billing Determinant Data
Meehan	USPS-T-9	▪ RPW/ODIS Data
Smith	USPS-T-13	▪ ODIS volumes by shape for Standard regular
Loetscher	USPS-T-32	▪ RPW Data

6
 7 A second category of data systems measures costs. Witness Shaw (IOCS),
 8 witness Hunter (TRACS) and witness Harahush (CCS) describe these systems.
 9 The In-Office Cost System estimates labor costs by activity and mail category for
 10 employees in most postal facilities. Many indirect, or piggyback costs, also
 11 depend on IOCS results. The Transportation Cost System estimates capacity
 12 utilization for certain transport modes and proportions of mail by category for a
 13 variety of modes. Piggybacks on this data are very limited. The Carrier Cost
 14 System has two components, the Rural Carrier Cost System and the City Carrier
 15 Cost System. In each case estimated proportions of mail by category assist in
 16 the distribution of attributable and certain incremental costs. Other costs are
 17 piggybacked on these results.

18
 19 Witnesses Providing Input for IOCS Data Testimony
 20 USPS-T-2

Witness	Witness Number	Data/Information Provided
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Mail processing equipment-related cost information

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Witnesses Utilizing IOCS Data Testimony
USPS-T-2

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ IOCS data
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> ▪ Labor Cost Pool Information
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Labor cost by equipment type
Kelley	USPS-T-16	<ul style="list-style-type: none"> ▪ Carrier labor cost information
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Labor cost information

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Witnesses Utilizing TRACS Data Testimony
USPS-T-3

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Transportation Cost data
Nash	USPS-T-17	<ul style="list-style-type: none"> ▪ Transportation Cost data

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Witnesses Utilizing CCS Data Testimony
USPS-T-5

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ City and Rural Carrier Street Data
Stevens	USPS-T-15	<ul style="list-style-type: none"> ▪ Carrier Cost sample frame information
Kelley	USPS-T-16	<ul style="list-style-type: none"> ▪ City Carrier Data
Kay	USPS-T-18	<ul style="list-style-type: none"> ▪ City and Rural Carrier Street Data

11

12 Overall, these elements provide the necessary inputs to create the FY 2004 Cost
13 & Revenue Analysis, or CRA.

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3 IV. Cost Studies

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5 Cost studies modify previous approaches to create the base year (2004). Cost
6 studies cover a variety of functional areas: mail processing (witnesses Van-Ty-
7 Smith-USPS-T-11 and Bozzo-USPS-T-12), facility costs for mail processing
8 (witness Smith-USPS-T-13), carrier costs-econometrics (witness Bradley-USPS-
9 T-14), -data collection (witness Stevens-USPS-T-15), -by shape and sample
10 design (witness Kelley-USPS-T-16), transportation costs (witness Nash-USPS-T-
11 17) and transportation/window costing (witness Bradley-USPS-T-31).

12

13 Updates to mail processing variabilities and to the subclass distribution of
14 volume-variable mail processing labor costs, affecting cost segment 3, Mail
15 Processing, are presented by witnesses Van-Ty-Smith (USPS-T-11) and Bozzo
16 (USPS-T-12).

17 The purpose witness Van-Ty-Smith's testimony (USPS-T-11) is to document the
18 procedures by which the Postal Service proposes to create cost pools for mail
19 processing operations, and to distribute such costs to mail classes, subclasses
20 and rate categories. She also documents additional analyses of IOCS data that
21 were the sources of inputs for the Base Year CRA or for other cost studies. The
22 mail processing volume-variable costs by cost pool are provided in USPS LR-K-

1 55.

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Input for Mail Processing Costs
USPS-T-11

Witness	Witness Number	Data/Information Provided
		<ul style="list-style-type: none"> ▪ IOCS data file in USPS-LR-K-9
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Productive hourly rates for the Base Year and Test Year in USPS-LR-K-50
Bozzo	USPS-T-12	<ul style="list-style-type: none"> ▪ Econometric volume-variability factors

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Witnesses Utilizing Mail Processing Costs Study Results
USPS-T-11

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ CRA-level volume-variable costs
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Selected volume variabilities and distribution keys
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Selected shape and rate category disaggregations
Kay	USPS-T-18	<ul style="list-style-type: none"> ▪ Volume-variable costs by cost pool in USPS-LR-K-55
Miller	USPS-T-19	<ul style="list-style-type: none"> ▪ Volume-variable costs in USPS-LR-K-55
Miller	USPS-T-20	<ul style="list-style-type: none"> ▪ Volume-variable costs in USPS-LR-K-55
Abdirahman	USPS-T-21	<ul style="list-style-type: none"> ▪ Volume-variable costs in USPS-LR-K-55
Hatcher	USPS-T-22	<ul style="list-style-type: none"> ▪ Volume-variable costs in USPS-LR-K-55
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Volume-variable costs in USPS-LR-K-55
Wesner	USPS-T-24	<ul style="list-style-type: none"> ▪ Volume-variable costs in USPS-LR-K-55
Mayes	USPS-T-25	<ul style="list-style-type: none"> ▪ Volume-variable costs in USPS-LR-K-55
Cutting	USPS-T-26	<ul style="list-style-type: none"> ▪ Volume-variable costs in USPS-LR-K-55

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11 Within cost segment 3 (Clerks and Mailhandlers), witness Bozzo (USPS T-12)

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1 estimates variability levels for the labor costs incurred in most mail distribution
 2 operations on the basis of econometric regressions. His variabilities are applied
 3 by witness Van-Ty Smith, and the resulting costs are inputs to the B workpapers
 4 of witness Meehan in USPS LR-K-57, which describe the development of the
 5 Segment 3 inputs to the base year CRA and roll forward model. The Postal
 6 Service’s proposed attribution of mail processing costs to subclasses is
 7 presented in USPS LR-K-55.

8 Witnesses Utilizing Mail Processing Econometric Study Results
 9 USPS-T-12

Witness	Witness Number	Data/Information Provided
Van-Ty-Smith	USPS-T-11	▪ Variabilities
Miller	USPS-T-19 and USPS-T-20	▪ MODS productivity data
Abdirahman	USPS-T-21	▪ MODS productivity data
Hatcher	USPS-T-22	▪ MODS productivity data

10

11 Witness Bradley (USPS-T-31) presents an update to the computational algorithm
 12 for window service.

13

14 There are five main purposes for witness Smith’s testimony (USPS-T-13). First,
 15 he determines that test year escrow payments are not volume-variable. Second,
 16 he includes the study of Facility Space Usage in 1999, which provides a profile of
 17 facility space usage by operation and function. Third, he provides the
 18 methodology and inputs necessary to determine the volume variable equipment
 19 and facility-related costs by subclass for the Base Year in cost segments 11, 15,

1 16 and 20. Fourth, he provides piggyback factors which are used to incorporate
 2 indirect costs into the cost avoidance estimates that support worksharing
 3 discounts (as well as to compute final adjustments), and it provides the premium
 4 pay factors which are used to compute cost avoidance estimates. The fifth and
 5 final contribution of his testimony is the calculation of labor and indirect mail
 6 processing unit costs by shape, by cost pool.

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Witnesses Providing Input to Mail Processing Cost and Facility Testimony
 USPS-T-13

Witness	Witness Number	Data/Information Provided
Pafford	USPS-T-4	<ul style="list-style-type: none"> ▪ ODIS volumes by shape for standard regular
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Projected growth for facility space, depreciation and cost levels
Thress	USPS-T-7	<ul style="list-style-type: none"> ▪ Test year volumes
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Base Year costs
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Test Year costs
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> ▪ Labor costs by shape and cost pool ▪ Premium pay factors ▪ Crosswalk calculations
Loetscher	USPS-T-32	<ul style="list-style-type: none"> ▪ Volumes by shape

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Witnesses Utilizing Mail Processing, Facility Study Information
 USPS-T-13

Witness	Witness Number	Data/Information Provided
Shaw	USPS-T-2	<ul style="list-style-type: none"> ▪ Mail processing equipment-related cost information
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Final adjustment piggyback factors
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Facility space usage information
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Escrow analysis ▪ Equipment and facility cost

		information
Kelley	USPS-T-16	<ul style="list-style-type: none"> ▪ Mail processing and piggyback information in USPS-LR-K-52 and USPS-LR-K-53, respectively ▪ Parcel adjustment information
Kay	USPS-T-18	<ul style="list-style-type: none"> ▪ PMPC information
Miller	USPS-T-19 USPS-T-20	<ul style="list-style-type: none"> ▪ Piggyback factors and mail processing ▪ Shape and cost pool information
Abdirahman	USPS-T-21	<ul style="list-style-type: none"> ▪ Piggyback factors and mail processing ▪ Shape and cost pool information
Hatcher	USPS-T-22	<ul style="list-style-type: none"> ▪ Piggyback factors
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Piggyback factors and mail processing ▪ Shape and cost pool information
Wesner	USPS-T-24	<ul style="list-style-type: none"> ▪ Piggyback factors
Mayes	USPS-T-25	<ul style="list-style-type: none"> ▪ Piggyback factors
Cutting	USPS-T-26	<ul style="list-style-type: none"> ▪ Piggyback factors and mail processing shape and cost pool information

1

2 Witnesses Bradley, Stevens and Kelley produce a new City Carrier Street Cost
3 analysis that is incorporated into the base year. Witness Bradley (USPS-T-14)
4 introduces a new study of City Carrier Street time. He presents the motivation for
5 the study, explains its goals and provides an overview of the structure. He then
6 discusses the estimation of variabilities and the construction of distribution keys
7 for volume variable costs. Witness Kelley (USPS-T-16) describes methodologies
8 in three different areas: calculation of distance-related transportation costs,
9 calculation of delivery costs by rate category for First-Class and Standard Mail
10 and the City Carrier Street Time Study (CCSTS) sample design. Witness
11 Stevens (USPS-T-15) details the data collection phase and the development of
12 cost pools for the new CCSTS. He also provides the rationale for these changes.

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Witnesses Providing Input for Carrier Cost-Econometrics
USPS-T-14

Witness	Witness Number	Data/Information Provided
Kelley	USPS-T-16	▪ Carrier cost sample design information
Stevens	USPS-T-15	▪ Carrier cost data

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Witnesses Utilizing Carrier Cost-Econometrics
USPS-T-14

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	▪ Carrier variabilities and distribution keys

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Witnesses Providing Input for Carrier Cost-Data Collection
USPS-T-15

Witness	Witness Number	Data/Information Provided
Harahush	USPS-T-5	▪ Carrier cost sample frame information
Kelley	USPS-T-16	▪ Carrier cost sample design information

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Witnesses Utilizing Carrier Cost-Data Collection
USPS-T-15

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	▪ Carrier variability and distribution key data
Bradley	USPS-T-14	▪ Carrier data for analysis

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Input for Carrier Costs and Transportation Distance Testimony

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USPS-T-16

Witness	Witness Number	Data/Information Provided
Shaw	USPS-T-2	<ul style="list-style-type: none"> ▪ In-office casing costs
Harahush	USPS-T-5	<ul style="list-style-type: none"> ▪ City and Rural Carrier volumes by shape
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Cost segments & components information in USPS-LR-K-5
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Test year costs
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Mail processing and piggyback information in USPS-LR-K-52 and USPS-LR-K-53, respectively ▪ Parcel adjustment information
Loetscher	USPS-T-32	<ul style="list-style-type: none"> ▪ RPW estimates by shape, weight increment and indicia in USPS-LR-K-87
		<ul style="list-style-type: none"> ▪ UPSP-LR-K-9 ▪ USPS-LR-K-11 ▪ USPS-LR-K-12

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Witnesses Utilizing Carrier Costs and Transportation Distance
USPS-T-16

Witness	Witness Number	Data/Information Provided
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Roll forward transportation information in USPS-K-39
Bradley	USPS-T-14	<ul style="list-style-type: none"> ▪ City Carrier street sample design information
Stevens	USPS-T-15	<ul style="list-style-type: none"> ▪ City Carrier street sample design information
Abdirahman	USPS-T-21	<ul style="list-style-type: none"> ▪ Letter cost information in USPS-LR-K-67
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Information for final adjustments in USPS-LR-K-67

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7 Witness Nash presents a purchased transportation cost study update supported
8 by witness Bradley's econometric analysis that is incorporated into the base year.
9 Witness Bradley's USPS-T-31 testimony, in addition to discussing the analytical
10 basis for calculating window service costs, presents new variabilities for Amtrak

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1 transportation and the analytical basis for dealing with volume variability under
 2 declining block rates. Witness Nash develops variability factors relating to FedEx
 3 Day Turn, changes to the CNET distribution key, Alaska air adjustment factors,
 4 surface density factors and new plant load distribution keys.

5 Witnesses Utilizing Transportation/Window Costing Testimony
 6 USPS-T-31

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Window Service volume variability information ▪ Amtrak volume variability information
Nash	USPS-T-17	<ul style="list-style-type: none"> ▪ Declining block rate volume variability information

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9 Witnesses Providing Inputs to Transportation Cost Testimony
 10 USPS-T-17

Witness	Witness Number	Data/Information Provided
Hunter	USPS-T-3	<ul style="list-style-type: none"> ▪ TRACS distribution key information
Bradley	USPS-T-31	<ul style="list-style-type: none"> ▪ Volume variability under declining block rates

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13 Witnesses Utilizing Transportation Cost Testimony
 14 USPS-T-17

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Variability factors ▪ Alaska Air adjustment factors ▪ Plant load distribution keys
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Alaska Air adjustment factors ▪ Amtrak costs beyond the base year

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16 **V. Base Year**

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2 Witness Meehan sponsors the Base Year 2004. The base year incorporates the
 3 results of all of the cost studies. A number of changes in the treatment of costs
 4 are introduced in Base Year 2004. Witness Meehan provides a brief overview of
 5 these changes and presents the results. A more thorough treatment of these
 6 changes is addressed in the testimony of other witnesses.

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Witnesses Providing Input for the Base Year
USPS-T-9

Witness	Witness Number	Data/Information Provided
Shaw	USPS-T-2	▪ IOCS data
Hunter	USPS-T-3	▪ TRACS data
Pafford	USPS-T-4	▪ RPW/ODIS data
Harahush	USPS-T-5	▪ CCS data
Van-Ty-Smith	USPS-T-11	▪ Mail processing costs
Smith	USPS-T-13	▪ Facility space and equipment usage information
Bradley	USPS-T-14	▪ Carrier variability and distribution key information
Stevens	USPS-T-15	▪ Carrier variability and distribution key data
Nash	USPS-T-17	▪ Variability factors ▪ Alaska Air adjustment factors ▪ Plant load distribution keys
Kay	USPS-T-18	▪ Rural Carrier analysis outputs in USPS-LR-K-70
Bradley	USPS-T-31	▪ Window service variability information

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Witnesses Utilizing Base Year Testimony
USPS-T-9

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	▪ Reallocated Trial Balance account reallocations to cost component

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Waterbury	USPS-T-10	▪ Base Year information
Smith	USPS-T-13	▪ Base year information
Kelley	USPS-T-16	▪ Cost segment and component information in USPS-LR-K-5
Kay	USPS-T-18	▪ Base Year costs in USPS-LR-K-4 ▪ Product Specific costs in USPS-LR-K-57
Wesner	USPS-T-24	▪ Base Year costs in USPS-LR-K-4 and USPS-LR-K-5
Mayes	USPS-T-25	▪ Base Year transportation costs in USPS-LR-K-5
Cutting	USPS-T-26	▪ Base Year CRA costs in USPS-LR-K-5

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2 Witness Kay develops incremental costs for Fiscal Year 2004, the base year and
3 the test year. There is no PRC version of Incremental Costs.

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Input for Incremental Costs
USPS-T-18

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Witness	Witness Number	Data/Information Provided
Harahush	USPS-T-5	▪ Rural Carrier Cost System inputs
Thress	USPS-T-7	▪ Test Year volumes in USPS-LR-K-66
Meehan	USPS-T-9	▪ Base Year costs in USPS-LR-K-4 ▪ Product-specific cost inputs in USPS-LR-K-57
Waterbury	USPS-T-10	▪ Test Year costs and rollforward model inputs in USPS-LR-K-6
Van-Ty-Smith	USPS-T-11	▪ Mail processing cost pools and administrative clerk product-specific cost inputs in USPS-LR-K-55
Smith	USPS-T-13	▪ PMPC product-specific cost inputs in USPS-LR-K-52
Page	USPS-T-23	▪ Test Year final adjustment detail in USPS-LR-K-50

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Witnesses Utilizing Incremental Costs
USPS-T-18

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	▪ Rural Carrier analysis outputs in USPS-LR-K-70
Meehan	USPS-T-9	▪ Rural Carrier analysis

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		outputs in USPS-LR-K-70
Robinson	USPS-T-27	▪ Incremental cost estimates
Taufique	USPS-T-28	▪ Incremental cost estimates

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VI. Volume Forecasts

Witness Thress’s testimony models the demand for domestic mail volume, identifies and quantifies factors that affect mail volumes, and projects these factors through the Test Year for the purposes of developing a set of volume forecasts. The work presented in his testimony is closely connected to and is best read in concert with the testimony of witness Bernstein (USPS-T-8).

Witness Bernstein’s testimony discusses recent developments in the markets in which various postal products operate. It both complements and supplements the testimony of witness Thress (USPS-T-7). This testimony reviews the volumes of different mail products and discusses factors explaining trends in mail volume. Much of the focus of this testimony is on recent developments affecting the mail and on the recent impact of key variables on mail volume. This testimony also presents before and after-rates volume forecasts taken from Attachment A of the testimony of witness Thress.

Witness Providing Input to Volume Testimony
USPS-T-7

Witness	Witness	Data/Information Provided
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	Number	
Pafford	USPS-T-4	▪ RPW, ODIS and Billing Determinant data

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Witnesses Utilizing Output from Volume Testimony
USPS-T-7

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	▪ Volume forecasts
Bernstein	USPS-T-8	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Volume forecasts
Smith	USPS-T-13	▪ Volume forecasts
Kay	USPS-T-18	▪ Volume forecasts
Page	USPS-T-23	▪ Volume forecasts
Wesner	USPS-T-24	▪ Volume forecasts
Mayes	USPS-T-25	▪ Volume forecasts
Robinson	USPS-T-27	▪ Volume forecasts
Taufique	USPS-T-28	▪ Volume forecasts

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Witness Providing Input to Volume Testimony
USPS-T-8

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts

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VII. Operations

10

11 Witnesses McCrery and Lewis present testimony relating to postal operations.

12 Witness McCrery provides operational support for various elements of the Postal

13 Service's proposals. He provides an overview of the Postal Service's processing

14 operations for the current environment, the test year, and beyond. He discusses

15 the relationship between long term volume changes and workhour changes. He

1 also sponsors Cost Reduction Program information, detailing the programs and
 2 initiatives that are expected to produce operational savings through the test year.

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 6 Witnesses Utilizing Operations Testimony
 7 USPS-T-29

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Cost reduction program workhour savings and program costs included in USPS Library Reference K-49, Exhibit A,B, E, and F

8
 9 Witness Lewis (USPS-T-30) provides operational support for various elements of
 10 the Postal Service's proposals in this docket. The testimony describes City
 11 carrier street functions within the Postal Services' Delivery operations. It begins
 12 with a discussion of industry, environmental, and Postal changes that have
 13 affected Delivery street operations since the 1980s. It then describes present
 14 day carrier activities associated with street delivery. Next, it reviews the types of
 15 route sections and carrier work methods associated with delivery. Finally, it
 16 explains City carrier route evaluation and adjustment procedures.

17
 18 **VIII. Roll Forward**

19
 20 Witness Waterbury presents the rollforward. She projects total accrued costs,
 21 and volume variable costs by subclass and service, at current rates for FY 2005,
 22 and at current and proposed rates for Test Year 2006. In USPS-T-18, witness

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1 Kay provides incremental costs by subclass Test Year 2006, both before- and
2 after-rates.

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4 Future-year costs are estimated by the rollforward model using the following
5 process. Test year estimates of volume variable costs are developed by
6 adjusting base year volume variable costs for the effects of (a) changes in cost
7 level, (b) changes in volumes by category of mail or service, (c) changes in
8 nonvolume workload, (d) cost reductions, and (e) other programs, between the
9 base year and the test year. Test year estimates of costs which are not
10 influenced by changes in volume are developed by adjusting base year costs
11 for the effects of (a) changes in cost level, (b) changes in the number of
12 workdays, (c) cost reductions, and (d) other programs, from the base year to
13 the test year. The total of the aforementioned changes is adjusted for the
14 impact of the workyear mix adjustment. The workyear mix adjustment reflects
15 the anticipated shifts in workload due to automation, and refined scheduling
16 and hiring practices.

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Inputs to Rollforward Testimony
USPS-T-10

Witness	Witness Number	Library References	Data/Information Provided
Tayman	USPS-T-6	USPS-LR-K-50 USPS-LR-K-49	<ul style="list-style-type: none"> ▪ Revenue Requirement / Roll Forward ▪ Model Factors ▪ Programs Costs / Savings ▪ Contingency Factor
Thress	USPS-T-7	USPS-LR-K-66	<ul style="list-style-type: none"> ▪ Volume Forecasts
Meehan	USPS-T-9	USPS-LR-K-4 USPS-LR-K-61	<ul style="list-style-type: none"> ▪ Base Year Costs ▪ Distribution Keys
Van-Ty-Smith	USPS-T-11	USPS-LR-K-55	<ul style="list-style-type: none"> ▪ Mail Processing Distribution Keys
Smith	USPS-T-13	USPS-LR-K-54	<ul style="list-style-type: none"> ▪ Capital, Space, and Rental Value ▪ Factors

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			<ul style="list-style-type: none"> ▪ Programs Roll Forward Distribution Keys ▪ Programs Variability Factors
Kelley	USPS-T-16	USPS-LR-K-39	<ul style="list-style-type: none"> ▪ Transportation information
Nash	USPS-T-17	USPS-LR-K-36 USPS-LR-K-38	<ul style="list-style-type: none"> ▪ Amtrak Rail Distribution Key ▪ Alaska Air Factors
Page	USPS-T-23	USPS-LR-K-59	<ul style="list-style-type: none"> ▪ Final Adjustments

1 Witnesses Utilizing Rollforward Testimony
2 USPS-T-10

Witness	Witness Number	Library References	Product
Tayman	USPS-T-6	USPS-LR-K-50	<ul style="list-style-type: none"> ▪ Workyear Mix Adjustment ▪ Interest on Debt ▪ Profit & Loss (P & L)
Smith	USPS-T-13	USPS-LR-K-52 USPS-LR-K-53	<ul style="list-style-type: none"> ▪ Piggybacks ▪ Cost by Shape
Kelley	USPS-T-16		<ul style="list-style-type: none"> ▪ Test Year Costs
Kay	USPS-T-18	USPS-LR-K-72	<ul style="list-style-type: none"> ▪ Incremental Costs
Page	USPS-T-23	USPS-LR-K-59	<ul style="list-style-type: none"> ▪ Final Adjustments
Wesner	USPS-T-24	USPS-LR-K-7	<ul style="list-style-type: none"> ▪ Rollforward costs
Mayes	USPS-T-25		<ul style="list-style-type: none"> ▪ Test Year transportation costs
Cutting	USPS-T-26	USPS-LR-K-7	<ul style="list-style-type: none"> ▪ Test Year CRA costs
Robinson	USPS-T-27	Not Applicable	<ul style="list-style-type: none"> ▪ Rates / Pricing

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4 **IX. Revenue Requirement**

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6 The estimated test year revenue needs of the Postal Service have been
7 determined by using Fiscal Year 2004 as the base year from which to forecast
8 costs and revenues. Fiscal Year 2006 is the test year (TY). Witness Meehan,
9 USPS-T-9, provides the Base Year (2004) Cost and Revenue Analysis (CRA)
10 using the Postal Service's proposed cost attribution treatment for this docket.
11 Witness Tayman develops cost change factors used to roll forward the base year
12 cost to the test year (2006), and explains that since this request is directly related
13 to Public Law 108-18, it includes no contingency or provision for prior years' loss

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1 recovery. Witness Waterbury presents the CRA rollforward model and develops
 2 costs by class, subclass and special service for the interim periods, and the test
 3 year both before and after rates. Witness Page, USPS-T-23, develops final
 4 adjustments for the test year.

5

6 The resulting revenue requirement for TY 2006 is \$73.2 billion. The test year
 7 before rates revenue deficiency is \$2.9 billion dollars. For each subclass and
 8 special service, the proposed after rates generate revenue that exceeds
 9 incremental costs and total revenue meets the revenue requirement with a
 10 revenue surplus of \$281 million (USPS Exhibit 6A-1).

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Witnesses Providing Input for the Revenue Requirement
 USPS-T-6

Witness	Witness Number	Data/Information Provided
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Reallocated Trial Balance account reallocations to cost component
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Rollforward output reports
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Final adjustment piggyback factors
Kay	USPS-T-18	<ul style="list-style-type: none"> ▪ Non-volume workload weighting
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Final adjustments
Robinson	USPS-T-27	<ul style="list-style-type: none"> ▪ Revenue and volume
McCrery	USPS-T-29	<ul style="list-style-type: none"> ▪ Cost reduction program workhour savings and program costs included in USPS Library Reference K-49, Exhibit A,B, E, and F

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Witnesses Utilizing Revenue Requirement Data
 USPS-T-6

Using Witness	Witness Number	Data/Information Provided
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Rollforward model factors ▪ Workyear mix

		<ul style="list-style-type: none"> ▪ Program cost savings
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Depreciation expense ▪ Productive hourly wage rates ▪ Cost reduction program savings and costs ▪ Non-volume workload space factors ▪ Global Insight rental cost index
Robinson	USPS-T-27	<ul style="list-style-type: none"> ▪ Interest income ▪ Investment income ▪ Other income ▪ Appropriation revenue ▪ Escrow ▪ Total revenue requirement
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> ▪ Productive hourly wage rates
Miller	USPS-T-19	
Miller	USPS-T-20	
Abdirahman	USPS-T-21	
Hatcher	USPS-T-22	
Page	USPS-T-23	
Wesner	USPS-T-24	
Mayes	USPS-T-25	
Cutting	USPS-T-26	

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X. Special Cost Studies

Witness Miller (USPS-T-19) presents test year 2006 First-Class Mail presort flats, Periodicals Outside County flats, and Standard Mail Regular flats volume variable mail processing unit cost estimates by rate category.

Witnesses Providing Input for Special Cost Studies Testimony
USPS-T-19

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Productive hourly wage rates
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> ▪ Volume variability factors, premium pay factors and deaveraged wage rates in USPS-LR-K-55

Bozzo	USPS-T-12	<ul style="list-style-type: none"> ▪ MODS productivities in USPS-LR-K-56
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Piggyback factors in USPS-LR-K-52 ▪ CRA mail processing unit cost estimates by shape in USPS-LR-K-53
Loetscher	USPS-T-32	<ul style="list-style-type: none"> ▪ Periodicals Outside County mail characteristic data in USPS-LR-K-92

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Witnesses Utilizing Output from Special Cost Studies Testimony
USPS-T-19

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Test Year volume variable mail processing cost estimates First-Class automation presort flats and Standard Mail regular flats rate categories
Robinson	USPS-T-27	<ul style="list-style-type: none"> ▪ Test Year cost estimates for all flat categories
Taufique	USPS-T-28	<ul style="list-style-type: none"> ▪ Test Year cost estimates for all flat categories

4

5 Witness Miller (USPS-T-20) develops the test year 2006 Parcel Post, Bound
6 Printed Matter, and Media Mail / Library Mail cost estimates, which are being
7 provided in light of the Postal Rate Commission's views expressed in Docket No.
8 R94-1, paragraph [1034]. The aggregate (Machinable, Non-Machinable Outside,
9 and oversize) volume variable mail processing unit cost estimates for the Parcel
10 Post rate categories are relied upon by witness Page (USPS-T-23) as a means
11 to calculate final adjustments.

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Input for Special Cost Studies Testimony
USPS-T-20

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Productive hourly wage rates
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Base Year cost data in USPS-LR-K-5

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Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Test Year cost data
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> ▪ Volume variability factors, premium pay factors and deaveraged wage rates in USPS-LR-K-55
Bozzo	USPS-T-12	<ul style="list-style-type: none"> ▪ MODS productivities in USPS-LR-K-56
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Piggyback factors in USPS-LR-K-52 ▪ CRA mail processing unit cost estimates by shape in USPS-LR-K-53
Miller	USPS-T-20	<ul style="list-style-type: none"> ▪ Parcel Post volume, cubic feet and weight data in USPS-LR-K-47
Cutting	USPS-T-26	<ul style="list-style-type: none"> ▪ Parcel Post window service costs and Bound Printed Matter mail processing costs in USPS-LR-K-86
		<ul style="list-style-type: none"> ▪ Billing Determinant Data in USPS-LR-K-77

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Witnesses Utilizing Output from Special Cost Studies Testimony
USPS-T-20

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Final adjustment information
Mayes	USPS-T-25	<ul style="list-style-type: none"> ▪ Media Mail average modeled cost and adjustment factors ▪ Detailed Parcel Post data in USPS-LR-K-47
Robinson	USPS-T-27	<ul style="list-style-type: none"> ▪ Test Year cost estimates
Taufique	USPS-T-28	<ul style="list-style-type: none"> ▪ Test Year cost estimates

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5 Witness Abdirahman (USPS-T-21) presents Test Year First-Class Mail cards and

6 letters and Standard Mail letters mail processing unit cost estimates, worksharing

7 related savings estimates and nonmachinable surcharge additional cost

8 estimates.

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Input to Special Cost Studies Testimony
USPS-T-21

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Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Productive hourly wage rates
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> ▪ Volume variability factors in USPS-T-11, premium pay factors and deaveraged wage rates in USPS-LR-K-55
Bozzo	USPS-T-12	<ul style="list-style-type: none"> ▪ MODS productivities in USPS-LR-K-56
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Piggyback factors in USPS-LR-K-52 ▪ CRA mail processing unit cost estimates in USPS-LR-K-53
Kelley	USPS-T-16	<ul style="list-style-type: none"> ▪ Delivery unit cost estimates in USPS-LR-K-67
		<ul style="list-style-type: none"> ▪ FY 2004 Billing Determinants in USPS-LR-K-77

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Witnesses Utilizing Output from Special Cost Studies Testimony
USPS-T-21

Witness	Witness Number	Data/Information Provided
Hatcher	USPS-T-22	<ul style="list-style-type: none"> ▪ Operation-specific piggyback factors ▪ Operation-specific volume variability factors ▪ Bulk Metered Mail CRA adjustment factor ▪ Acceptance data
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Test Year cost estimates
Robinson	USPS-T-27	<ul style="list-style-type: none"> ▪ Test Year cost estimates
Taufique	USPS-T-28	<ul style="list-style-type: none"> ▪ Test Year cost estimates

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Witness Hatcher (USPS-T-22) sponsors Library Reference-K-69, QBRM

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cost avoidance and On-Call and Scheduled pick up costs.

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Input to Special Cost Studies Testimony
USPS-T-22

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Wage and premium pay factors in LR-K-50

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Van-Ty-Smith	USPS-T-11	▪ Volume variability factors and deaveraged wage rates in LR-K-55
Bozzo	USPS-T-12	▪ MODS productivities in LR-K-56
Smith	USPS-T-13	▪ Piggyback factors for remote computer read costs in LR-K-52
Abdirahman	USPS-T-21	▪ Letter-related operations specific piggyback factors, volume variabilities and bulk metered mail letter CRA adjustment factor in LR-K-48

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Witnesses Utilizing Output from Special Studies Testimony
USPS-T-22

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	▪ Cost model inputs for business reply mail in USPS-LR-K-69
Robinson	USPS-T-27	▪ TY cost estimates
Taufique	USPS-T-28	▪ TY cost estimates

5

6 Witness Page (USPS T-23) covers two areas in his testimony. He presents
7 estimated test year volume variable costs for categories of Express Mail and
8 stamped envelopes, and he develops Final Adjustments for the rollforward
9 process.

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Witnesses Providing Input for Special Cost Studies Testimony
USPS-T-23

Witness	Witness Number	Data/Information Provided
Shaw	USPS-T-2	▪ Labor cost information
Tayman	USPS-T-6	▪ Wage rates and premium pay factors in USPS-LR-K-50
Thress	USPS-T-7	▪ Volume forecasts in USPS-LR-K-66
Waterbury	USPS-T-10	▪ Roll forward data in USPS-LR-K-7
Van-Ty-Smith	USPS-T-11	▪ Deaveraged wage rates in

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		USPS-LR-K-55
Smith	USPS-T-13	▪ Piggyback factors in USPS-LR-K-52
Kelley	USPS-T-16	▪ Delivery cost information in USPS-LR-K-67
Miller	USPS-T-19	▪ Cost model inputs for flats in USPS-LR-K-43
Miller	USPS-T-20	▪ Cost model inputs for parcels in USPS-LR-K-46
Abdirahman	USPS-T-21	▪ Cost model inputs for letters in USPS-LR-K-48
Hatcher	USPS-T-22	▪ Cost model inputs for business reply mail in USPS-LR-K-69
Wesner	USPS-T-24	▪ Cost model inputs for delivery confirmation, signature confirmation and return receipt in USPS-LR-K-60
Mayes	USPS-T-25	▪ Parcel Post transportation costs for final adjustments
Cutting	USPS-T-26	▪ Weight study data
Taufique	USPS-T-28	▪ Test year volume information
Loetscher	USPS-T-32	▪ USPS-LR-K-87
Meehan	USPS-T-9	▪ Base-year cost segment information
	USPS-LR-K-77	▪ First-Class Mail and Standard Mail billing determinant data

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Witnesses Utilizing Output from Special Cost Studies Testimony
USPS-T-23

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	▪ Final Adjustments
Waterbury	USPS-T-10	▪ Final Adjustments
Kay	USPS-T-18	▪ Final Adjustments
Mayes	USPS-T-25	▪ Final Adjustments
Robinson	USPS-T-27	▪ Test year cost estimates
Taufique	USPS-T-28	▪ Test year cost estimates

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1 Witness Wesner's testimony provides special studies information for three
 2 products: delivery confirmation, signature confirmation and return receipt.

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Input for Delivery Products Testimony
 USPS-T-24

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Productive hourly rates for Carriers in USPS-LR-K-50
Thress	USPS-T-7	<ul style="list-style-type: none"> ▪ Test Year Before Rates volumes
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Base Year costs in USPS-LR-K-4 and USPS-LR-K-5
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Rollforward costs in USPS-LR-K-7
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> ▪ MODS-based costs ▪ Hourly wage rates for window and box-section clerks ▪ Window costs for delivery confirmation All in USPS-LR-K-55
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Piggyback factors in USPS-K-52
		<ul style="list-style-type: none"> ▪ Billing determinants in USPS-LR-K-77

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Witnesses Utilizing Delivery Products Testimony
 USPS-T-24

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Final adjustment data inputs
Robinson	USPS-T-27	<ul style="list-style-type: none"> ▪ Rate information
Taufique	USPS-T-28	<ul style="list-style-type: none"> ▪ Rate information

10

11 Witness Mayes (USPS-T-25) presents the updated calculation of the
 12 transportation and non-transportation components of Standard Mail dropship cost
 13 avoidances, the non-transportation component of Periodicals dropship cost

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1 avoidances, the transportation costs for Parcel Post and for Bound Printed
 2 Matter, and the costs of Bulk Parcel Return Service for the test year 2006.

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 4
 5

Input for Special Cost Studies Testimony
 USPS-T-25

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	<ul style="list-style-type: none"> ▪ Productive hourly wage rates in USPS-LR-K-50
Thress	USPS-T-7	<ul style="list-style-type: none"> ▪ Base year volumes and test year volume forecasts
Meehan	USPS-T-9	<ul style="list-style-type: none"> ▪ Base year transportation costs in USPS-LR-K-5
Waterbury	USPS-T-10	<ul style="list-style-type: none"> ▪ Test year transportation costs
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> ▪ Volume variability factors, premium pay factors and deaveraged wage rates in USPS-LR-K-55
Smith	USPS-T-13	<ul style="list-style-type: none"> ▪ Piggyback factors in USPS-K-52
Miller	USPS-T-20	<ul style="list-style-type: none"> ▪ Media Mail average modeled cost and adjustment factors ▪ Detailed Parcel Post data in USPS-LR-K-47
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Calculated final adjustments to Standard Mail for cost segments 8 & 14
Taufique	USPS-T-28	<ul style="list-style-type: none"> ▪ Volumes associated with Negotiated Service Agreements
Loetscher	USPS-T-32	<ul style="list-style-type: none"> ▪ Mail entry profile of Standard Mail in USPS-LR-K-92
		<ul style="list-style-type: none"> ▪ Billing determinants for Parcel Post and Bound Printed Matter in USPS-LR-K-77

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 8

Witnesses Utilizing Special Cost Studies Testimony
 USPS-T-25

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	<ul style="list-style-type: none"> ▪ Parcel Post transportation costs for final adjustments

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Cutting	USPS-T-26	▪ Non-transportation cost avoidances for Standard Mail dropship activity
Robinson	USPS-T-27	▪ Costs of Bulk Parcel Return Service
Taufique	USPS-T-28	▪ Costs of Bulk Parcel Return Service

1

2 Witness Cutting (USPS-T-26) sponsors several analyses: development of test-
 3 year window service volume variable costs by shape for several mail categories,
 4 development of test year mail processing saturation savings by shape for
 5 Standard Mail ECR, development of test year cost differential between
 6 Periodicals flat-shaped mail prepared on pallets versus in sacks, development of
 7 base and test year mail processing costs for Bound Printed Matter and
 8 development of base year window service costs for Parcel Post.

9
10

Input for Special Cost Studies Testimony
USPS-T-26

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	▪ Productive hourly rates
Meehan	USPS-T-9	▪ Base year CRA costs in USPS-LR-K-5
Waterbury	USPS-T-10	▪ Test Year CRA costs in USPS-LR-K-7
Van-Ty-Smith	USPS-T-11	▪ Base Year volume variable costs IN USPS-LR-K-55
Smith	USPS-T-13	▪ Test year cost and volume factors in USPS-LR-K-52 and 53
Mayes	USPS-T-25	▪ Test year unit cost avoidances in USPS-LR-K-88
Loetscher	USPS-T-32	▪ Base year volumes by shape and drop shipment level in USPS-LR-K-87
		▪ USPS-LR-K-9

11

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13

Witnesses Utilizing Special Cost Studies Testimony
USPS-T-26

Witness	Witness Number	Data/Information Provided

Miller	USPS-T-20	▪ Bound Printed Matter and Parcel Post information
Page	USPS-T-23	▪ Window service and saturation savings information
Robinson	USPS-T-27	▪ Periodicals pallet analysis
Taufique	USPS-T-28	▪ Periodicals pallet analysis

1 Witness Loetscher (USPS-T-32) presents and sponsors three library references:
2 USPS-LR-K-87 which contains estimates of revenue, pieces and weight by
3 shape and indicia for First Class Mail, Standard Mail and Periodicals Mail, USPS-
4 LR-K-91, which contains estimates of the distribution of Periodicals Mail sack
5 sizes, and USPS-LR-K-92, which provides estimates of the Standard Mail Entry
6 Point Profile (MEPP) and Periodicals Mail preparation characteristics that are
7 consistent with FY 2004 volume distributions.

8 Witness Providing Input to Special Cost Studies Testimony
9 USPS-T-32

Witness	Witness Number	Data/Information Provided
Pafford	USPS-T-4	▪ RPW data

10

11 Witnesses Utilizing Output from Special Cost Studies Testimony
12 USPS-T-32

Witness	Witness Number	Data/Information Provided
Smith	USPS-T-13	▪ USPS-LR-K-87
Kelley	USPS-T-16	▪ USPS-LR-K-87
Miller	USPS-T-19	▪ USPS-LR-K-87 ▪ USPS-LR-K-92
Page	USPS-T-23	▪ USPS-LR-K-87
Mayes	USPS-T-25	▪ USPS-LR-K-92
Cutting	USPS-T-26	▪ USPS-LR-K-87
Robinson	USPS-T-27	▪ USPS-LR-K-92
Taufique	USPS-T-28	▪ USPS-LR-K-92

13

14 **XI. Pricing**

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1
 2 Witness Robinson is the rate policy witness in this proceeding. Witness Potter
 3 provides the policy rationale for the Postal Service rate policy, which is an
 4 across-the-board 5.4 percent increase in rates. Minor exceptions occur due to
 5 the imposition of rounding conventions. In two cases statutory requirements of
 6 the Act necessitate changes that deviate substantially from the 5.4 percent
 7 standard.

8

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10

Witnesses Providing Input to Rate Policy Testimony
 USPS-T-27

Witness	Witness Number	Data/Information Provided
Potter	USPS-T-1	▪ Policy rationale
Tayman	USPS-T-6	▪ Revenue requirement
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Test year before- and after-rates information
Kay	USPS-T-18	▪ Incremental costs
Miller	USPS-T-19	▪ Special Cost Studies information
Miller	USPS-T-20	▪ Special Cost Studies information
Abdirahman	USPS-T-21	▪ Special Cost Studies information
Hatcher	USPS-T-22	▪ Special Cost Studies information
Page	USPS-T-23	▪ Special Cost Studies information
Wesner	USPS-T-24	▪ Special Cost Studies information
Mayes	USPS-T-25	▪ Special Cost Studies information
Cutting	USPS-T-26	▪ Special Cost Studies information
Loetscher	USPS-T-32	▪ Special Cost Studies information
Taufique	USPS-T-28	▪ Test year rate and fee revenue estimates

11

12

13

Witnesses Utilizing Rate Policy Testimony

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1

USPS-T-27

Witness	Witness Number	Data/Information Provided
Tayman	USPS-T-6	▪ Revenue and volume
Taufique	USPS-T-28	▪ Test year rate and fee revenue estimates

2 Witness Taufique (USPS-T-28) proposes rates and fees for each subclass and
3 special service that result from the policy directive, described in the testimony of
4 Postal Service witness John Potter (USPS-T-1), to generally increase existing
5 prices on an “across-the-board” basis by 5.4 percent, subject to certain
6 exceptions. Those exceptions are due to rounding conventions as well as the
7 requirements of subparts of § 3622 and § 3626.

8

9

10
11Input to Rate Design Testimony
USPS-T-28

Witness	Witness Number	Data/Information Provided
Potter	USPS-T-1	▪ Policy rationale
Thress	USPS-T-7	▪ Volume forecasts
Kay	USPS-T-18	▪ Incremental costs
Miller	USPS-T-19	▪ Special Cost Studies information
Miller	USPS-T-20	▪ Special Cost Studies information
Abdirahman	USPS-T-21	▪ Special Cost Studies information
Hatcher	USPS-T-22	▪ Special Cost Studies information
Page	USPS-T-23	▪ Special Cost Studies information
Wesner	USPS-T-24	▪ Special Cost Studies information
Mayes	USPS-T-25	▪ Special Cost Studies information
Cutting	USPS-T-26	▪ Special Cost Studies information
Loetscher	USPS-T-32	▪ Special Cost Studies information
Robinson	USPS-T-27	▪ Test year rate and fee revenue estimates
		▪ USPS-LR-K-77, Billing Determinants

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Witnesses Utilizing Rate Design Testimony
USPS-T-28

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	▪ Test year volume information
Mayes	USPS-T-25	▪ Volumes associated with Negotiated Service Agreements
Robinson	USPS-T-27	▪ Test year rate and fee revenue estimates

9
10

11 **Section 4: DESCRIPTION OF CHANGES IN METHODOLOGY SINCE LAST**
12 **RATE CASE BY TESTIMONY NUMBER**

13

14 In terms of the computational process employed, witness Tayman's testimony
15 (USPS-T-6) contains no material methodological differences between the Postal
16 Service revenue requirement and that used for the PRC version of the Revenue
17 Requirement. The differences in the two revenue requirements result from the
18 application of the same costing differences which distinguish the two versions of
19 the rollforward.

20

21 The Postal Service's volume forecasting witnesses, Thress (USPS-T-7) and
22 Bernstein (USPS-T-8), rely on the same basic approach to forecasting as

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1 employed in all recent omnibus rate proceedings, and thus present no material
2 methodological changes in their testimonies. What has changed, of course, are
3 the conditions in the markets in which the Postal Service operates, and the
4 effects of those changes are reflected in the testimonies.

5 Witness Meehan (USPS-T-9) presents the results of a number of material
6 methodological changes in the treatment of costs compared with the Postal Rate
7 Commission Opinion and Recommended Decision in the last omnibus rate case.
8 Her testimony provides a brief overview of these changes. Details relating to
9 each change are provided in the testimony of the appropriate witness in each
10 instance.

11

12 Witness Waterbury's (USPS-T-10) testimony presents no material
13 methodological differences relative to the method used by the Postal Rate
14 Commission for rollforward purposes. The differences between the USPS and
15 PRC versions of the roll forward, rather, relate to differences in inputs, reflecting
16 the differences in base year methodologies.

17

18 Witness Van-Ty-Smith's testimony (USPS-T-11) incorporates several
19 methodological differences. The differences are grouped as follows: 1)
20 Reconfiguration of MODS and non-MODS mail processing cost pools; 2) Mail
21 processing costs, accrued and volume variable; 3) Distribution of mixed mail
22 costs in Allied Operations; 4) Assignment of Special Service costs; and 5)

1 Support cost pools at the Plants. With the exception of difference 1) which is
2 introduced in the USPS version for the first time in this docket, the other
3 differences are long-standing differences that date back to Docket No. R97-1.
4 Witness Bozzo's testimony (USPS-T-12) updates results previously presented in
5 his direct testimony from Docket No. R2000-1, USPS-T-15, and from Docket No.
6 R2001-1, USPS-T-14. The principal features of the updated analysis are the
7 incorporation of a more recent data set from MODS and other sources through
8 FY 2004, and the implementation of econometric methods for manual sorting and
9 cancellation operations to address errors-in-variables/simultaneity issues raised
10 by the Commission in past Opinions and by Prof. Mark Roberts in an OCA-
11 sponsored paper from 2002. There are other minor changes of a computational
12 nature to the Postal Service's Docket No. R2001-1 methodology.

13

14 In the portion of witness Smith's testimony (USPS-T-13) presenting the
15 distribution of base year and test year facility space costs, differences between
16 his methodology and that of the Commission are due to different mail processing
17 labor cost pool definitions, and to having facility categories parallel the mail
18 processing labor cost pools. See USPS-LR-K-54, part I. He also presents
19 differences in piggyback factors due to the differences between USPS and PRC
20 base year and test year versions, See USPS LR-K-52 vs. USPS LR-K-98.
21 Finally, he presents differences in cost by shape due to differences between
22 USPS and PRC base year and test year versions. See USPS LR-K-53 vs.

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1 USPS LR-K-99.

2

3 Witness Bradley (USPS-T-14) presents the econometric basis for a new
4 methodology relating to City carrier Street Time. He proposes changes in both
5 the structure of time pools and in the variabilities.

6

7 Witness Stevens (USPS-T-15) presents the results of the new methodology for
8 City Delivery Carrier Street Time articulated by witness Bradley. Although
9 structurally similar, his work represents a total change in the methodology that
10 creates the cost pools for Cost Segment 7, City Delivery Carrier Street Time.

11 Witness Kelley (USPS-T-16) presents a new approach to develop the current
12 delivery costs by rate category that is considerably different from the one
13 employed by the preceding effort (LR-J-117) which was adopted by the PRC in
14 Docket No 2001-1/PRC-LR-7. The current USPS version relies entirely on the
15 costs produced by IOCS to distribute in-office subclass costs to rate categories
16 for First-Class Mail and Standard Mail. The USPS version uses CCS volumes to
17 distribute city-carrier street time costs and uses RCS volumes to distribute total
18 Rural Carrier costs to rate categories for First-Class Mail and Standard Mail.

19 The PRC version distributes costs to rate category in a different way. It uses
20 RPW to distribute the city-carrier route, access, and coverage related load-time
21 costs and uses a combination of IOCS, RPW, CCS, RCS, and city and rural
22 crosswalks to allocate city-carrier in-office, city-carrier elemental load, city-carrier

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1 street support, and all rural-carrier time to rate categories for First-Class Mail and
2 Standard Mail.

3 New aspects of transportation costing described by witness Nash (USPS-T-17)
4 do not constitute "methodological" changes, because they instead relate to
5 changes in the operating environment or the availability of new operating data.

6

7 Because there is no Commission version of incremental costs, the portion of
8 Rule 53 requiring an identification of material differences does not apply to
9 witness Kay's incremental cost presentation (USPS-T-18).

10 .

11 Witness Miller (USPS-T-19) presents flats mail processing cost models. In the
12 past few dockets, a hybrid cost methodology has been used to estimate flats mail
13 processing unit cost estimates by rate category. A hybrid cost methodology is
14 again relied upon in this docket. There are USPS and PRC Versions of results
15 because of inputs from others.

16

17 With respect to witness Miller (USPS-T-20), in Docket No. R2001-1, a
18 combination of hybrid and cost avoidance cost methodologies was used to
19 develop cost estimates. Those same methodologies are again relied upon in this
20 docket. The specific cost methodology that is used varies by subclass. There are
21 USPS and PRC Versions of results due to inputs from others.

22

1 The methodological differences identified in witness Abdirahman's testimony
2 (USPS-T-21) between his cost model, USPS-LR-K-48, *Test Year Letter/Card*
3 *Processing Cost Models (FCM, Standard Mail, and Nonmachinable Surcharge)*
4 and USPS-LR-K-110 *PRC Version/Test Year Letter/Card Processing Cost*
5 *Models (First-Class, Standard, and Nonmachinable Surcharge)* include volume
6 variabilities, CRA mail processing unit cost estimates, piggybacks factors and
7 premium pay factors. These all reflect the work of other witnesses.

8

9 The methodological changes identified by witness Hatcher (USPS-T-22) between
10 her cost model, USPS-LR-K-69, *Supporting Materials for Cost of Business Reply*
11 *Mail, Miscellaneous Fees, and Pickup Service* and USPS-LR-K-104, *PRC*
12 *Version/Supporting Materials for Cost of Business Reply Mail, Miscellaneous*
13 *Fees, and Pickup Service*, include volume variabilities, piggybacks factors and
14 premium pay factors.

15

16 The methodological changes between witness Page's (USPS-T-23) cost models,
17 USPS-LR-K-59, and the PRC version, USPS-LR-K-111, include the use of Postal
18 Service versus PRC versions of volume variabilities, piggybacks factors, the roll-
19 forward, and city and rural delivery costs.

20

21 The substantive changes between witness Wesner's cost models, found in
22 USPS-LR-K-60, and the PRC version presented in USPS-LR-K-105 include the

1 use in the latter of the following PRC version inputs: cost components derived
2 from the Cost Segment and Component Report (USPS-LR-K-94), roll forward
3 costs (USPS-LR-K-96), piggyback factors (USPS-LR-K-98), and MODS costs
4 (USPS-LR-K-100).

5

6 The methodological differences reported by witness Mayes (USPS-T-25)
7 between the cost models presented in her two library references (USPS-LR-K-
8 88, Dropship Cost Avoidances for Standard Mail and Periodicals, and USPS-LR-
9 K-89, Parcel Post and Bound Printed Matter Transportation Costs, and
10 Development of Costs for Bulk Parcel Return Service) relative to their PRC
11 Version counterparts (USPS-LR-K-112 and USPS-LR-K-113) include the use of
12 different versions of volume variabilities, USPS and PRC versions of the base
13 year and rollforward test year costs, overhead factors, piggyback factors and
14 premium pay factors.

15

16 Witness Cutting (USPS-T-26) reports differences between the cost models
17 presented in his four library references relative to the PRC versions of those four
18 library references. Those library references are:

- 19 • USPS-LR-K-83: *Development of Window Service Costs by Shape*
- 20 • USPS-LR-K-84: *Development of ECR Mail Processing Saturation Savings*
- 21 • USPS-LR-K-85: *Periodicals Pallet Cost Analysis*

- 1 • USPS-LR-K-86: *Bound Printed Matter Mail Processing Costs and Parcel*
2 *Post Window Service Costs*
- 3 • USPS-LR-K-106: *PRC Version of Development of Window Service Costs*
4 *by Shape*
- 5 • USPS-LR-K-107: *PRC Versions of Development of ECR Mail Processing*
6 *Saturation Savings*
- 7 • USPS-LR-K-108: *PRC Version of Periodicals Pallet Cost Analysis*
- 8 • USPS-LR-K-109: *PRC Version of Bound Printed Matter Mail Processing*
9 *Costs and Parcel Post Window Service Costs*

10 The material changes between the USPS versions and the PRC versions include
11 differences in mail processing cost distribution methodologies, differences in
12 window service cost distribution methodologies, and differences in the following
13 inputs: volume variabilities, base year and test year costs, test year reconciliation
14 factors, test year piggyback factors, test year premium pay factors, and test year
15 cost avoidances.

16

17 Witness Robinson (USPS-T-27), in her testimony, presents an across-the-board
18 increase in rates and fees of 5.4 percent. The policy underlying this approach to
19 rate and fee design is described in the testimony of witness Potter (USPS-T-1)
20 and in witness Robinson's testimony. Minor variations to this approach occur
21 due to rounding conventions and statutory requirements. The across-the-board
22 approach proposed in this docket is in contrast to the approach to rate and fee

1 levels usually taken by the Postal Service and the Postal Rate Commission in
2 prior dockets, where different percentage changes in rates and fees are
3 proposed for the various mail subclasses and special services.

4

5 Witness Taufique (USPS-T-28) develops rates and fees using the across-the-
6 board approach. He also makes adjustments as required to accommodate
7 rounding conventions and legal requirements.

8

9 Witness McCrery (USPS-T-29) presents no methodological changes in his
10 testimony.

11

12 Witness Lewis (USPS-T-30) presents no methodological changes in his
13 testimony.

14

15 Witness Bradley (USPS-T-31) discusses two changes in this testimony, based on
16 changes in operating data availability and operating cost incurrence. He
17 presents new variabilities for Amtrak transportation and a new analytical basis for
18 dealing with volume variability under declining block rates.

19

20 Witness Loetscher (USPS-T-32) does not present any methodological change in
21 his testimony.

***ROADMAP TESTIMONY
QUICK REFERENCE GUIDE***

CONTENTS - LIST OF TABLES

Table No. 1:	Test year Volume, Revenue, Cost and Cost Coverage by Class
Table No. 2:	Guide to Important Tables and Schedules
Table No. 3:	Testimony by Testimony Number by Functional Area
Table No. 4:	Testimony by Functional Area by Witness
Table No. 5:	Testimony by Functional Area with Method Change Indication
Table No. 6:	List of Library References

Table No. 1

Test Year Volume, Revenue, Cost and Cost Coverages by Class

	Test Year Before Rates			Test Year After Rates			
	Volume	Revenue	Volume Variable Costs	Volume	Revenue	Volume Variable Costs	Revenue as % of Cost
First-Class Mail -- Letters Subclass	91,399,962	34,506,201	15,828,947	90,421,819	35,901,564	15,621,298	229.8%
First-Class Mail -- Cards Subclass	5,544,356	1,174,226	727,884	5,463,895	1,214,663	718,505	169.1%
Priority Mail	842,705	4,390,595	2,946,894	799,324	4,389,621	2,804,197	156.5%
Express Mail	52,945	830,330	460,594	50,388	833,395	439,794	189.5%
Mailgrams	1,359	578	262	1,359	609	263	232.0%
Periodicals							
In-County	743,285	71,998	65,191	753,578	69,045	66,175	104.3%
Outside County							
Regular-Rate	6,438,348	1,772,611		6,416,651	1,862,177		
Nonprofit	1,831,804	332,754		1,814,995	347,687		
Classroom	65,183	16,927		64,598	17,670		
Total Outside County	8,335,335	2,122,291	2,054,221	8,296,244	2,227,534	2,046,363	108.9%
Standard Mail							
Regular and Nonprofit							
Regular	56,909,968	12,266,201		56,402,833	12,806,168		
Nonprofit	12,355,554	1,666,581		12,289,469	1,747,222		
Total Regular and Nonprofit	69,265,522	13,932,782	9,188,995	68,692,302	14,553,390	9,119,093	159.6%
Enhanced Carrier Route -- ECR and NECR							
Enhanced Carrier Route	33,328,906	5,623,096		32,187,100	5,732,114		
Nonprofit Enhanced Carrier Route	3,147,175	308,823		3,128,857	325,314		
Enhanced Carrier Route -- ECR and NECR	36,476,081	5,931,918	2,560,555	35,315,957	6,057,428	2,481,440	244.1%
Package Services							
Parcel Post	354,061	1,217,871	1,053,306	336,448	1,239,426	1,017,916	121.8%
Bound Printed Matter	598,339	631,499	505,779	605,996	674,652	513,071	131.5%
Media Mail and Library Mail							
Media Mail	192,642	361,267		191,440	378,525		
Library Mail	17,037	31,530		16,908	33,063		
Total Media Mail and Library Mail	209,679	392,797	409,398	208,348	411,587	407,495	101.0%
US Postal Service Mail	666,538			666,538			
Free Mail for the Blind and Handicapped	75,317	-	43,751	75,317		43,829	
Total Domestic Mail	213,823,629	65,203,086	35,845,776	211,687,513	67,572,913	35,279,439	191.5%
International Mail	862,653	1,784,312	1,440,530	847,066	1,839,768	1,416,017	129.9%
Domestic Special and Other Services:							
Registered	3,990	42,109	69,450	3,738	67,126	65,313	102.8%
Certified Mail	282,145	648,934	441,799	278,811	669,146	437,028	153.1%
Insurance	35,903	85,296	69,284	35,366	87,781	68,315	128.5%
Collect on Delivery	1,693	9,985	7,719	1,673	10,402	7,637	136.2%
Money Orders	181,567	233,589	130,464	179,939	240,572	129,506	185.8%
Stamped Cards	90,352	1,807	1,340	89,429	1,789	1,327	134.8%
Stamped Envelopes	400,000	15,770	12,778	400,000	16,488	12,789	128.9%
Box/Caller Service	16,100	832,629	644,908	15,573	850,649	639,965	132.9%
Other		589,017	178,521		611,728	178,819	
Total		2,459,135	1,556,263	1,945,940	2,555,683	1,540,699	165.9%
Total Mail & Services	214,686,282	69,446,533	38,842,569	212,534,579	71,968,364	38,236,154	188.2%
Other Costs (Institutional)			34,395,781			34,400,062	
Other Income		495,938			495,418		
Appropriations		222,837			222,837		
Investment Income		168,759			231,100		
Investment Expense Correction			(24,430)			30	
Total, all items	214,686,282	70,334,067	73,213,920	212,534,579	72,917,719	72,636,246	100.2%
Net Surplus/Loss			(2,879,853)			281,473	

Table No. 2
QUICK REFERENCE GUIDE
to
Important Tables and Schedules

<u>Item</u>	<u>Title</u>	<u>Sponsor</u>	<u>Source</u>	<u>Page</u>
Proposed Rate Schedules	Requested Changes in Rates and Fees	Postal Request	Attachment B	
Proposed Classification Schedules	Proposed Changes to DMCS	Postal Request	Attachment A	
Revenue Requirement	Statements of Revenue and Expense	USPS-T-6, Tayman	USPS 6A-1	
Cost Coverage	Summary of Test Year After Rates Finances	USPS-T-27, Robinson	Exhibit USPS-27B	
Percent Change Rates	Summary of Percent Change in Rates	USPS-T-27, Robinson	Exhibit USPS-27D	
Before and After Volume Forecast	Volume Projections	USPS-T-7, Thress	Attachment A	
BY2004 Cost Segments	Cost Segments and Components	USPS-T-9, Meehan	USPS-T-9	
BY2004 Volume Variable Costs	Cost and Revenue Analysis	USPS-T-9, Meehan	USPS-T-9	
USPS BY Costing Method	Base Year 2004 Cost Calculations	USPS-T-9, Meehan	USPS-T-9	
Rollforward	TY 2006 After Workyear Mix Adj. Before Rates	USPS-T-10, Waterbury	WorkpaperB	D Report
Rollforward	TY 2006 After Workyear Mix Adj. After Rates	USPS-T-10, Waterbury	Workpaper C	D Report
TY 2006 Incremental Costs	Incremental Costs by Subclass	USPS-T-18, Kay	Table 1A	

Table No. 3
QUICK REFERENCE GUIDE
to
Testimony by Testimony No. by Functional Area

<u>Testimony#</u>	<u>Last Name</u>	<u>Functional Area</u>	<u>SubFunctional Area</u>	<u>Specific Functional Area</u>
USPS-T-1	Potter	Policy	Policy	Policy
USPS-T-2	Shaw, Jr.	Data Systems	On-going Data Collection System	In-Office Cost System (IOCS)
USPS-T-3	Hunter III	Data Systems	On-going Data Collection System	Transportation Cost System (TRACS)
USPS-T-4	Pafford	Data Systems	On-going Data Collection System	Revenue, Pieces & Weight (RPW) and ODIS
USPS-T-5	Harahush	Data Systems	On-going Data Collection System	City and Rural Carrier Cost Systems (CCS)
USPS-T-6	Tayman, Jr	Revenue Requirement	Revenue Requirement	Revenue Requirement
USPS-T-7	Thress	Forecasting	Volume Forecasting	Volume Forecasting
USPS-T-8	Bernstein	Forecasting	Volume Forecasting	Volume Forecasting
USPS-T-9	Meehan	Costing	CRA Costing	Base Year Costs
USPS-T-10	Waterbury	Costing	Rollforward Model	Estimates of Future Costs
USPS-T-11	Van-Ty-Smith	Costing	CRA Costing	Base Year Mail Processing Costs by Cost Pools
USPS-T-12	Bozzo	Costing	CRA Costing	Base Year Mail Processing Econometric Study
USPS-T-13	Smith	Costing	CRA Costing	Equipment and Facility Costs, Piggyback Factors, Mail Processing Cost by Shape & Pool
USPS-T-14	Bradley	Costing	CRA Costing	City Carrier Street Time Econometric Study
USPS-T-15	Stevens	Costing	CRA Costing	City Carrier Street Time data collection
USPS-T-16	Kelley	Costing	CRA Costing	City Carrier sample design, delivery costs for First-Class and standard mail, distance-related transportation costs
USPS-T-17	Nash	Costing	CRA Costing	Transportation Costs
USPS-T-18	Kay	Costing	Incremental Costs	FY 2004, BY 2006 BR and AR
USPS-T-19	Miller	Costing	Special Cost Studies	Flats
USPS-T-20	Miller	Costing	Special Cost Studies	Parcels
USPS-T-21	Abdirahman	Costing	Special Cost Studies	Premium forwarding, Letter/Card model, UAA Study, Capital One follow-up, First-Class Mail Characteristics Study, Address Correction
USPS-T-22	Hatcher	Costing	Special Cost Studies	BRM and PERMIT, Pickup service fees, Other cost studies
USPS-T-23	Page	Costing	Special Cost Studies	Final adjustments, Express Mail and Stamped Envelopes
USPS-T-24	Wesner	Costing	Special Cost Studies	Delivery/Signature Confirmation, CONFIRM, Other services
USPS-T-25	Mayes	Costing	Special Cost Studies	Dropship
USPS-T-26	Cutting	Costing	Special Cost Studies	ECR Study, BRM Study, Pallet discount, Standard mail flat/parcel differential
USPS-T-27	Robinson	Pricing	Rate Policy	Rate Policy
USPS-T-28	Taufique	Pricing	Rate Design	Rate Design
USPS-T-29	McCrery	Operations	Operations	Operations
USPS-T-30	Lewis	Operations	Delivery Operations	Delivery Operations
USPS-T-31	Bradley	Costing	CRA Costing	Transportation and Window Service
USPS-T-32	Loetscher	Costing	Special Cost Studies	Special Cost Studies
USPS-T-33	Alenier	Roadmap	Roadmap	Roadmap

Table No. 4
QUICK REFERENCE GUIDE
to
Testimony by Major Function

<u>Functional Area</u>	<u>Testimony#</u>	<u>Witness</u>	<u>Subfunctional Area</u>	<u>Specific Functional Area</u>
Policy	USPS-T-1	Potter	Policy	Policy
Data Systems	USPS-T-2	Shaw, Jr.	On-going Data Collection System	In-Office Cost System (IOCS)
Data Systems	USPS-T-3	Hunter III	On-going Data Collection System	Transportation Cost System (TRACS)
Data Systems	USPS-T-4	Pafford	On-going Data Collection System	Revenue, Pieces & Weight
Data Systems	USPS-T-5	Harahush	On-going Data Collection System	City and Rural Carrier Cost Systems (CCS)
Costing	USPS-T-9	Meehan	CRA Costing	Base Year Costs
Costing	USPS-T-10	Waterbury	Rollforward Model	Estimates of Future Costs
Costing	USPS-T-11	Van-Ty-Smith	CRA Costing	Base Year Mail Processing Costs by Cost Pools
Costing	USPS-T-12	Bozzo	CRA Costing	Mail Processing Econometric Study
Costing	USPS-T-13	Smith	CRA Costing	Equipment and Facility Costs, Piggyback Factors, Mail Processing Cost by Shape & Pool
Costing	USPS-T-14	Bradley	CRA Costing	City Carrier Street Time Econometric Analysis
Costing	USPS-T-15	Stevens	CRA Costing	City Carrier Street Time Data Collection
Costing	USPS-T-16	Kelley	CRA Costing	Carrier Costs and Transportation Distance
Costing	USPS-T-31	Bradley	CRA Costing	Transportation and Window Service
Costing	USPS-T-17	Nash	CRA Costing	Transportation-FedEx, Alaska Air, Amtrak, CNET, Surface Density
Costing	USPS-T-18	Key	Incremental Costs	Incremental Costs; Rural Carrier Analysis
Costing	USPS-T-19	Miller	Special Cost Studies	Flats Cost Studies
Costing	USPS-T-20	Miller	Special Cost Studies	Parcel Cost Studies
Costing	USPS-T-21	Abdirahman	Special Cost Studies	Premium forwarding, Letter/Card model, UAA Study, Capital One follow-up, First-Class Mail Characteristics Study, Address Correction
Costing	USPS-T-22	Hatcher	Special Cost Studies	BRM and PERMIT, Pickup service fees, Other cost studies
Costing	USPS-T-23	Page	Special Cost Studies	Final adjustments, Express Mail and Stamped Envelopes
Costing	USPS-T-24	Wesner	Special Cost Studies	Delivery/Signature Confirmation, CONFIRM, Other services
Costing	USPS-T-25	Mayes	Special Cost Studies	Dropship
Costing	USPS-T-26	Cutting	Special Cost Studies	ECR Study, BRM Study, Pallet discount, Standard mail flat/parcel differential
Costing	USPS-T-32	Loetscher	Special Cost Studies	Special Cost Studies
Forecasting	USPS-T-7	Thress	Volume Forecasting	Volume Forecasting
Forecasting	USPS-T-8	Bernstein	Volume Forecasting	Volume Forecasting
Operations	USPS-T-29	McCreary	Operations	Operations
Operations	USPS-T-30	Lewis	Delivery Operations	Delivery Operations
Pricing	USPS-T-27	Robinson	Rate Policy	Rate Policy
Pricing	USPS-T-28	Taufique	Rate Design	Rate Design
Revenue Requirement	USPS-T-6	Tayman, Jr	Revenue Requirement	Revenue Requirement
Roadmap	USPS-T-33	Alenier	Roadmap	Roadmap

Table No. 5
QUICK REFERENCE GUIDE
to
Methodological Changes

<u>Functional Area</u>	<u>Testimony#</u>	<u>Witness</u>	<u>Subfunctional Area</u>	<u>Methodological Changes</u>
Policy	USPS-T-1	Potter	Policy	Yes
Costing	USPS-T-9	Meehan	CRA Costing	Yes
Costing	USPS-T-10	Waterbury	Rollforward Model	Yes
Costing	USPS-T-11	Van-Ty-Smith	CRA Costing	Yes
Costing	USPS-T-12	Bozzo	CRA Costing	Yes
Costing	USPS-T-13	Smith	CRA Costing	Yes
Costing	USPS-T-14	Bradley	CRA Costing	Yes
Costing	USPS-T-15	Stevens	CRA Costing	Yes
Costing	USPS-T-16	Kelley	CRA Costing	Yes
Costing	USPS-T-31	Bradley	CRA Costing and transportation	No
Costing	USPS-T-17	Nash	CRA Costing	No
Costing	USPS-T-18	Kay	Incremental Costs	No
Costing	USPS-T-19	Miller	Special Cost Studies	Yes
Costing	USPS-T-20	Miller	Special Cost Studies	Yes
Costing	USPS-T-21	Abdirahman	Special Cost Studies	Yes
Costing	USPS-T-22	Hatcher	Special Cost Studies	Yes
Costing	USPS-T-23	Page	Special Cost Studies	Yes
Costing	USPS-T-24	Wesner	Special Cost Studies	Yes
Costing	USPS-T-25	Mayes	Special Cost Studies	Yes
Costing	USPS-T-26	Cutting	Special Cost Studies	Yes
Costing	USPS-T-32	Loetscher	Special Cost Studies	No
Data Systems	USPS-T-2	Shaw, Jr.	On-going Data Collection System	No
Data Systems	USPS-T-3	Hunter III	On-going Data Collection System	No
Data Systems	USPS-T-4	Pafford	On-going Data Collection System	No
Data Systems	USPS-T-5	Harahush	On-going Data Collection System	No
Forecasting	USPS-T-7	Thress	Volume Forecasting	No
Forecasting	USPS-T-8	Bernstein	Volume Forecasting	No
Operations	USPS-T-29	McCrery	Operations	No
Operations	USPS-T-30	Lewis	Delivery Operations	No
Pricing	USPS-T-27	Robinson	Rate Policy	Yes
Pricing	USPS-T-28	Taufique	Rate Design	Yes
Revenue Requirement	USPS-T-6	Tayman, Jr	Revenue Requirement	Yes

**Table No. 6
R2005-1 USPS Library References**

Item	Level	Title	Primary Witness	Testimony #	Functional Area
USPS-LR-K-1	1	Summary Description of USPS Development of Costs by Segments and Components, FY 2004			Costing
USPS-LR-K-2	1	Cost and Revenue Analysis, FY 2004			Costing
USPS-LR-K-3	1	Cost Segments and Components Report, Fiscal Year 2004			Costing
USPS-LR-K-4	2	Base Year 2004 CRA Model, Data Files, and Reports	Meehan	USPS-T-9	Costing
USPS-LR-K-5	2	Witness Meehan's A and B Workpapers and Exhibits A, B, and C (CD-ROM)	Meehan	USPS-T-9	Costing
USPS-LR-K-6	2	Roll Forward Model and Data Files	Waterbury	USPS-T-10	Roll forward
USPS-LR-K-7	2	Roll Forward Workpapers (CD-ROM)	Waterbury	USPS-T-10	Roll forward
USPS-LR-K-8	2	Witness Waterbury's Spreadsheets for Appendices and Exhibits (Diskette)	Waterbury	USPS-T-10	Roll forward
USPS-LR-K-9	1	In-Office Cost System (IOCS) Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-10	1	IOCS-CODES Computer System Documentation and Source Code (w/CD-ROM)			Data Systems
USPS-LR-K-11	1	City Carrier Cost System (CCCS) Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-12	1	Rural Carrier Cost System (RCCS) Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-13	1	CCCS-RCCS CODES Computer System Documentation and Source Code (W/CD-ROM)			Data Systems
USPS-LR-K-14	1	Pieces and Weight (ODIS-RPW) Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-15	1	Jointly Scheduled Tests			Data Systems
USPS-LR-K-16	1	Bulk Mail Revenue, Pieces and Weight System (BRPW) Computer System Documentation			Data Systems
USPS-LR-K-17	1	Bulk Mail Revenue, Pieces and Weight System (BRPW) Statistical System Documentation			Data Systems
USPS-LR-K-18	1	Revenue, Pieces, and Weight Adjustment System (ARPW) Documentation and Source Code			Data Systems
USPS-LR-K-19	1	ODIS/RPW-CODES, Computer System Documentation and Source Code			Data Systems
USPS-LR-K-20	1	Revenue Pieces and Weight (RPW) Summary Report, FY 2004			Data Systems
USPS-LR-K-21	1	Handbook F-65, Data Collection User's Guide for Cost Systems, TL-2, September 2001			Data Systems
USPS-LR-K-22	1	Handbook F-75, Data Collection User's Guide for Revenue, Volume, and Performance Measurement Systems, TL-2, October 2003			Data Systems
USPS-LR-K-23	1	Supplemental Statistical Programs Policies & Data Collection Instructions			Data Systems
USPS-LR-K-24	1	CRA Model <u>Excel/Visual Basic</u> Documentation			Roll forward
USPS-LR-K-25	1	Rollforward Model <u>Excel/Visual Basic</u> Documentation			Roll forward
USPS-LR-K-26	1	PostalOne Computer System Documentation and Source Code			
USPS-LR-K-27	1	TRACS Commercial Air Subsystem Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-28	1	TRACS Passenger Rail (Amtrak) Subsystem Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-29	1	TRACS Network Air Subsystem Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-30	1	TRACS Highway Subsystem Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-31	1	TRACS Freight Rail Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-K-32	1	TRACS-CODES Computer System Documentation and Source Code (w/CD-ROM)			Data Systems
USPS-LR-K-33	2	Density Study Update	Nash	USPS-T-17	Costing
USPS-LR-K-34	2	Plant Load Study Update	Nash	USPS-T-17	Costing
USPS-LR-K-35	2	FedEx Day Turn Variability	Nash	USPS-T-17	Costing
USPS-LR-K-36	2	Calculation of Alaska Air Adjustment	Nash	USPS-T-17	Costing

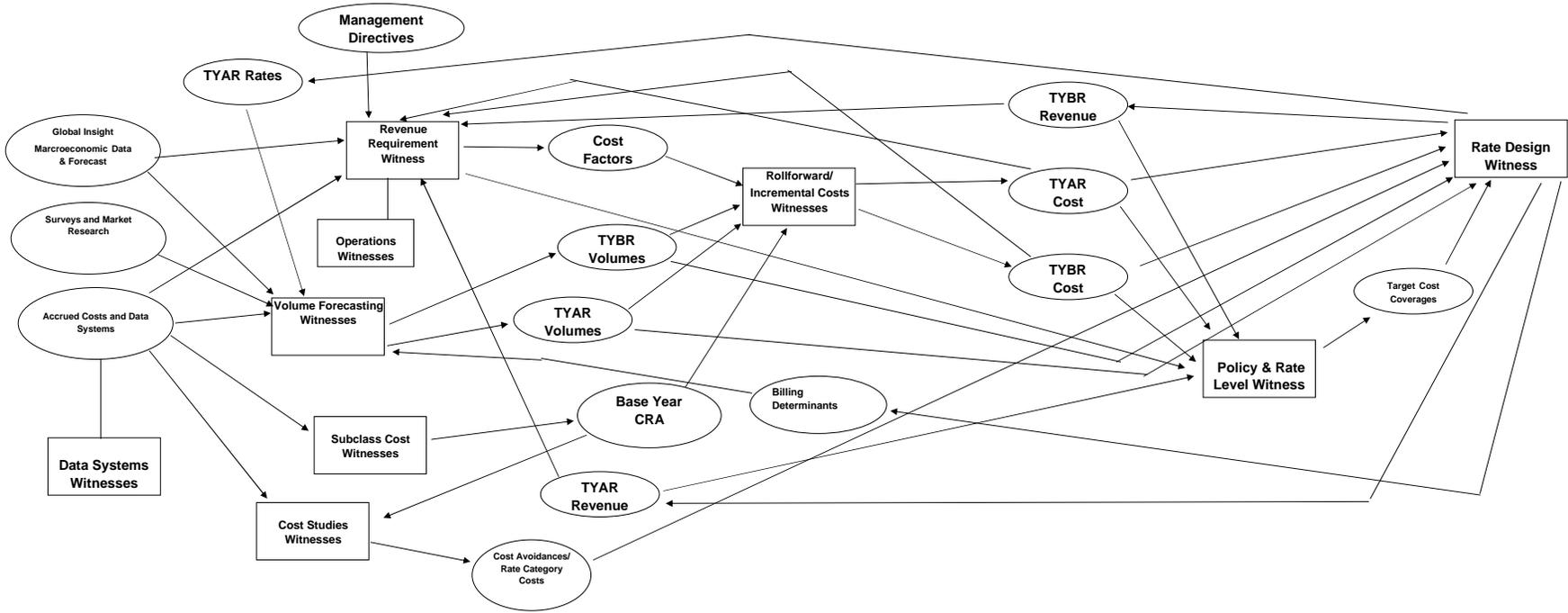
**Table No. 6
R2005-1 USPS Library References**

Item	Level	Title	Primary Witness	Testimony #	Functional Area
USPS-LR-K-37	2	Estimation of Priority Mail Weight and Average Haul by Zone	Nash	USPS-T-17	Costing
USPS-LR-K-38	2	Amtrak Costs Beyond the Base Year	Nash	USPS-T-17	Costing
USPS-LR-K-39	2	Calculation of Distance-related Transportation Costs	Kelley	USPS-T-16	Costing
USPS-LR-K-40	2	Calculation of Alaska Highway Costs	Meehan	USPS-T-9	Costing
USPS-LR-K-41	2	Amtrak Variability Calculation	Bradley	USPS-T-31	Costing
USPS-LR-K-42	3	National Agreements: American Postal Workers Union- AFL- CIO, 2000-2003 (with Extension MOU through November 20, 2005); National Postal Mail Handlers Union, AFL- CIO, 2000-2004 (with Extension MOU through November 20, 2006); National Rural Letter Carriers Association, 2000- 2004 (with Extension documents through November 20, 2006); National Association of Letter Carriers, AFL- CIO, 2001-2006			
USPS-LR-K-43	2	Flats Mail Processing Cost Models (FCM, Periodicals and Miller Standard Mail)		USPS-T-19	Special Cost Studies
USPS-LR-K-44	2	Coverage Factors	Miller	USPS-T-19	Special Cost Studies
USPS-LR-K-45	3	Flats Technology Decision Analysis Reports			
USPS-LR-K-46	2	Parcel Cost Models	Miller	USPS-T-20	Special Cost Studies
USPS-LR-K-47	2	Parcel Post Volume, Cubic Feet and Weight Data	Miller	USPS-T-20	Special Cost Studies
USPS-LR-K-48	2	Test Year Letter/Card Processing Cost Models (First-Class, Standard, and Nonmachineable Surcharge)	Abdirahman	USPS-T-21	Special Cost Studies
USPS-LR-K-49	2	Explanation of Cost Reductions and Other Programs	Tayman/McCreery	USPS-T-6 & USPS-T-29	Revenue Requirement Operations
USPS-LR-K-50	2	Rollforward Expense Factors	Tayman	USPS-T-6	Revenue Requirement
USPS-LR-K-51	2	Workers' Compensation Expense	Tayman	USPS-T-6	Revenue Requirement
USPS-LR-K-52	2	Development of Piggyback and Related Factors	Smith	USPS-T-13	Costing
USPS-LR-K-53	2	Mail Processing Unit Costs by Shape	Smith	USPS-T-13	Costing
USPS-LR-K-54	2	Equipment and Facility Related Costs	Smith	USPS-T-13	Costing
USPS-LR-K-55	2	MODS- Based Costing, Description of Spreadsheets and SAS Programs	Van-Ty-Smith	USPS-T-11	Costing
USPS-LR-K-56	2	Programs and Electronic Input Data for Mail Processing Volume Variability Analysis	Bozzo	USPS-T-12	Costing
USPS-LR-K-57	2	FY 2004 Cost Segments and Components Reconciliation to Financial Statements and Account Reallocations	Meehan	USPS-T-9	Costing
USPS-LR-K-58	2	Estimated Functional Accrued Costs by Subfunctions and Cost Categories	Waterbury	USPS-T-10	Roll forward
USPS-LR-K-59	2	Supporting Materials for Special Service and Express Mail Costs, and Final Adjustments	Page	USPS-T-23	Special Cost Studies
USPS-LR-K-60	2	Supporting Materials for Delivery Confirmation, Signature Confirmation and Return Receipt Costs	Wesner	USPS-T-24	Special Cost Studies
USPS-LR-K-61	1	Fiscal Year/Base Year 2004 CRA Model and Data Files (COBOL)			
USPS-LR-K-62	2	Facility Space Usage Study	Smith	USPS-T-13	Costing
USPS-LR-K-63	2	Data Used in Demand Analysis and Volume Forecasting	Thress	USPS-T-7	Forecasting
USPS-LR-K-64	2	Demand Analysis Econometric Materials	Thress	USPS-T-7	Forecasting
USPS-LR-K-65	2	Demand Analysis Econometric Choice Trail	Thress	USPS-T-7	Forecasting
USPS-LR-K-66	2	Volume Forecasting Materials	Thress	USPS-T-7	Forecasting
USPS-LR-K-67	2	Development of Delivery Costs by Rate Category for First-Class and Standard Mail	Kelley	USPS-T-16	Costing
USPS-LR-K-68	2	Acceptance Rate Study	Abdirahman	USPS-T-21	Special Cost Studies
USPS-LR-K-69	2	Supporting Materials For Cost of Business Reply Mail, Miscellaneous Fees, and Pickup Service	Hatcher	USPS-T-22	Special Cost Studies
USPS-LR-K-70	2	Rural Mail Count Data	Kay	USPS-T-18	Costing
USPS-LR-K-71	2	FY 1996- FY 2000 Rural Mail Count Data	Kay	USPS-T-18	Costing
USPS-LR-K-72	2	Supporting Materials Relating to Incremental Cost Model	Kay	USPS-T-18	Costing
USPS-LR-K-73	3	Domestic Mail Rate History			
USPS-LR-K-74	3	Domestic Mail Revenue and Volume History			
USPS-LR-K-75	3	Special Services Revenue and Volume History			
USPS-LR-K-76	3	Special Services Fee History			
USPS-LR-K-77	1	FY 2004 Billing Determinants			
USPS-LR-K-78	2	City Carrier Street Time Survey - Data Collection	Stevens	USPS-T-15	Costing
USPS-LR-K-79	2	City Carrier Street Time Survey - Time Pool Datasets	Stevens	USPS-T-15	Costing
USPS-LR-K-80	2	City Carrier Street Time Survey - Volume Datasets	Stevens	USPS-T-15	Costing
USPS-LR-K-81	2	Econometric Analysis of City Carrier Street Time	Bradley	USPS-T-14	Costing
USPS-LR-K-82	1	FY04 Quarterly Statistics Reports (ODIS-RPW)			
USPS-LR-K-83	2	Window Service Costs by Shape	Cutting	USPS-T-26	Special Cost Studies
USPS-LR-K-84	2	Development of ECR Mail Processing Saturation Savings	Cutting	USPS-T-26	Special Cost Studies

**Table No. 6
R2005-1 USPS Library References**

Item	Level	Title	Primary Witness	Testimony #	Functional Area
USPS-LR-K-85	2	Periodicals Pallet Cost Analysis	Cutting	USPS-T-26	Special Cost Studies
USPS-LR-K-86	2	Bound Printed Matter Mail Processing Costs and Parcel Post Window Service Costs	Cutting	USPS-T-26	Special Cost Studies
USPS-LR-K-87	2	Revenue, Pieces, and Weight Estimates by Shape, Weight Increment, and Indicia	Loetscher	USPS-T-32	Special Cost Studies
USPS-LR-K-88	2	Dropship Cost Avoidances for Standard Mail and Periodicals	Mayes	USPS-T-25	Special Cost Studies
USPS-LR-K-89	2	Parcel Post and Bound Printed Matter Transportation Costs, and Development of Costs for Bulk Parcel Return Service	Mayes	USPS-T-25	Special Cost Studies
USPS-LR-K-90	2	Description and Program Documentation of Cube-Weight Relationship Estimation	Mayes	USPS-T-25	Special Cost Studies
USPS-LR-K-91	2	Periodicals Mail Sack Size Distribution Study	Loetscher	USPS-T-32	Special Cost Studies
USPS-LR-K-92	2	Standard Mail Mail Entry Point Profile and Periodical Mail Preparation Characteristics	Loetscher	USPS-T-32	Special Cost Studies
USPS-LR-K-93	5	PRC Version Base Year 2004 CRA Model, Data Files, and Reports (CD-ROM)			
USPS-LR-K-94	5	PRC Version/Base Year 2004 CRA Model Reports			
USPS-LR-K-95	5	PRC Version/Roll Forward Model and Data Files			
USPS-LR-K-96	5	PRC Version/Roll Forward Output			
USPS-LR-K-97	5	PRC Version/Rollforward Expense Factors			
USPS-LR-K-98	5	PRC Version/Development of Piggyback and Related Factors			
USPS-LR-K-99	5	PRC Version/Mail Processing Unit Costs by Shape			
USPS-LR-K-100	5	PRC Version/MODS-based Costing, Description of Spreadsheets and SAS programs			
USPS-LR-K-101	5	PRC Version/Development of Delivery Costs by Rate Category for First-Class and Standard Mail			
USPS-LR-K-102	5	PRC Version/Flats Mail Processing Cost Models			
USPS-LR-K-103	5	PRC Version/Parcels Cost Models			
USPS-LR-K-104	5	PRC Version/Supporting Materials For Cost of Business Reply Mail, Miscellaneous Fees, and Pickup Service			
USPS-LR-K-105	5	PRC Version/Delivery Confirmation, Signature Confirmation, and Return Receipt Costs			
USPS-LR-K-106	5	PRC Version/Development of Window Service Costs by Shape			
USPS-LR-K-107	5	PRC Version/Development of ECR Mail Processing Saturation Savings			
USPS-LR-K-108	5	PRC Version/Periodicals Pallet Cost Analysis			
USPS-LR-K-109	5	PRC Version/Bound Printed Matter Mail Processing Costs and Parcel Post Window Service Costs			
USPS-LR-K-110	5	PRC Version/Test Year Letter/Card Processing Cost Models (First-Class, Standard, and Nonmachineable Surcharge)			
USPS-LR-K-111	5	PRC Version/Special Service and Express Mail Costs and Final Adjustments			
USPS-LR-K-112	5	PRC Version/Dropship Cost Avoidances for Standard Mail and Periodicals			
USPS-LR-K-113	5	PRC Version/Parcel Post and Bound Printed Matter Transportation Costs, and Development of Costs for Bulk Parcel Return Service			
USPS-LR-K-114	5	PRC Version/Price Index			
USPS-LR-K-115	2	Rate Design Worksheets	Taufique	USPS-T-28	Pricing
USPS-LR-K-116	2	Amtrak Analysis, Raw Data and Data Creation Files	Bradley	USPS-T-31	Costing

FUNCTIONAL DATA FLOWS



Parse Out of Rate Case Data

INPUTS

Data Collections Results
Data Collection Statistical Pgms Results
TRACS Data Collection Software Results
Cost Systems Data Collection Results
File Containing Collection of Frame Units
CAG A-J Registered Service Data
SIRV/O & SIRV/I International Data
File Containing Collection of Test Data
Trial Balance Data
Address Correction Data
Files from Revenue & Volume Reporting
Supplemental Postal Statements
DRPW Sampling
PERMIT System Extract Summary Data
RPW Adjustment System Data
AIC Sub-Account Revenue Totals
CODES Software Data Results

Data Systems Testimony

Witnesses:

Shaw - In-Office Cost System
Hunter- Transportation Cost System
Pafford - Revenue, Pieces, & Weight/ODIS Systems
Harahush - Carrier Cost Systems

OUTPUTS

IOCS Reports
RPW/ODIS Reports
TRACS Files
City Carrier System Files
Rural Carrier System Files

Parse Out of Rate Case Data

INPUTS

In-Office Cost System Data
Carrier Cost Systems Data
TRACS Data
RPW Extract File
Revenue, Pieces, & Weight and ODIS Reports
Revenue and Expenses by Account
Payroll Data
Maintenance Cost Data
Equipment Deployment Data
Facilities Space Growth Data
CNET Premium Data
Transportation Network Premium Data
Cubic Foot & Cubic Foot Mile Data
MODS Mail Processing Data
Rural Mail Count Data

Base Year Testimony

Witnesses:

Meehan - Base Year CRA Costs
Van-Ty-Smith - BY Mail Processing Costs
Smith - BY Facility, Equipment, Piggyback Costs
Nash - BY Transportation Costs
Bozzo - BY Mail Processing Labor Cost
Bradley - City Carriers, Transportation, Window Service
Stevens - BY City Carrier Costs
Kelley - BY City Carrier Costs and Transportation Distance
Kay - Incremental Costs

OUTPUTS

Base Year CRA Costs
Incremental Costs
Final Adjustments

Parse Out of Rate Case Data

INPUTS

Billing Determinants
Before Rates Fixed Weight Index
After Rates Fixed Weight Index

Data Systems Inputs
Revenue, Pieces & Weight/ODIS Reports

Economic Data - Global Insights

Surveys and Market Research
User Costs
Household Diary Study
Historical Internet Use
Historical Internet Advertising
Internet Service Providers Expenditures
Market Research

VOLUME TESTIMONY

Witnesses:

Thress - Volume Forecast
Bernstein - Volume Forecast

OUTPUTS

Elasticities
Forecast Model
Technological Diversion Estimates

Forecast Volumes
TYBR Volumes
TYAR Volumes

Parse Out of Rate Case Data

INPUTS

TYBR Mail Volume Forecast
TYAR Mail Volume Forecast
Rollforward Model Factors:
 Cost Levels
 NonVolume Workload
 Additional Workday
 Cost Reductions & Other Programs
 Workyear Mix Adjustments
 Final Adjustments
Base Year Costs
Contingency Factor
FedEx & Amtrak Distrib. Keys
Rollforward (only) Distribution Keys
Revenue Requirement Testimony
FedEx, Amtrak, & Alaska Air Cost
Interest on Debt
Capital, Space, & Rental Value Inputs

Roll Forward Testimony

Witnesses:

Waterbury - Rollforward

OUTPUTS

Rollforward Model Workpapers, Reports, & Files for:
 Test Year Before Rates Costs
 Test Year After Rates Costs
 Intermediate Years Costs

Parse Out of Rate Case Data

INPUTS

Management Directives
Contingency Assumption
Annual Change Assumption for Health Premiums
National Unions Agreements Provisions
Non-Volume Workload Assumptions
Capital Assumptions
Workyear Assumptions
Workers' Compensation Assumptions
Productivity Assumptions
Cost Reductions & Other Pgms Assumptions
Before Rates Roll Forward Costs
After Rates Roll Forward Costs
Before Rates Volume and Revenue Forecasts
After Rates Volume and Revenue Forecasts
Global Insight Data and Forecasts
Recovery of Prior Years' Losses Calculation
Current & Historical Financial and Operating Results
Final Adjustments

Revenue Requirement Testimony

Witnesses:

Tayman - Revenue Requirement

OUTPUTS

Revenue Requirement Amount - "Deficiency"
Cost Factors:
cost level
volume related workload
nonvolume related workload
additional workday effect
cost reduction programs
other programs
workyear mix adjustments
final adjustments

Parse Out of Rate Case Data

INPUTS

Operations Studies & Data
CRA Cost Models Results
Mail Characteristics Studies
Cost Surveys Results
Mail Volume and Revenue History
Mail Flow Density Studies
Roll Forward Costs & Expense Factors
Piggyback and Related Factors
Cost Reductions & Other Pgms Implementation Plans
Cost and Volume by Shape Studies
Volume Variability Analysis
Billing Determinants
Previous Cost Studies
Final Adjustments
RPW and Related Reports
Base Year Costs
MODS Based Costs
Wage Rates Data
Transportation Costs Data
IOCS Data
CCS Data
Labor and Activity Time Studies and Research
Volume Forecast

Special Cost Studies Testimony

Witnesses:

Miller - Flats and Parcels Cost Studies
Abdirahman - Forwarding, UAA, and other Cost Studies
Hatcher - BRM and Permit, Other Cost Studies
Page - Final Adjustments and other Cost Studies
Wesner - Special Services Cost Studies
Mayes - Destination Entry Cost Studies
Cutting - ECR, BRM, Pallet Discount, Other Cost Studies
Loetscher-Periodicals and Shape Cost Studies

OUTPUTS

Final Adjustments to Roll Forward
Incremental Costs Support & Refinement Data
Transportation Cost Support & Refinement Data
Costs Estimates Supporting Specific Elements of Rate Design
Mail Processing Cost Support & Refinement Data
Carrier Cost Support & Refinement Data
Cost Avoidance and Cost Savings Models

Parse Out of Rate Case Data

INPUTS

- Roll Forward TYBR Volume Variable Costs
- Roll Forward TYAR Volume Variable Costs
- Revenue Requirement
- Incremental Costs
- TYBR Volume Forecast
- TYAR Volume Forecast
- Billing Determinants
- Cost Coverage Target Requirements
- RPW Reports
- Special Cost Studies
- Contingency Factor
- Transportation Costs
- Other Data as Needed:
 - Mail Operations Data
 - Results from Special Surveys and Mkt Research
 - Additional Ounce Study
 - Fee Assumptions
 - Special Weight Studies
 - Piggyback Factors
 - Volume Shares by Mail Characteristics
 - Facility Space Related Costs
 - Economic Data from Global Insights

Pricing Testimony

Witnesses:

- Robinson - Rate Policy and Rate Level
- Taufique - Rate Design

OUTPUTS

- Rate Levels
 - Proposed Cost Coverages by Mail Class
- Rate Design
 - Proposed Mail Class Rates
 - Before & After Rates Revenue Forecasts by Class
 - Billing Determinants
 - Proposed Fees
 - Proposed Classifications
 - Proposed Cost Coverages by Mail Class