OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:)
)
PARCEL RETURN SERVICE) Docket No. MC2006-1

VOLUME #2
MATERIAL INCORPORATED
INTO THE RECORD

Date: January 17, 2006

Place: Washington, D.C.

Pages: 10 through 243

HERITAGE REPORTING CORPORATION
Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Parcel Return Service | Docket No. MC2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION

Party	Interrogatories
United States Postal Service	
Sharon Daniel (USPS-T-1)	
Office of the Consumer Advocate	OCA/USPS-T1-1-9 OCA/USPS-T2-14 redirected to T1
Postal Rate Commission	PRC/USPS-POIR No.1 - Q4 redirected to T1
United States Postal Service	Direct Testimony of USPS Witness Sharon Daniel USPS-T-1
Samuel J. Koroma (USPS-T-3)	
Office of the Consumer Advocate	OCA/USPS-T3-1-11
Postal Rate Commission	PRC/USPS-POIR No.1 - Q3 redirected to T3
United States Postal Service	Direct Testimony of USPS Witness Samuel J. Koroma USPS-T-3
Michael W. Miller (USPS-T-2)	
Office of the Consumer Advocate	OCA/USPS-T2-1-12, 16-18
Postal Rate Commission	PRC/USPS-POIR No.1 - Q1-2, 5-6 redirected to T2
United States Postal Service	Direct Testimony of USPS Witness Michael W. Miller USPS-T-2

Party	Interrogatories
Institutional	
Office of the Consumer Advocate	OCA/USPS-1-10 OCA/USPS-T2-13, 15 redirected to USPS
Postal Rate Commission	PRC/USPS-POIR No.1 - Q7

Respectfully submitted,

Steven W. Williams
Secretary

INTERROGATORY RESPONSES
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory	Designating Parties
United States Postal Service	
Sharon Daniel (USPS-T-1)	
OCA/USPS-T1-1	OCA
OCA/USPS-T1-2	OCA
OCA/USPS-T1-3	OCA
OCA/USPS-T1-4	OCA
OCA/USPS-T1-5	OCA
OCA/USPS-T1-6	OCA
OCA/USPS-T1-7	OCA
OCA/USPS-T1-8	OCA
OCA/USPS-T1-9	OCA
OCA/USPS-T2-14 redirected to T1	OCA
PRC/USPS-POIR No.1 - Q4 redirected to T1	PRC
Direct Testimony of USPS Witness Sharon Daniel USPS-T-1	USPS
Samuel J. Koroma (USPS-T-3)	
OCA/USPS-T3-1	OCA
OCA/USPS-T3-2	OCA
OCA/USPS-T3-3	OCA
OCA/USPS-T3-4	OCA
OCA/USPS-T3-5	OCA
OCA/USPS-T3-6	OCA
OCA/USPS-T3-7	OCA
OCA/USPS-T3-8	OCA
OCA/USPS-T3-9	OCA
OCA/USPS-T3-10	OCA
OCA/USPS-T3-11	OCA
PRC/USPS-POIR No.1 - Q3 redirected to T3	PRC
Direct Testimony of USPS Witness Samuel J. Koroma USPS-T-3	USPS

Interrogatory	Designating Parties
Michael W. Miller (USPS-T-2)	
OCA/USPS-T2-1	OCA
OCA/USPS-T2-2	OCA
OCA/USPS-T2-3	OCA
OCA/USPS-T2-4	OCA
OCA/USPS-T2-5	OCA
OCA/USPS-T2-6	OCA
OCA/USPS-T2-7	OCA
OCA/USPS-T2-8	OCA
OCA/USPS-T2-9	OCA
OCA/USPS-T2-10	OCA
OCA/USPS-T2-11	OCA
OCA/USPS-T2-12	OCA
OCA/USPS-T2-16	OCA
OCA/USPS-T2-17	OCA
OCA/USPS-T2-18	OCA
PRC/USPS-POIR No.1 - Q1 redirected to T2	PRC
PRC/USPS-POIR No.1 - Q2 redirected to T2	PRC
PRC/USPS-POIR No.1 - Q5 redirected to T2	PRC
PRC/USPS-POIR No.1 - Q6 redirected to T2	PRC
Direct Testimony of USPS Witness Michael W. Miller USPS-T-2	USPS
Institutional	
OCA/USPS-1	OCA
OCA/USPS-2	OCA
OCA/USPS-3	OCA
OCA/USPS-4	OCA
OCA/USPS-5	OCA
OCA/USPS-6	OCA
OCA/USPS-7	OCA
OCA/USPS-8	OCA
OCA/USPS-9	OCA
OCA/USPS-10	OCA
OCA/USPS-T2-13 redirected to USPS	OCA
OCA/USPS-T2-15 redirected to USPS	OCA
PRC/USPS-POIR No.1 - Q7	PRC

United States Postal Service

Sharon Daniel
(USPS-T-1)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-1. On page 2 of your testimony, you state, "Based on my understanding of the market, I expect significant growth to continue in FY 2006." Please fully explain what your understanding of the "market" is. In your response to this interrogatory, include cites to all source documents, provide copies of all source documents not previously filed in this docket and show the derivation of all calculated values.

RESPONSE:

As Manager, Ground Products, I stay abreast of industry trends by speaking with and attending conferences of associations/consultants, providers, and end users; and reviewing websites and articles.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-2. The following refers to your testimony at page 3, footnote 1. Please confirm that your reference to Docket No. MC2003-1 should be MC2003-2. If you are unable to confirm, please explain fully.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-3. On page 4 of your testimony, you indicate that the USPS "assign[ed] each participant a unique Zip Code beginning with the prefix 569."

a. For each of the two third-party participants currently using Parcel Return Service (PRS), is one and only one suffix assigned to a given third-party? For example, Third-party A is assigned a ZIP Code 56901; Third-Party B is assigned Zip Code 56902.

b. If you are unable to confirm part a of this interrogatory, please provide specific details on the use and assignment of the 569 prefix.

RESPONSE:

a. No.

b. A company can request two unique ZIP Codes in order to better manage product flow. For example, Third-party A can be assigned 56901 for packages that it wants to be trapped at an RDU and 56915 for packages that it wants to flow to the RBMC. No other third party will be assigned these ZIP Codes. No more than one unique ZIP Code will be assigned to an agent for returns picked up at an RDU.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-4. Please refer to page 5 of your testimony. You state, "This shortcoming of the original label was remedied by removing the city and state and replacing it with a generic address block that simply states the agent's or merchant's name ...." At page 3 of your testimony, you indicate that there are only two third-party agents currently participating in the experiment.

a. Currently, are all PRS packages being sent back to the third-party agent who originally placed the parcel into the USPS mail stream?

b. If you are unable to confirm part a of this interrogatory, please specifically identify who is the recipient of a returned USPS PRS package and under what circumstances that recipient is (1) the merchant or (2) the third-party agent.

RESPONSE:

a. No.

b. The returned PRS packages are picked up by a third-party agent's logistics provider and transported to the agent's processing facility. The agent separates the packages by merchant and is responsible for appropriate disposition. Returned PRS packages do not have to be "originally placed into the USPS mail stream." Merchants can choose a different returns agent from the mail service provider that tenders their packages to the Postal Service for delivery. Packages delivered by a private carrier can also be returned using PRS.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-5. Please refer to page 7 of your testimony, lines 8 through 13.

a. Please specifically identify how you arrive at your estimate of 12.8 million PRS pieces. Include in your response cites to all source documents, provide copies of all source documents not previously filed in this docket and show the derivation of all calculated values.

b. Please specifically identify how you arrived at your estimate of 3.2 million RDU pieces. Include in your response cites to all source documents, provide copies of all source documents not previously filed in this docket and show the derivation of all calculated values.

RESPONSE:

a. I projected a 4.0 million increase based on a general understanding of the market. This growth is consistent with the growth experienced between FY04 and FY05.

b. I estimated 25% of 12.8 million packages, or 3.2 million pieces, will be picked up from RDUs in FY2006. With active RDUs in 61 districts, about 13% of PRS is picked up at the RDU. This percentage is expected to increase, because existing agents plan to increase the number of RDU pickup points in calendar year 2006 and expand into all eligible districts.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-6. The experimental Parcel Return Service allowed packages to be entered into the mail stream by "giv[ing] it to their carrier, plac[ing] it in a collection box, schedul[ing] a pickup or bringing it into any post office." (Docket No. MC2003-2, USPS-T1 at 11.)

a. For FY 2005, please provide the total volume of PRS parcels entered into the mail stream via: (1) a carrier, (2) a collection box, (3) a pickup, and (4) a post office.

b. Please provide the forecasted FY 2006 volumes of PRS parcels entered into the mailstream via (1) a carrier, (2) a collection box, (3) a pickup, and (4) a post office. Include in your response cites to all source documents, provide copies of all source documents not previously filed in this docket and show the derivation of all calculated values.

RESPONSE:

a.-b. These data are not available.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-7. On page 7 of your testimony, you forecast 12.8 million Parcel Select Parcel Returns for FY 2006. One-quarter, or 3.2 million pieces, are forecast to be RDU returns. In light of the Postal Rate Commission's recent R2005-1, Opinion and Recommended Decision, please specifically identify what, if any, changes should be made to your volume forecast. If the Commission's recent Decision has no impact upon your volume forecast, please so state and provide and explanation.

RESPONSE:

The Commission's recent Decision has no impact upon my volume forecast. As witness Koroma responds in OCA/USPS-T3-6, the R2005-1 forecast reflected a "simplifying assumption." Please see Section III of my testimony for a detailed explanation of my Fiscal Year 2006 volume projection.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-8. *You indicate in your testimony on page 8, footnote 9, that insurance* is not offered for return service because the Postal Service does not have custody of the returned mail for the entire trip back to the merchant.

a. You state that some customers "may also seek insurance." Have there been any requests or inquiries for insurance from the current participants or merchants using the service? Please discuss.
b. Have consumers requested that insurance be added to the available special services?
c. If damage occurs to returned parcels while in the custody of the Postal Service, which party is responsible or must absorb the loss – the consumer, the participants, the merchant, or the Postal Service? Please explain.

RESPONSE:

a. My understanding is that most merchants are self-insured and I am not aware of any merchants wishing to use postal insurance. One current participant has inquired about exploring the option of USPS offering postal insurance to consumers, but the USPS has not pursued this option.

b. Yes, some unknown number of consumers have requested that insurance be added to the available special services and, in response, some merchants include the cost of insurance in the return handling fee and explain this in the instructions.

c. Responsibility would have to be sorted out between the consumer, participant and merchant, based on the policy of the merchant and participant. The Postal Service does not assume responsibility for the loss, but can work with mailers to identify systemic loss issues.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-9. In the Postal Rate Commissions' Docket No. R2005-1 Opinion and Recommended Decision, Appendix G, page 17, shows PRS Test Year revenue of $11,219, 443. Please provide the RDU and RBMC volumes associated with the Commission's projected PRS Test Year revenue. Include citations to the Commission's workpapers.

RESPONSE:

I could not find this figure in the Commission's workpapers, but I did find it in USPS-LR-K-115, "USPST28BSpreadsheets.xls" on the tab named "PP-14 Adjusted TYAR Revenue" in row [s]. This revenue figure was derived from volumes found on the tab named "PP-12 TYAR Volumes." The associated volume is 0 RDU and 3,604,796 RBMC.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS MILLER

OCA/USPS-T2-14. The following refers to return PRS parcels.

a. At the PRS pick-up locations, is the original Third-Party vendor who entered the package into the USPS mail stream the one who retrieves the returned PRS parcel?

b. At the PRS pick-up locations, is it the originating merchant, who originally shipped the PRC (sic) parcel through a third-party, the one who retrieves the returned parcel?

c. If both originating merchants and third-party vendors retrieve returned PRS parcels, please identify the percent of the total each picks up and the rationale for when and who picks up PRS parcels.

RESPONSE:

a. No. Please see response to OCA/USPS-T1-4.

b. No originating merchants are participating directly in the program. All use third-party vendors.

c. N/A

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

4. Please refer to the response to OCA/USPS-T1-8c. The question asked which party is responsible when damage occurs to a returned parcel while in the custody of the Postal Service, to which witness Daniel responded, "The Postal Service does not assume responsibility for the loss, but can work with mailers to identify systemic loss issues."
   (a) If the USPS is not responsible for the loss/damage, which party typically is responsible for it?
   (b) What percentage of returned parcels was lost or damaged while in the custody of the USPS during the experiment?
   (c) What work has been done with mailers to identify systemic loss issues?

RESPONSE:

a) A merchant and its agent determine responsibility between themselves in particular instances.

b) Since the parcels do not carry postal insurance, the Postal Service has no data on loss or damage.

c) There have been no systemic loss issues. In the event such a situation developed, the same procedures applicable to loss of any type of mail would be engaged, with the involvement of Postal Inspectors as appropriate.

USPS-T-1

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

PARCEL RETURN SERVICE

Docket No. MC2006-1

DIRECT TESTIMONY
OF
SHARON DANIEL
ON BEHALF OF
THE UNITED STATES POSTAL SERVICE

TABLE OF CONTENTS

AUTOBIOGRAPICAL SKETCH

My name is Sharon Daniel. I am the Manager, Ground Products, Package Services in Product Development, Marketing. I have worked at Postal Service Headquarters since 1995. Prior to joining the Postal Service, I was a consultant with Price Waterhouse (now IBM) and worked in the Center for Postal Consulting. While at Price Waterhouse, I supported many of the Postal Service witnesses in Docket No. MC95-1. After joining the Postal Service as an Economist and later as an Operations Research Analyst, I provided testimony in Docket No. MC96-2 on Standard Mail (A) Nonprofit letter mail processing costs. In Docket No. R97-1, I testified regarding various Standard Mail (A) letter and Standard Mail (B) Parcel Post mail processing costs (USPS-T-29). I also provided supplemental testimony (USPS-ST-43) in Docket No. R97-1 on the additional mail processing and delivery cost of nonstandard First-Class Mail pieces. In Docket No. R2000-1, I testified to the impact of weight on costs, delivery costs by rate category, mail processing costs for ECR, and roll forward final adjustments (USPS-T-28).

In July, 2000 I transferred to Atlanta, Georgia where I became the Finance Manager for the Expedited/Package Services strategic business unit. In January 2002, I returned to Washington, DC after a management realignment and became the Manager, Product Development in Package Services where I oversaw the development of a number of initiatives, including Parcel Return Service. I have spent considerable time observing mail processing in Processing and Distribution Centers (P&DCs), Bulk Mail Centers (BMCs), and carrier

stations. I have also consulted extensively on various operational and cost matters with postal headquarters and field personnel. I earned a Bachelor of Science Degree in Mathematics and a Master of Science Degree in Operations Research from the College of William and Mary in 1991 and 1992, respectively.

I. Purpose of Testimony

The purpose of this testimony is to provide information supporting the establishment of Parcel Select Return Bulk Mail Center (RBMC) and Return Delivery Unit (RDU) services as permanent rate classifications. I will discuss what the Postal Service has learned from the Parcel Return Service (PRS) experiment during the past two years, estimate FY2006 volumes by service type, and summarize the request for permanent PRS classifications. There are no workpapers or library references associated with this testimony. Witness Miller (USPS-T-2) and Witness Koroma (USPS-T-3) generally rely on my testimony regarding the product description and policy, as well as the volume projections developed in Section III.

Section II of this testimony addresses the findings from the PRS experiment. The experiment has met Postal Service expectations and validated assumptions about how the service would work. We found that the operational concept is sound and verified that the procedures for handling returned parcels function well. We made minor modifications that improved the product flow and made the service easier to use. Volume growth confirms market interest and indicates that Parcel Return Service can be a valuable addition to our product line.

Section III of this testimony addresses market factors that support the volume projection for Fiscal Year (FY) 2006. The volume for PRS has grown over the course of the experiment. As expected, there is some seasonality to the volume, but the total volume in year two of the experiment is nearly twice that of

year one. Based on my understanding of the market, I expect significant growth to continue in FY2006.

Section IV provides a synopsis of the Postal Service's proposal for a permanent classification. Based on the findings over the course of the experiment, the Postal Service proposes that the Parcel Select Return Service—Return Delivery Unit (RDU) Rate Category and the Parcel Select Return Service—Return Bulk Mail Center (RBMC) Rate Category become permanent classifications, and that Certificate of Mailing service be made available for purchase with this service. Because no participant has chosen to use the Bound Printed Matter Parcel Return Service, the Postal Service is not seeking a permanent classification for this category.

II. FINDINGS FROM THE EXPERIMENT

A. The Market Has Embraced the Service

The catalog and online retail market is searching for quick, easy, convenient, no-postage-required options for when their customers need to return merchandise. It is in the interest of merchants to improve the overall return process in order to encourage sales, and PRS provides a mechanism for that improvement. All of the merchants currently using this product do so through a third party, either a consolidator or returns management company. These third parties are providing value-added services including: generating email messages on behalf of the merchants as a device for building customer loyalty; the redirection of returns to locations selected by the merchants; and providing

information that helps the merchant manage inventories. They can also help smooth the otherwise unpredictable volume flow to the merchant, and better use their transportation capacities, since they may be dropping off outgoing packages at the PRS pickup facilities. The two current participants in the experiment represent scores of merchants and have handled over 13 million PRS returns for their clients. The Postal Service, by virtue of its extensive network, is well-positioned for a role in this returns process.

The experiment allowed for up to 30 participants in the second year to account for the possibility that merchants might want to use the service directly and not through a third party. None chose to do so; instead, the many participating merchants are using one of the two current third-party participants. The small number of participants in no way contradicts the market's embrace of this product.[1] These companies are continually seeking new clients, and are having success in so doing. There is also the possibility that additional third-parties will become PRS participants.[2]

Although the Postal Service expected RDU adoption to be slower than RBMC adoption, it ultimately had to wait until the spring of 2004 to enable RDU, consistent with the agents' readiness to use the service.[3] Both PRS participants

[1] Actual RBMC volume in FY05 of 8.6 million was 84 percent of the volume estimated before the experiment began. Docket No. MC2003-1, USPS-T-3 (10.2 million).
[2] Mergers and acquisitions in the consolidator industry also limited the number of actual and potential third-party users.
[3] As a result, RDU volumes have been below what was originally projected. RDU usage is expected to be entirely through third parties.

were using the RDU option by November 2004. The service is expanding to more delivery units as locations are identified that meet agents' expansion efforts. As these efforts continue, volume is expected to grow closer to the amount originally forecast and even exceed it.

The experimental classification for Bound Printed Matter (BPM) Parcel Return Service has not been used. Therefore it is not included in the proposal for a permanent classification.

B. The Service is Operationally Feasible

As reported in the interim reports filed with the Postal Rate Commission, the process flows that evolved during the experiment generally match those outlined in the filing for the experimental service.[4] Label modifications have improved operations and made the service easier to use for the merchants. The original plan called for assigning 21 unique, geographic-specific ZIP Codes for each BMC service area for the program. However, the Postal Service decided that it was more efficient to assign each participant a unique ZIP Code beginning with the prefix 569. Each BMC added the unique ZIP Codes to its sort plans. In many cases, the volume justified a unique runout, as described in witness Miller's testimony (USPS-T-3).

The original PRS label included the city and state of the BMC's physical address and the participant's unique 569 ZIP Code. Early in the experiment, it became apparent that this label could cause confusion: Employees noticed that

[4] See witness Miller's testimony (USPS-T-3) for a more detailed description of differences.

the first three digits in the ZIP Code did not match the location of the BMC, and occasionally modified the label to correct the perceived problem. This shortcoming of the original label was remedied by removing the city and state and replacing it with a generic address block that simply states the agent's or merchant's name, the words "Parcel Return Services" on one line and the words "Bulk Mail Center" on the next line along with the appropriate 569 ZIP Code for the participant. This had the added advantage of routing the return to the BMC serving the area where the parcel was entered. Occasionally, especially near BMC service area boundaries, a parcel may be entered in the service area of a BMC other than the one that would have been identified on the label.

A similar situation occurred with the original RDU label. The label included a specific facility address (including the street address, city and state) near the consumer's address. Later, the Postal Service and a participant tested a generic label that did not include the specific facility address, instead simply stating the merchant's or agent's name, "Parcel Return Services" on one line and the words "Return Delivery Unit" on the next line along with the agent's unique 569 ZIP Code. This generic label proved to be easier for merchants to reproduce and just as likely to be identified and captured at an RDU. Any post office that has been activated as an RDU can now trap and scan PRS pieces regardless of whether that delivery unit is the one that serves the consumer (and would have been listed on the label). Moreover, by removing the specific RDU address, we removed the possibility that a parcel not trapped at an RDU would somehow find its way back to the delivery unit, or "backflow" from the BMC. Instead, the parcel

will be trapped at the BMC and will be charged the RBMC rate. In summary, the labeling was greatly simplified by removing specific street addresses, and adding a generic address block that streamlines processing. This label allows more readily for pieces to be handled efficiently regardless of where the consumer enters the return into the mailstream.

Another label modification involved merging the RBMC and RDU labels into one PRS label by removing the need to designate the different services either in text or service type codes in the barcode. To participate in the service at a specific delivery unit, participants send a form (PS Form 3801 - Standing Delivery Order) to the delivery unit authorizing the unit to release the mail to a specified agent. If a delivery unit does not have a Standard Delivery Order for a given participant, the piece simply flows through the delivery unit and on to the BMC where it is trapped and picked up by the agent. The generic label also allows for the PRS piece to flow to the BMC in the event the piece is entered in a location that bypasses the delivery unit (and hence cannot be trapped there.)

The overall impact of the label modification was positive: PRS parcels not captured at RDUs are captured at the BMC; RDU parcels cannot backflow to the post office; and new RDUs can be activated without causing the merchants to change the label type that they provide to their customers.

III. VOLUME PROJECTION IN FISCAL YEAR 2006

A number of factors indicate that the number of returns, regardless of the parcel carrier used, is continuing to grow. In 2003, an estimated 34 million

households shopped online. This number is projected to grow to 63 million by 2008.[5] Revenue from online sales grew 24 percent in 2004 and is expected to grow by a similar percentage in 2005 (excluding travel sales).[6] As online and catalog sales grow, so does the number of returns. For example, the return rate for online apparel purchases is approximately 35 percent, compared to only a 6 percent return rate of retail apparel purchases.[7] With respect to PRS, in FY2004, 4.4 million parcels generated $13.3 million in revenue for the Postal Service. In FY2005, PRS volume was 8.8 million parcels, and generated $25 million.[8] Based on the expectations of the current participants, and the possible addition of new agents in the future, I project significant growth for PRS in Test Year 2006. Specifically, I estimate 12.8 million Parcel Select Parcel Return Service pieces. Of this, I project one-quarter, or 3.2 million pieces, will claim the RDU rate. The remaining 9.6 million will claim the RBMC rate.

[5] The State of Retailing On-Line 8.0: A Shop.org Study Conducted by Forrester Research. (www.shop.org).
[6] The State of Retailing On-Line 8.0: A Shop.org Study Conducted by Forrester Research. (www.shop.org).
[7] Going Backwards: Reverse Logistics Trends and Practices. Rogers, Dale S., Tibben-Limbke, Ronald S., Forester Research.
[8] Volume information was not reported in the bi-annual, interim reports submitted to the Postal Rate Commission because there were fewer than three participants. However, the two participants have agreed to allow the reporting of overall volumes in this proceeding in order to support the request to make Parcel Return Service a permanent classification.

IV. SUMMARY OF THE REQUEST THAT THE SERVICE CONTINUE

Through the PRS experiment, we have verified that the procedures for handling returned parcels function well, or have been modified to make them work better. We have also gained insight into the cost models used to establish the original pricing for the service. Customer participation confirms market interest in the service. Based on this knowledge, we would like the service to continue. Specifically, both the Bulk Mail Center and the Delivery Unit options of Parcel Select Parcel Return Service have garnered significant customer interest.

During the experiment, consumers were unable to purchase extra services for their returns, though I understand that, at times, some consumers wish to purchase a service that indicates that they have indeed mailed the return. To provide for these customers, I propose that Certificates of Mailing service be made available to consumers.[9]

Witness Koroma (USPS-T-3) provides the specific classification changes that the Postal Service is requesting.

[9] Some consumers may also seek insurance, but, since the Postal Service does not maintain custody of the parcel returns for the entire trip back to the merchant, we do not propose to offer insurance. Also, the label includes a barcode and human-readable code that can provide delivery information on usps.com, which makes offering Delivery Confirmation superfluous.

POSTAL RATE COMMISSION
DOCKET NO. MC2006-1
PARCEL RETURN SERVICE

I, Sharon Daniel, hereby declare under penalty of perjury that:

The *Direct Testimony of Sharon Daniel on Behalf of the United States Postal Service*, denominated USPS-T-1, was prepared by me or under my direction;

Were I to give this testimony orally before the Commission, it would be the same;

The interrogatory responses filed under my name, and designated for inclusion in the record of this docket, were prepared by me or under my direction; and

Were I to respond orally to the questions appearing in the interrogatories, my answers would be the same.

Sharon Daniel

1/5/06
Date

United States Postal Service

Samuel J. Koroma
(USPS-T-3)

OCA/USPS-T3-1. The following interrogatory refers to your WP-PRS-6. In footnote [1], the second calculation referring to the Balloon row refers to "(Proposed Parcel Post Rates (WP-PRS-3, ...)." Please confirm that the WP-PRS-3 should be WP-PRS-2. If you are unable to confirm, please explain fully.

RESPONSE:

Confirmed.

OCA/USPS-T3-2. The following interrogatory refers to your WP-PRS-6, items 4a, 4b, 4c and 4d. Please provide a copy of the Base Year RBMC zone distribution used in developing your estimated distributions for "PSRS RBMC" volumes.

RESPONSE:

WP-PRS-6 refers to RDU cost savings calculations by weight. There is no reference to items 4a, 4b, 4c, and 4d in WP-PRS-6. However, assuming you are referring to items 4a, 4b, 4c, and 4d in WP-PRS-1 which describes RBMC zone distribution, the "Base Year" RBMC zone distribution is calculated from WP-PRS-3, which is a volume distribution for the most recently available 4 quarters.

OCA/USPS-T3-3. Please update your workpapers to reflect the Postal Rate Commission's R2005-1 Opinion and Recommended Decision. If your workpapers are not impacted by any of the Commission's decisions, please so state and provide an explanation.

RESPONSE:

Updated workpapers are attached. My workpapers are not affected by the Commission's recommended decision with the exception of differences in volume forecast. Even though both the recommended rates and the rates proposed in this case are the same, this difference in volume forecast affects the calculated revenue.

Updated Workpapers in Response to OCA/USPS-T3-3 and 6b

Table of Contents

Total Estimated PSRS Volume	[1]	3,604,796
Nonmachinables Share of Total PSRS Volume	[2]	0.05563
Estimated PSRS RDU Volume	[3]	0
Estimated Zone Distributions for PSRS RBMC Volumes		
Zones 1&2	[4a]	75.7%
Zone 3	[4b]	15.0%
Zone 4	[4c]	7.3%
Zone 5	[4d]	2.0%
Unit Transportation Cost Impacts ($/Cubic Foot)		
RDU Return Parcels (Compared to Local Intra-BMC)	[5]	-$2.442
RBMC Machinable Parcels (Compared to Zoned Intra-BMC)	[6]	-$2.212
Unit Non-Transportation Cost Impacts ($/Piece)		
RDU Return Parcels (Compared to Intra-BMC Local)		
Machinable Parcels	[7]	-$1.233
Nonmachinable Parcels	[8]	-$4.600
Oversized Parcels	[9]	-$11.126
RBMC Machinable Parcels (Compared to Intra-BMC)		
Machinable Parcels	[10]	-$0.482
Nonmachinable Parcels	[11]	-$1.002
Oversized Parcels	[12]	-$1.536
Barcoding Cost Savings ($/Piece)	[13]	$0.03
Average Cubic Feet Per Piece		
RDU and RBMC Return Parcels		
Machinable Parcels	[14]	0.425
Nonmachinable Parcels	[15]	2.777
Oversized Parcels	[16]	7.938

Notes:

[1] USPS-LR-K-115 (Sheet PP-12): TYAR Volumes
[2] Share of Nonmachinable PRS Pieces from FY2004 RPW.
[3] USPS-LR-K-115 (Sheet PP-12): TYAR Volumes
[4] RBMC zone distribution based on Base Year Volumes.
[5] USPS-T-2, Attachment E, page 1, Column 1, RDU Parcels
[6] USPS-T-2, Attachment E, page 1, Column 1, RBMC Parcels
[7] USPS-T-2, Attachment A, RDU Machinable Parcels, Column 7 - Column 4.
[8] USPS-T-2, Attachment A, RDU Nonmachinable Parcels, Column 7 - Column 4.
[9] USPS-T-2, Attachment A, RDU Oversized Parcels, Column 7 - Column 4.
[10] USPS-T-2, Attachment A, RBMC Machinable Parcels, Column 7 - Column 4.
[11] USPS-T-2, Attachment A, RBMC Nonmachinable Parcels, Column 7 - Column 4.
[12] USPS-T-2, Attachment A, RBMC Oversized Parcels, Column 7 - Column 4.
[13] Docket No. R2005-1, USPS-LR-K-46
[14] USPS-T-2, Attachment E, page 1, Column 2, Machinable Parcels.
[15] USPS-T-2, Attachment E, page 1, Column 2, Nonmachinable Parcels.
[16] USPS-T-2, Attachment E, page 1, Column 2, Oversized Parcels.

Intra-BMC Pieces[1]

Weight (Pounds)	Local	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Weight (Pounds)	Local	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	2.96	3.12	3.15	3.21	3.31	36	6.75	8.57	10.51	11.19	12.10
2	3.30	3.72	3.75	3.83	3.94	37	6.79	8.66	10.60	11.28	12.18
3	3.63	4.30	4.33	4.43	4.55	38	6.84	8.73	10.70	11.35	12.26
4	3.93	4.51	4.87	4.97	5.12	39	6.91	8.81	10.80	11.41	12.33
5	4.21	4.69	5.29	5.43	5.64	40	6.97	8.86	10.88	11.48	12.41
6	4.46	4.86	5.67	5.81	6.11	41	7.03	8.96	10.99	11.54	12.48
7	4.60	5.02	6.00	6.16	6.55	42	7.08	9.01	11.07	11.62	12.54
8	4.70	5.62	6.30	6.47	6.96	43	7.14	9.07	11.15	11.68	12.60
9	4.81	5.75	6.56	6.80	7.33	44	7.21	9.15	11.24	11.74	12.65
10	4.91	5.93	6.88	7.10	7.67	45	7.25	9.20	11.31	11.91	12.70
11	5.00	6.07	7.10	7.38	7.99	46	7.29	9.30	11.40	11.96	12.75
12	5.10	6.23	7.31	7.65	8.29	47	7.36	9.37	11.47	12.02	12.81
13	5.19	6.37	7.48	7.91	8.57	48	7.41	9.42	11.56	12.06	12.86
14	5.27	6.49	7.61	8.17	8.83	49	7.45	9.50	11.64	12.11	12.91
15	5.35	6.61	7.79	8.39	9.09	50	7.50	9.53	11.71	12.15	12.96
16	5.45	6.72	7.97	8.60	9.32	51	7.57	9.62	11.77	12.21	13.02
17	5.51	6.86	8.14	8.83	9.54	52	7.60	9.69	11.88	12.25	13.07
18	5.59	6.96	8.29	9.03	9.74	53	7.65	9.72	11.93	12.28	13.12
19	5.65	7.08	8.45	9.22	9.94	54	7.72	9.78	11.97	12.33	13.18
20	5.75	7.19	8.60	9.39	10.12	55	7.77	9.84	12.02	12.38	13.23
21	5.81	7.28	8.75	9.55	10.30	56	7.80	9.91	12.06	12.43	13.28
22	5.87	7.40	8.87	9.70	10.46	57	7.85	9.98	12.08	12.45	13.33
23	5.94	7.48	9.04	9.84	10.61	58	7.91	10.03	12.12	12.49	13.39
24	6.01	7.58	9.17	9.97	10.77	59	7.96	10.09	12.15	12.53	13.44
25	6.08	7.66	9.30	10.10	10.91	60	7.98	10.16	12.18	12.55	13.49
26	6.13	7.77	9.41	10.23	11.05	61	8.07	10.22	12.22	12.60	13.54
27	6.20	7.85	9.55	10.35	11.17	62	8.09	10.28	12.25	12.66	13.60
28	6.26	7.93	9.68	10.45	11.30	63	8.15	10.33	12.27	12.73	13.65
29	6.33	8.02	9.80	10.56	11.41	64	8.20	10.39	12.29	12.79	13.70
30	6.41	8.11	9.91	10.67	11.52	65	8.24	10.45	12.33	12.85	13.75
31	6.46	8.19	9.99	10.76	11.64	66	8.27	10.52	12.35	12.92	13.81
32	6.51	8.28	10.12	10.87	11.73	67	8.35	10.58	12.38	13.00	13.86
33	6.59	8.35	10.22	10.95	11.84	68	8.39	10.60	12.40	13.04	13.91
34	6.64	8.43	10.31	11.04	11.92	69	8.40	10.68	12.42	13.11	13.97
35	6.69	8.50	10.42	11.12	12.02	70	8.41	10.73	12.45	13.18	14.02
						Balloon	5.35	6.61	7.79	8.39	9.09
						Oversized	25.06	36.33	36.67	37.40	38.50

Discounts and Surcharges (Per Piece)

Nonmachinable Surcharges	
Intra-BMC	1.42
Barcode Discount	0.03

Notes

[1] Pieces weighing over 35 pounds must automatically add the nonmachinable surcharge.
Source: Docket No. R2005-1, USPS-T-28, Exhibit 28A

Distribution of Current Volumes by Zone (Annual)

RDU Pieces				RBMC Pieces											
Weight (Pounds)	RDU	Weight (Pounds)	RDU	Weight (Pounds)	RBMC Zones 1 & 2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5	RBMC Total	Weight (Pounds)	RBMC Zones 1 & 2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5	RBMC Total
1	10,981	36	1	1	1,788,258	394,465	196,343	49,475	2,428,541	36	155	41	34	12	242
2	8,373	37	1	2	1,428,646	263,125	126,474	33,464	1,851,709	37	165	29	18	12	224
3	4,488	38	1	3	763,939	143,671	66,006	18,799	992,505	38	123	31	26	12	192
4	2,377	39	1	4	405,076	75,176	34,483	10,954	525,689	39	157	30	27	10	224
5	1,265	40	1	5	215,056	39,391	18,556	6,856	279,859	40	135	26	10	16	187
6	710	41	1	6	121,364	22,648	10,763	4,136	158,911	41	103	28	15	6	152
7	436	42	1	7	73,743	13,765	6,498	2,362	96,368	42	100	13	15	2	130
8	279	43	1	8	47,367	8,801	4,170	1,459	61,797	43	92	16	14	2	124
9	191	44	1	9	32,302	5,844	2,983	1,047	42,176	44	61	16	10	5	92
10	136	45	0	10	22,975	4,083	2,131	820	30,010	45	65	16	6	2	89
11	97	46	0	11	18,344	3,007	1,556	615	23,522	46	57	17	8	1	83
12	70	47	0	12	11,761	2,153	1,111	456	15,481	47	62	16	5	3	86
13	49	48	0	13	7,833	1,603	801	327	10,564	48	42	13	12	1	68
14	36	49	0	14	5,912	1,142	599	246	7,899	49	48	17	7	-	72
15	27	50	0	15	4,420	837	481	188	5,966	50	54	11	2	1	68
16	21	51	0	16	3,517	624	412	155	4,708	51	29	11	9	1	50
17	17	52	0	17	2,799	547	326	150	3,822	52	47	6	5	2	60
18	14	53	0	18	2,254	489	247	109	3,099	53	38	7	2	2	49
19	12	54	0	19	1,953	394	232	101	2,680	54	24	5	2	-	31
20	10	55	0	20	1,586	329	176	100	2,191	55	31	5	1	2	39
21	9	56	0	21	1,429	305	159	90	1,983	56	32	5	2	2	41
22	8	57	0	22	1,243	303	180	81	1,807	57	26	4	4	3	37
23	8	58	0	23	1,187	304	143	72	1,706	58	24	5	2	2	33
24	6	59	0	24	1,004	218	145	64	1,431	59	26	5	1	7	39
25	6	60	0	25	892	235	115	53	1,295	60	19	3	2	1	25
26	5	61	0	26	727	162	120	39	1,048	61	19	2	1	1	23
27	4	62	0	27	611	142	99	42	894	62	20	3	1	-	24
28	4	63	0	28	543	149	91	44	827	63	14	4	1	-	19
29	3	64	0	29	422	136	70	32	660	64	6	-	2	1	9
30	2	65	0	30	371	90	57	21	539	65	10	-	1	2	13
31	2	66	0	31	286	80	53	33	452	66	7	4	1	2	14
32	2	67	0	32	251	64	42	25	382	67	9	4	3	-	16
33	1	68	0	33	222	52	41	11	326	68	11	-	-	-	11
34	1	69	0	34	202	48	28	25	303	69	7	2	2	-	11
35	1	70	0	35	168	46	31	11	256	70	1	1	2	-	4
		Balloon	0							Balloon	33	-	1	-	34
		Oversized	0							Oversized	39	10	18	2	69
		Total	29,681							Total	4,970,561	984,874	476,104	132,551	6,564,090

Notes

RBMC volume data (July 2004- June 2005).

RDU volume data (January 2005-June 2005).

RDU weight distribution based on RBMC average weight distribution by weight steps

Source: PRS Experiment Data

RBMC Forecast Volume Distribution

	Forecast Volumes[1] [A]
RBMC	
Zones 1&2	2,729,679
Zone 3	540,862
Zone 4	261,462
Zone 5	72,793
Total	3,604,796

Notes

[1] Calculation:
[Aa] to [Ad] = (WP-PRS-1, Inputs [4a] to [4d]) * (Input [1] - Input [3]))
[Ae] = Sum of [Aa] to [Ad]

Workbook Tab: RBMC Forecast

RDU [1]				RBMC [2]											
Weight (Pounds)		Weight (Pounds)		Weight (Pounds)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	RBMC Total	Weight (Pounds)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	RBMC Total
1	0	36	0	1	709,571	164,804	70,638	17,287	962,299	36	67	18	3	9	98
2	0	37	0	2	927,859	185,948	78,745	15,289	1,207,842	37	63	13	13	6	94
3	0	38	0	3	502,737	95,732	39,663	7,054	645,186	38	76	26	14	5	120
4	0	39	0	4	248,268	48,159	20,001	3,459	319,887	39	71	23	13	5	111
5	0	40	0	5	129,975	25,246	10,472	1,978	167,671	40	45	25	3	-	73
6	0	41	0	6	73,365	14,473	6,014	1,164	95,015	41	26	14	13	3	56
7	0	42	0	7	45,238	9,414	4,000	832	59,484	42	30	16	10	3	60
8	0	43	0	8	29,499	6,207	2,636	592	38,934	43	29	5	1	-	34
9	0	44	0	9	19,823	4,282	1,800	420	26,325	44	29	10	5	1	45
10	0	45	0	10	14,448	3,181	1,386	348	19,362	45	15	3	1	1	21
11	0	46	0	11	10,268	2,525	1,084	272	14,148	46	14	5	2	2	23
12	0	47	0	12	7,781	1,870	778	205	10,634	47	15	3	3	-	22
13	0	48	0	13	5,108	1,477	614	215	8,414	48	14	8	1	-	23
14	0	49	0	14	4,385	1,115	486	158	6,145	49	16	2	2	1	22
15	0	50	0	15	3,155	742	382	114	4,392	50	21	5	3	-	29
16	0	51	0	16	2,617	700	330	111	3,758	51	20	2	1	-	23
17	0	52	0	17	1,912	493	232	89	2,727	52	9	3	-	-	13
18	0	53	0	18	1,475	349	158	55	2,038	53	7	5	2	-	14
19	0	54	0	19	1,145	321	146	67	1,678	54	8	7	2	1	18
20	0	55	0	20	957	236	116	49	1,358	55	9	2	-	-	11
21	0	56	0	21	713	201	77	42	1,034	56	9	6	-	1	16
22	0	57	0	22	644	178	71	45	938	57	13	5	2	-	20
23	0	58	0	23	530	172	55	32	789	58	7	7	2	-	16
24	0	59	0	24	337	103	49	23	513	59	5	5	2	-	11
25	0	60	0	25	330	122	49	21	522	60	5	2	-	-	7
26	0	61	0	26	314	75	30	20	438	61	10	-	-	-	10
27	0	62	0	27	267	64	38	16	385	62	8	-	1	-	9
28	0	63	0	28	233	73	30	8	344	63	10	1	1	-	13
29	0	64	0	29	221	79	29	8	338	64	8	1	-	-	9
30	0	65	0	30	182	42	23	10	258	65	2	-	1	-	3
31	0	66	0	31	151	45	36	14	245	66	9	1	-	-	10
32	0	67	0	32	137	21	18	8	184	67	5	-	1	-	6
33	0	68	0	33	99	34	17	8	158	68	5	1	2	-	8
34	0	69	0	34	112	29	9	8	158	69	11	1	-	-	13
35	0	70	0	35	81	23	14	5	123	70	8	1	-	-	9
		Balloon	-							Balloon	-	-	-	-	-
		Oversized	-							Oversized	-	-	-	-	-
		Total	0							Total	2,745,840	568,757	240,334	50,065	3,604,796

Total Nonmachinable Pieces	200,532
Nonmachinable Share of Pieces 1-35 pounds	5.535%

Notes

[1] RDU weight distribution based on RBMC average weight distribution by weight step

[1] Calculation
Rows 1 Pound through Oversized = (Volume Distribution (WP-PRS-5) * (total RBMC volume for each weight / total RBMC volume)) * Input [3]
Total Row: Sum of rows 1 Pound to Oversized for RDU

[2] Calculation
(Current Volumes (WP-PRS-3) (RBMC volume for each weight and zone / total RBMC volume by zone)) * (RBMC Forecast (WP-PRS-4) [Aa] to [Ad]).
Total Row: Sum of rows 1 Pound to Oversized for each zone.
RBMC Total Column: Sum of zones for each row
Nonmachinables Total = (RBMC Total) * (WP-PRS-1, Input[2]).
Nonmachinables Share Under 35 lbs = (Nonmachinables Total - Sum of RBMC volume 36 - 70 pounds) / (Sum of RBMC volume 1 - 35 pounds)

Calculation of Savings[1]

Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]	Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]
1	0	36	0
2	0	37	0
3	0	38	0
4	0	39	0
5	0	40	0
6	0	41	0
7	0	42	0
8	0	43	0
9	0	44	0
10	0	45	0
11	0	46	0
12	0	47	0
13	0	48	0
14	0	49	0
15	0	50	0
16	0	51	0
17	0	52	0
18	0	53	0
19	0	54	0
20	0	55	0
21	0	56	0
22	0	57	0
23	0	58	0
24	0	59	0
25	0	60	0
26	0	61	0
27	0	62	0
28	0	63	0
29	0	64	0
30	0	65	0
31	0	66	0
32	0	67	0
33	0	68	0
34	0	69	0
35	0	70	0
		Balloon	-

		Machinable Pieces [B]	Non-machinable Pieces [C]	Balloon-Rate Pieces [D]	All Regular-Size Pieces Combined [E]
[a]	Average Cubic Feet Per Piece	0.425	2.777	2.777	
[b]	Transportation Savings ($ Per Cubic Foot)	2.442	2.442	2.442	
[c]	Transportation Savings ($ Per Wt. Avg. Piece)	1.038	6.781	6.781	1.357
[d]	Non Transportation Savings ($ Per Piece)	1.233	4.600	4.600	1.420
[e]	RDU Projected Regular-Sized Volumes	0	0	-	0
[f]	Total RDU-Volume-Weighted Revenue Using Benchmark (Intra-BMC Local) Rates:				0
[g]	Weighted Average Benchmark Revenue Per Piece				3.489
[h]	Weighted Average Savings Per Piece				2.778
[j]	Proposed Price				2.11

Notes

[1] Calculation: Column [A], rows 1 Pound to 70 Pounds = (Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local Rate by weight) * (Current Volumes (WP-PRS-4), RDU pieces by weight)
Calculation: Column [A], Balloon row = (Proposed Parcel Post Rates (WP-PRS-3), Intra-BMC Local 15-pound Rate) * (Current Volumes (WP-PRS-4), RDU Balloon pieces)
Source: [Ba] (WP-PRS-1, Input [14])
[Ca], [Da] (WP-PRS-1, Input [15])
[Bb] to [Db] (WP-PRS-1, Input [5])
Calculation: Row [c], Columns [B] to [D] = Row [a] * Row [b], Columns [B] to [D]
[Ec] = ([Bc]*[Be] + [Cc]*[Ce] + [Dc]*[De]) / [Ee]
Source: [Bd] (WP-PRS-1, Input [7])
[Cd], [Dd] (WP-PRS-1, Input [8])
Calculation: [Ed] = ([Bd]*[Be] + [Cd]*[Ce] + [Dd]*[De]) / [Ee]
Calculation: [Be] = (WP-PRS-1, Input [3]) * (1 - (Current Volumes (WP-PRS-3), Sum of RDU Balloon and Oversize volumes) / (Current Volumes (WP-PRS-3), Total RDU volume)) * (1 - WP-PRS-1, Input [2])
[Ce] = [Be] / (1 - (WP-PRS-1, Input [2])) * (WP-PRS-1, Input [2])
[De] = (WP-PRS-1, Input [3]) * (Current Volumes (WP-PRS-3), RDU Balloon volume) / (Current Volumes (WP-PRS-3), Total RDU volume)
[Ee] = Sum of [Be], [Ce], [De]
Calculation: [Ef] = (Sum of Column [A], Rows 1 pound to Balloon)
Calculation: [Eg] = [Ef] / (Current Volumes (WP-PRS-3), Sum of RDU volumes for 1 pound to Balloon)
Calculation: [Eh] = [Ec] + [Ed]
Calculation: [Ej] Input [17]* Current PRS Rate for RDU ($2.00)

	Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]
Savings[1]		
Non-Transportation (Per Piece)	0.4820	1.0020
Transportation (Per Cubic Foot)	2.2120	2.2120
Cubic Feet Per Piece	0.4250	2.7770

Calculation of Savings[4]

Weight (Pounds)	Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]	Weight (Pounds)	Nonmachinable Return BMC All Zones [B]
1	1,292,742	380,542	36	697
2	1,622,601	477,642	37	672
3	866,736	255,140	38	861
4	429,732	126,499	39	795
5	225,248	66,306	40	525
6	127,642	37,574	41	402
7	79,911	23,523	42	426
8	52,303	15,396	43	246
9	35,365	10,410	44	320
10	26,011	7,657	45	148
11	19,007	5,595	46	164
12	14,285	4,205	47	156
13	11,303	3,327	48	164
14	8,255	2,430	49	156
15	5,901	1,737	50	205
16	5,048	1,486	51	164
17	3,663	1,078	52	90
18	2,738	806	53	98
19	2,254	664	54	131
20	1,825	537	55	82
21	1,388	409	56	115
22	1,261	371	57	139
23	1,060	312	58	115
24	689	203	59	82
25	701	206	60	49
26	589	173	61	74
27	518	152	62	66
28	462	136	63	90
29	455	134	64	66
30	347	102	65	25
31	330	97	66	74
32	247	73	67	41
33	213	63	68	57
34	213	63	69	90
35	165	49	70	66
			Balloon	-

		Pieces Weighing 1 to 35 Pounds [C]	*Pieces* Weighing Over 35 Pounds [D]	Balloon-Rate Pieces [E]
	RBMC			
[d]	Calculated Savings	6,266,301	7,647	-
[e]	Total Pieces	3,603,726	1,070	-
[f]	Average Savings/Piece	1.739	7.145	-

Notes

[1] Source [Aa] WP-PRS-1 -Input [10]
[Ba] WP-PRS-1 -Input [11]
[Ab],[Bb] WP-PRS-1, -Input [6]
[Ac] WP-PRS-1, Input [14]
[Bc] WP-PRS-1, Input [15]

[2] Calculation Column [A], pounds 1 to 35 = ([Aa] + [Ab]*[Ac]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)
* (1 - (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds))
Column [B], pounds 1 to 35 = ([Ba] + [Bb]*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)
* (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds)
Column [B], pounds 36 to 70, plus Balloon = ([Ba] + [Bb]*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 36 to 70, plus Balloon)
Calculation [Cd] = (Sum of Columns [A] and [B], pounds 1-35)
[Ce] = (Sum of RBMC Volume Distribution (WP-PRS 6), RBMC Totals Column, pounds 1-35)
[Cf] = [Cd] / [Ce]
Source [Cg], [Ch] (Assumed)
Calculation [Dd] = (Sum of Column [B], pounds 36-70)
[De] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 36-70)
[Df] = [Dd] / [De]
Source [Dg], [Dh] (Assumed)
Calculation [Ed] = (Column [B], Balloon row)
[Ee] = (RBMC Volume Distribution (WP-PRS 6), RBMC Totals Column, Balloon row)
[Ef] = [Ed] / [Ee]

[redacted]

	Unit Cost Savings[1] [A]
RDU Savings	
Non-Transportation (Per Piece)	$ 11.126
Transportation (Per Piece)	$ 19.385
Total	$ 30.51
RBMC Savings	
Non-Transportation (Per Piece)	$ 1.536
Transportation (Per Piece)	$ 17.559
Total	$ 19.09

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [9])
Calculation: [Ab] = (WP-PRS-1, Input [5] * Input [16])
Calculation: [Ac] = ([Aa] + [Ab])
Source: [Ad]: (WP-PRS-1, Input [12])
Calculation: [Ae] = (WP-PRS-1, Input [6] * Input [16])
Calculation: [Af] = ([Ad] + [Ae])

RDU				RBMC									
Weight (Pounds)	RDU [A]	Weight (Pounds)	RDU [A]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]
1	2.00	36	2.00	1	2.10	2.13	2.19	2.28	36	8.65	10.49	11.14	12.00
2	2.00	37	2.00	2	2.67	2.70	2.77	2.88	37	8.72	10.56	11.20	12.06
3	2.00	38	2.00	3	3.22	3.25	3.34	3.46	38	8.76	10.63	11.25	12.11
4	2.00	39	2.00	4	3.42	3.76	3.86	4.00	39	8.82	10.71	11.29	12.16
5	2.00	40	2.00	5	3.59	4.16	4.29	4.49	40	8.85	10.76	11.33	12.21
6	2.00	41	2.00	6	3.75	4.52	4.65	4.94	41	8.92	10.85	11.37	12.26
7	2.00	42	2.00	7	3.90	4.83	4.98	5.35	42	8.95	10.90	11.42	12.30
8	2.00	43	2.00	8	4.47	5.12	5.28	5.74	43	8.99	10.96	11.46	12.33
9	2.00	44	2.00	9	4.60	5.36	5.59	6.09	44	9.04	11.02	11.50	12.36
10	2.00	45	2.00	10	4.77	5.67	5.88	6.42	45	9.07	11.07	11.64	12.39
11	2.00	46	2.00	11	4.90	5.88	6.14	6.72	46	9.14	11.14	11.67	12.42
12	2.00	47	2.00	12	5.05	6.08	6.40	7.01	47	9.19	11.18	11.70	12.45
13	2.00	48	2.00	13	5.18	6.24	6.64	7.27	48	9.22	11.25	11.72	12.48
14	2.00	49	2.00	14	5.30	6.36	6.89	7.52	49	9.27	11.30	11.75	12.51
15	2.00	50	2.00	15	5.41	6.53	7.10	7.76	50	9.28	11.35	11.77	12.54
16	2.00	51	2.00	16	5.52	6.70	7.30	7.98	51	9.35	11.39	11.80	12.57
17	2.00	52	2.00	17	5.65	6.86	7.52	8.19	52	9.39	11.47	11.82	12.60
18	2.00	53	2.00	18	5.74	7.01	7.71	8.38	53	9.40	11.50	11.83	12.63
19	2.00	54	2.00	19	5.86	7.16	7.89	8.57	54	9.44	11.52	11.86	12.66
20	2.00	55	2.00	20	5.96	7.30	8.05	8.74	55	9.48	11.54	11.89	12.69
21	2.00	56	2.00	21	6.05	7.44	8.20	8.91	56	9.52	11.56	11.91	12.72
22	2.00	57	2.00	22	6.16	7.56	8.34	9.06	57	9.57	11.56	11.91	12.75
23	2.00	58	2.00	23	6.24	7.72	8.48	9.21	58	9.60	11.58	11.93	12.78
24	2.00	59	2.00	24	6.33	7.84	8.60	9.36	59	9.63	11.59	11.95	12.81
25	2.00	60	2.00	25	6.41	7.96	8.72	9.49	60	9.68	11.60	11.95	12.84
26	2.00	61	2.00	26	6.51	8.07	8.85	9.62	61	9.72	11.61	11.97	12.87
27	2.00	62	2.00	27	6.59	8.20	8.96	9.74	62	9.75	11.62	12.01	12.90
28	2.00	63	2.00	28	6.66	8.32	9.05	9.86	63	9.78	11.62	12.06	12.93
29	2.00	64	2.00	29	6.75	8.44	9.16	9.97	64	9.82	11.62	12.09	12.96
30	2.00	65	2.00	30	6.83	8.54	9.26	10.07	65	9.85	11.64	12.13	12.99
31	2.00	66	2.00	31	6.91	8.62	9.35	10.18	66	9.90	11.64	12.18	13.02
32	2.00	67	2.00	32	7.00	8.74	9.45	10.27	67	9.94	11.65	12.23	13.05
33	2.00	68	2.00	33	7.06	8.84	9.53	10.37	68	9.94	11.65	12.25	13.08
34	2.00	69	2.00	34	7.14	8.92	9.61	10.45	69	9.99	11.65	12.30	13.11
35	2.00	70	2.00	35	7.20	9.03	9.69	10.54	70	10.02	11.65	12.34	13.14
		Balloon[2]	2.00						Balloon[2]	5.41	6.53	7.10	7.76
		Oversized	7.51						Oversized	25.99	26.31	27.00	28.05

Surcharge (Per Piece)[3]

Nonmachinable Surcharge (Nonmachinable pieces weighing less than 36 pounds)

RBMC Pieces 1.35

Notes

[1] Source: Docket No. MC2003-2, USPS-T-3, WP-PRS-10.

[2] Parcels weighing less than 15 pounds and measuring between 84 and 108 inches in length plus girth pay the balloon rate.

[3] Nonmachinable RBMC parcels weighing 35 pounds or less pay the RBMC surcharge in addition to the appropriate RBMC rate.

Workbook Tab: Current PRS Rates

RDU				RBMC									
Weight (Pounds)	RDU [A]	Weight (Pounds)	RDU [A]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]
1	2.11	36	2.11	1	2.21	2.25	2.31	2.40	36	9.11	11.05	11.74	12.65
2	2.11	37	2.11	2	2.81	2.85	2.92	3.04	37	9.19	11.13	11.80	12.71
3	2.11	38	2.11	3	3.39	3.43	3.52	3.65	38	9.23	11.20	11.85	12.76
4	2.11	39	2.11	4	3.60	3.96	4.07	4.22	39	9.29	11.29	11.90	12.81
5	2.11	40	2.11	5	3.78	4.38	4.52	4.73	40	9.33	11.34	11.94	12.87
6	2.11	41	2.11	6	3.95	4.76	4.90	5.21	41	9.40	11.43	11.98	12.92
7	2.11	42	2.11	7	4.11	5.09	5.25	5.64	42	9.43	11.49	12.03	12.96
8	2.11	43	2.11	8	4.71	5.40	5.57	6.05	43	9.47	11.55	12.08	12.99
9	2.11	44	2.11	9	4.85	5.65	5.89	6.42	44	9.53	11.61	12.12	13.02
10	2.11	45	2.11	10	5.03	5.98	6.20	6.77	45	9.56	11.66	12.27	13.06
11	2.11	46	2.11	11	5.16	6.20	6.47	7.08	46	9.63	11.74	12.30	13.09
12	2.11	47	2.11	12	5.32	6.41	6.75	7.39	47	9.68	11.78	12.33	13.12
13	2.11	48	2.11	13	5.46	6.58	7.00	7.66	48	9.71	11.85	12.35	13.15
14	2.11	49	2.11	14	5.59	6.70	7.26	7.93	49	9.77	11.91	12.38	13.18
15	2.11	50	2.11	15	5.70	6.88	7.48	8.18	50	9.78	11.96	12.40	13.21
16	2.11	51	2.11	16	5.82	7.06	7.69	8.41	51	9.85	12.00	12.43	13.25
17	2.11	52	2.11	17	5.96	7.23	7.93	8.63	52	9.89	12.09	12.46	13.28
18	2.11	53	2.11	18	6.05	7.39	8.13	8.83	53	9.90	12.12	12.47	13.31
19	2.11	54	2.11	19	6.18	7.55	8.32	9.03	54	9.95	12.14	12.50	13.34
20	2.11	55	2.11	20	6.28	7.69	8.48	9.21	55	9.99	12.16	12.53	13.37
21	2.11	56	2.11	21	6.38	7.84	8.64	9.39	56	10.03	12.18	12.55	13.40
22	2.11	57	2.11	22	6.49	7.97	8.79	9.55	57	10.08	12.18	12.55	13.44
23	2.11	58	2.11	23	6.58	8.14	8.94	9.71	58	10.12	12.20	12.57	13.47
24	2.11	59	2.11	24	6.67	8.26	9.06	9.87	59	10.15	12.21	12.59	13.50
25	2.11	60	2.11	25	6.76	8.39	9.19	10.00	60	10.20	12.22	12.59	13.53
26	2.11	61	2.11	26	6.86	8.51	9.33	10.14	61	10.24	12.23	12.61	13.56
27	2.11	62	2.11	27	6.95	8.64	9.44	10.27	62	10.27	12.24	12.66	13.59
28	2.11	63	2.11	28	7.02	8.77	9.54	10.39	63	10.31	12.24	12.71	13.63
29	2.11	64	2.11	29	7.11	8.90	9.65	10.51	64	10.35	12.24	12.74	13.66
30	2.11	65	2.11	30	7.20	9.00	9.76	10.61	65	10.38	12.27	12.78	13.69
31	2.11	66	2.11	31	7.28	9.09	9.85	10.73	66	10.43	12.27	12.83	13.72
32	2.11	67	2.11	32	7.38	9.21	9.96	10.82	67	10.47	12.28	12.89	13.75
33	2.11	68	2.11	33	7.44	9.32	10.04	10.93	68	10.47	12.28	12.91	13.78
34	2.11	69	2.11	34	7.53	9.40	10.13	11.01	69	10.53	12.28	12.96	13.82
35	2.11	70	2.11	35	7.59	9.52	10.21	11.11	70	10.56	12.28	13.00	13.85
		Balloon[3]	2.11						Balloon[3]	5.70	6.88	7.48	8.18
		Oversized	7.92						Oversized	27.39	27.73	28.46	29.56

Surcharge (Per Piece)[4]

Nonmachinable Surcharge (Nonmachinable pieces weighing less than 36 pounds)

RBMC Pieces 1.42

Notes

[1] Source: Docket No. R2005-1, USPS-T-28A, Table 6.

Workbook Tab: Proposed PRS Rates

Summary of Projected Revenue

	[A]
PSRS RDU	-
PSRS RBMC	11,059,465
TOTAL	**11,059,465**

PRS Projected Revenue Detail [1]

Weight (Pounds)	RDU [A]	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]	Weight (Pounds)	RDU [A]	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]
1	-	1,568,152	370,808	163,173	41,489	36	-	606	203	40	116
2	-	2,607,285	529,952	229,936	46,477	37	-	580	140	149	73
3	-	1,704,280	328,360	139,615	25,745	38	-	699	295	163	59
4	-	893,765	190,709	81,404	14,595	39	-	661	259	150	59
5	-	491,310	110,575	47,333	9,354	40	-	417	286	41	-
6	-	289,794	68,881	29,470	6,066	41	-	248	157	151	44
7	-	185,930	47,919	21,000	4,691	42	-	281	185	124	45
8	-	138,940	33,518	14,683	3,581	43	-	272	53	14	-
9	-	96,142	24,194	10,601	2,695	44	-	273	120	56	15
10	-	72,672	19,022	8,591	2,353	45	-	143	40	14	15
11	-	52,982	15,654	7,014	1,925	46	-	133	54	28	30
12	-	41,394	11,985	5,250	1,517	47	-	144	41	42	-
13	-	33,352	9,722	4,296	1,643	48	-	134	95	14	-
14	-	24,514	7,470	3,531	1,255	49	-	157	27	28	15
15	-	17,981	5,106	2,857	929	50	-	202	55	43	-
16	-	15,228	4,940	2,541	936	51	-	192	28	14	-
17	-	11,397	3,566	1,838	772	52	-	91	42	-	-
18	-	8,932	2,577	1,287	486	53	-	68	56	29	-
19	-	7,075	2,425	1,212	601	54	-	80	84	29	15
20	-	6,008	1,817	982	454	55	-	92	28	-	-
21	-	4,552	1,574	664	399	56	-	92	70	-	15
22	-	4,176	1,399	625	460	57	-	127	56	29	-
23	-	3,487	1,401	492	312	58	-	70	84	29	-
24	-	2,249	853	447	226	59	-	47	56	29	-
25	-	2,233	1,020	453	206	60	-	47	28	-	-
26	-	2,156	635	278	198	61	-	106	-	-	-
27	-	1,858	555	357	165	62	-	82	-	15	-
28	-	1,635	644	285	83	63	-	106	14	15	-
29	-	1,582	704	277	84	64	-	83	14	-	-
30	-	1,313	382	224	110	65	-	24	-	15	-
31	-	1,102	407	350	148	66	-	96	14	-	-
32	-	1,007	190	183	87	67	-	48	-	15	-
33	-	734	321	173	88	68	-	48	14	30	-
34	-	847	270	93	88	69	-	121	14	-	-
35	-	618	218	141	51	70	-	85	14	-	-
						Balloon	-	-	-	-	-
						Oversized	-	-	-	-	-
						Total	-	8,303,336	1,802,397	782,960	170,772

Notes

Calculations for Projected Revenue

[1] Calculation [A] to [E]= Proposed PSRS Rates (WP-PRS-10), * R2005-1 TYAR Volumes (WP-PRS-5)

Summary of Revenue Impacts[1]

	[A]
PSRS RDU	(0)
PSRS RBMC	(3,274,190)

Return BMC Revenue Impact Detail[2]

	Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]	Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]
	1	(645,710)	(148,323)	(63,574)	(15,731)	36	(59)	(16)	(3)	(8)
	2	(844,352)	(167,353)	(71,658)	(13,760)	37	(56)	(11)	(11)	(5)
	3	(457,491)	(86,159)	(36,094)	(6,348)	38	(70)	(24)	(13)	(4)
	4	(225,924)	(43,825)	(18,001)	(3,113)	39	(67)	(21)	(12)	(4)
	5	(118,278)	(22,973)	(9,529)	(1,800)	40	(43)	(24)	(3)	-
	6	(66,763)	(13,168)	(5,473)	(1,048)	41	(26)	(13)	(12)	(3)
	7	(41,167)	(8,567)	(3,640)	(757)	42	(30)	(16)	(10)	(3)
	8	(26,844)	(5,586)	(2,372)	(539)	43	(29)	(5)	(1)	-
	9	(17,841)	(3,897)	(1,638)	(382)	44	(30)	(11)	(5)	(1)
	10	(13,003)	(2,863)	(1,247)	(313)	45	(16)	(4)	(1)	(1)
	11	(9,344)	(2,272)	(986)	(247)	46	(15)	(5)	(2)	(2)
	12	(7,081)	(1,683)	(700)	(185)	47	(17)	(4)	(4)	-
	13	(5,559)	(1,330)	(558)	(195)	48	(16)	(9)	(1)	-
	14	(3,947)	(1,015)	(443)	(142)	49	(18)	(3)	(3)	(1)
	15	(2,871)	(675)	(348)	(103)	50	(24)	(5)	(4)	-
	16	(2,355)	(637)	(301)	(101)	51	(23)	(3)	(1)	-
	17	(1,721)	(449)	(209)	(81)	52	(11)	(4)	-	-
	18	(1,343)	(314)	(142)	(50)	53	(9)	(6)	(3)	-
	19	(1,030)	(289)	(131)	(61)	54	(10)	(9)	(3)	(1)
	20	(871)	(215)	(105)	(45)	55	(12)	(3)	-	-
	21	(642)	(183)	(70)	(39)	56	(12)	(7)	-	(1)
	22	(586)	(158)	(65)	(44)	57	(17)	(6)	(3)	-
	23	(477)	(155)	(50)	(29)	58	(9)	(9)	(3)	-
	24	(307)	(94)	(45)	(21)	59	(6)	(6)	(3)	-
	25	(297)	(111)	(45)	(19)	60	(6)	(3)	-	-
	26	(286)	(67)	(27)	(18)	61	(14)	-	-	-
	27	(241)	(58)	(34)	(14)	62	(11)	-	(2)	-
	28	(212)	(67)	(27)	(7)	63	(15)	(2)	(2)	-
	29	(203)	(71)	(26)	(7)	64	(12)	(2)	-	-
	30	(166)	(39)	(21)	(9)	65	(3)	-	(2)	-
	31	(138)	(40)	(32)	(13)	66	(14)	(2)	-	-
	32	(123)	(19)	(17)	(7)	67	(7)	-	(2)	-
	33	(90)	(31)	(16)	(7)	68	(7)	(2)	(4)	-
	34	(101)	(26)	(8)	(7)	69	(18)	(2)	-	-
	35	(74)	(21)	(13)	(4)	70	(13)	(2)	-	-
						Balloon	-	-	-	-
						Oversized	-	-	-	-

Notes

[1] Calculation [Aa] = (RDU Savings Calculation (WP-PRS-6), [Ee]) *
(Proposed PRS Rates (WP-PRS-10), 1-pound rate -
RDU Savings Calculation (WP-PRS-6), [Eg]) +
(WP-PRS-1, Input [3] - (RDU Savings Calculation (WP-PRS-7), [Ee])) *
(Proposed PRS Rates (WP-PRS-10), RDU Oversize Rate -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local Oversize Rate)
[Ab] = Sum of Columns [A] to [D], 1-pound row to Oversized row

[2] Calculation Columns [A] to [D], 1-pound to 35 pounds, and Oversize row =
(Proposed PRS Rates (WP-PRS-10), Columns [B] to [E] -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Zoned Rates) *
(Volume Distribution (WP-PRS-5), Return BMC Pieces, Zones 1 to 5)
Columns [A] to [D], 36-pounds to 70 pounds =
(Parcel Select Returns Rates (WP-PRS-10), Columns [B] to [E] -
Proposed Parcel Post Rates (WP-PRS-2), (Intra-BMC Zoned Rates +
Intra-BMC Nonmachinable Surcharge)) *
(Volume Distribution (WP-PRS-5), Return BMC Pieces, Zones 1 to 5)
Columns [A] to [D], Balloon row =
(Proposed PRS Rates (WP-PRS-10), Cols. [B] to [E], Balloon row -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Zoned 15-Pound Rates) *
(Volume Distribution (WP-PRS-5), RBMC Balloon Pcs., Zones 1 to 5)

[redacted]

	Volume [1] [A]	Projected Revenue[2] [B]	Cost Savings [3] [C]	Revenue Reduction [4] [D]	Savings Passthrough [5] [E]
Parcel Select					
RDU	0	$0	$0	$0	0.0%
RBMC	3,604,796	$11,059,465	$6,376,076	$3,274,190	51.4%

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [3])
[Ab]: RBMC Forecast (WP-PRS-5), [Ae]
[2] Calculation: [Ba] = (Projected Revenue Calculation (WP-PRS-11), [Aa]
[Bb] = (Projected Revenue Calculation (WP-PRS-11), [Bb]
[3] Calculation: [Ca] = (RDU Savings Calculation (WP-PRS-7), [Ee] *
(RDU Savings Calculation (WP-PRS-6), [Ec] + [Ed]) +
((WP-PRS-1, Input [3]) - (RDU Savings Calculation (WP-PRS-6), [Ee])) *
(Oversized Cost Savings (WP-PRS-8), [Aa] + [Ab])
Calculation: [Cb] = (RBMC Savings Calculation (WP-PRS-7), [Cd] + [Dd] + [Ed]) +
(RBMC Savings Calculation (WP-PRS-7), [Ce]) * (WP-PRS-1, Input [13]) *
(1 - Volume Distribution RBMC (WP-PRS-6), RBMC Nonmachinables share < 35 pounds) +
(Oversized Cost Savings (WP-PRS-8), [Ae] + [Af]) *
(Volume Distribution RBMC (WP-PRS-6), RBMC Total column, Oversized row)
[4] Source: [Da] to [Db]: Revenue Impacts (WP-PRS-12), [Aa] to [Ab]
[5] Calculation: [D] = [D] / [C]

OCA/USPS-T3-4. Section 561 of the DMCS states that the list of ancillary services (which includes the certificate of mailing) are available to Package Services mail, except for Parcel Post mail entered under the return services sections 521.27 or 521.28. Please confirm that the proposed change to the DMCS to add section 562 providing for a Certificate of Mailing service for Parcel Select Return Service, as shown in Attachment A, page 3 of the application herein, is not also reflected, but should be reflected, in the DMCS language for section 561. If you do not confirm, please explain.

RESPONSE:

In our proposal, Section 560 was split into sections 561 and 562 in effort to clarify that Parcel Select Return Service (PSRS) is different from other Package Service categories, because the only ancillary service available for PSRS is Certificate of Mailing. Since the heading of section 561 specifically says "except for Parcel Select Return Service", technically there may be no need to note that Certificate of Mailing is available for PSRS in that section, especially since Section 562 follows immediately and states that Certificate of Mailing is available for PRS. Nonetheless, as evidenced by the interrogatory, this approach to the DMCS may not be as clear as it should be. The text of section 561 (rather than its title) would imply that Certificate of Mailing is not available for PSRS. One solution would be to amend line b by adding "(See Section 562 regarding availability for Parcel Select Return Service)". Another solution would be to keep section 560 intact, as in the current DMCS, but change the leading paragraph to read: "Package Services mail, except Parcel Select Return Service mail entered under sections 521.27 or 521.28 (which is eligible for Certificates of mailing only),...." This solution would seem to be the simplest and clearest approach.

OCA/USPS-T3-5. If you confirm OCA/USPS-T3-4, above, please indicate whether addition of the language in DMCS section 561 "(subject to section 562)" after "521.28" would satisfactorily remove the potential for confusion by an inconsistency of the proposed language in section 562 with section 561. If you do not confirm, please explain.

RESPONSE:

See my response to OCA/USPS-T3-4.

OCA/USPS-T3-6. In the Postal Rate Commission's Docket No. R2005-1 Opinion and Recommended Decision, Appendix G, page 17 shows PRS Test Year revenue of $11,219,443. Your workpaper (WP-PRS-11) shows total FY2006 forecasted PSRS RDU revenue of $6,752,195 and PSRS RBMC revenue of $28,418,984, or total PSRS revenue of $35,171,180.

a. Please explain the reasons for the differences.
b. Please update your workpapers to reflect the Commission's Test Year volumes and revenues for PSRS parcels.

RESPONSE:

a. Since the rates in the Opinion and Recommended Decision are the same as those proposed in this case, the difference in the total revenue calculation is driven by volume forecast differences. In the omnibus rate filing, a simplifying assumption was made regarding PRS volume. A more specific volume projection was made in this docket by witness Daniel. See witness Daniel's testimony, MC2006-1, USPS-T-1, Section III for a detailed explanation of Fiscal Year 2006 volume projection.

b. Please see my response to OCA/USPS-T3-3. Using the TYAR volumes from the Postal Rate Commission's Recommended Decision in Docket No. R2005-1, my workpapers generate a revenue calculation of $11,059,465. This figure is different from the figure presented in this interrogatory ($11,219,443) because the nonmachinable surcharges are calculated differently. The Commission's figure relies on the nonmachinable percentage as presented by the Postal Service in the omnibus filing. However, the calculation of the revenue from the nonmachinable surcharge was calculated slightly differently in my workpapers in this filing.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KOROMA
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-7. *Your testimony at page 8 indicates that, based upon the proposed* rates, the implicit savings passthroughs are 47 percent for RDU and 51 percent for RBMC. Your footnote 4 on the same page states the rate design approach underlying the current rates is used "to verify that the proposed prices are reasonable in light of the costs reported by witness Miller in this case."

a. Inasmuch as you do not specifically so state in your testimony, please indicate whether you believe the proposed prices are reasonable in light of the costs presented by witness Miller. Please explain.
b. Please indicate whether you believe the proposed prices are reasonable assuming costs as revised by witness Miller to conform to Commission methodology applied in the Docket No. R2005-1 opinion. Please explain.
c. Inasmuch as you do not specifically so state in your testimony, please indicate whether you believe the implicit savings passthroughs of 47 percent for RDU and 51 percent for RBMC are reasonable. Please explain.
d. Please indicate whether you believe reasonable the implicit passthroughs as they may have been revised due to a revision of costs by witness Miller to conform to the Commission methodology applied in the Docket No. R2005-1 opinion. Please explain.
e. Please indicate the range of percentages of implicit passthroughs you believe would be reasonable for this parcel return service.
f. If recalculation of the cost savings causes the implicit passthrough percentages to be outside of the range of percentages you consider to be reasonable, would you recommend a modification of the rates proposed in this docket? Please explain.

RESPONSE:

a. Please note that at pages 3-4, I state (emphasis added):

> *I have analyzed and assessed the proposed rates* using relevant portions of the pricing methodology developed by witness Kiefer in Docket No. MC2003-2 and *considering the cost data filed by witness Miller in USPS-T-2 in this case. My assessment concluded that the proposed pricing is reasonable* in the context of the specific history of, and data available for, PRS and the Postal Service's omnibus pricing proposals.

b.-d. Given the circumstances I note in the above quotation, I believe that the proposed prices, including the implicit passthroughs, are reasonable, regardless of small changes in calculated passthroughs that might result from substituting the

Commission's cost estimates for those presented in witness Miller's testimony in this case.

e. It is not possible to provide a range of implicit passthroughs that would be reasonable since the implicit passthrough is just one of the factors I considered.

f. Not applicable; please see my response to part (e).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KOROMA
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-8. In your testimony at page 9, you calculate the savings passthrough percentage based upon the cost savings calculated by witness Miller and the "revenue differential" which your footnote 3, on page 8, indicates is the "difference between the Intra-BMC rates and the proposed PRS rates." Interrogatory OCA/USPS-T2-18 asks witness Miller to calculate the delivery cost savings. Please recalculate the savings passthrough as a result of adding to the total cost savings the delivery cost savings calculated by witness Miller.

RESPONSE:

Please see witness Miller's response to OCA/USPS-T2-16.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KOROMA
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-9. Please provide the cost coverage of the proposed rates for both RDU and RBMC service assuming:

a. Witness Miller's cost savings analysis using the Commission's costing methodology in Docket No. R20005-1.

b. Witness Miller's costs savings analysis using the Commission's costing methodology in Docket No. R20005-1 and including carrier cost savings.

RESPONSE:

Since RDU and RBMC are categories within a subclass, and total costs are not measured for these categories in isolation from the subclass, I cannot calculate the requested implicit cost coverages.

OCA/USPS-T3-10. Please refer to your testimony at pages 8 and 9 where you determined the total savings based upon witness Miller's testimony of unit cost savings and you calculated the savings passthrough percentages for RDU and RBMC service. Please provide recalculated total savings and savings passthrough percentages for RDU and RBMC using the costs included in the supplemental responses of the Postal Service filed December 1, 2005 to interrogatories OCA/USPS-T2-13 & 15 which reflect the costs determined by the Postal Rate Commission in the Docket No. R2005-1 Opinion and Recommended decision.

RESPONSE:

Parcel Return Service Cost Savings and Passthrough
(PRC Costs)

	Cost Savings	Revenue Differential	Savings Passthrough[1]
RDU	$9,438,373	$4,197,467	44.5%
RBMC	$17,778,091	$8,719,734	49.0%

1 Revenue differential divided by cost savings.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KOROMA
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-11. In light of the Postal Service's supplemental responses to interrogatories OCA/USPS-T2-13 & 15, filed December 1, 2005, reflecting the costs determined by the Postal Rate Commission in its Docket No. R2005-1 Opinion and Recommended Decision, please provide appropriate adjustments to all of your exhibits and attachments and work papers associated with your testimony, to reflect the costs included in those supplemental responses of the Postal Service.

RESPONSE: Please see the attached workpapers.

Recalculated Using PRC Costs Provided in Response to USPS-T2-15

Table of Contents

Recalculated Using PRC Costs Provided in Response to USPS-T2-15

Total Estimated PSRS Volume	[1]	12,800,000
Nonmachinables Share of Total PSRS Volume	[2]	0.05563
Estimated PSRS RDU Volume	[3]	3,200,000
Estimated Zone Distributions for PSRS RBMC Volumes		
Zones 1&2	[4a]	75.7%
Zone 3	[4b]	15.0%
Zone 4	[4c]	7.3%
Zone 5	[4d]	2.0%
Unit Transportation Cost Impacts ($/Cubic Foot)		
RDU Return Parcels (Compared to Local Intra-BMC)	[5]	-$2.449
RBMC Machinable Parcels (Compared to Zoned Intra-BMC)	[6]	-$2.218
Unit Non-Transportation Cost Impacts ($/Piece)		
RDU Return Parcels (Compared to Intra-BMC Local)		
Machinable Parcels	[7]	-$1.377
Nonmachinable Parcels	[8]	-$5.168
Oversized Parcels	[9]	-$12.343
RBMC Machinable Parcels (Compared to Intra-BMC)		
Machinable Parcels	[10]	-$0.560
Nonmachinable Parcels	[11]	-$1.108
Oversized Parcels	[12]	-$1.647
Barcoding Cost Savings ($/Piece)	[13]	$0.03
Average Cubic Feet Per Piece		
RDU and RBMC Return Parcels		
Machinable Parcels	[14]	0.425
Nonmachinable Parcels	[15]	2.777
Oversized Parcels	[16]	7.938

Notes:

[1] USPS-T-1
[2] Share of Nonmachinable PRS Pieces from FY2004 RPW.
[3] USPS-T-1
[4] RBMC zone distribution based on Base Year Volumes.
[5] OCA/USPS-T2-15, Attachment E, page 1, Column 1, RDU Parcels
[6] OCA/USPS-T2-15, Attachment E, page 1, Column 1, RBMC Parcels
[7] OCA/USPS-T2-15, Attachment A, RDU Machinable Parcels, Column 7 - Column 4.
[8] OCA/USPS-T2-15, Attachment A, RDU Nonmachinable Parcels, Column 7 - Column 4.
[9] OCA/USPS-T2-15, Attachment A, RDU Oversized Parcels, Column 7 - Column 4.
[10] OCA/USPS-T2-15, Attachment A, RBMC Machinable Parcels, Column 7 - Column 4.
[11] OCA/USPS-T2-15, Attachment A, RBMC Nonmachinable Parcels, Column 7 - Column 4.
[12] OCA/USPS-T2-15, Attachment A, RBMC Oversized Parcels, Column 7 - Column 4.
[13] Docket No. R2005-1, USPS-LR-K-46
[14] OCA/USPS-T2-15, Attachment E, page 1, Column 2, Machinable Parcels.
[15] OCA/USPS-T2-15, Attachment E, page 1, Column 2, Nonmachinable Parcels.
[16] OCA/USPS-T2-15, Attachment E, page 1, Column 2, Oversized Parcels.

Calculation of Savings[1]

Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]	Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]
1	3,504,391	36	796
2	2,978,943	37	741
3	1,756,365	38	640
4	1,007,156	39	755
5	574,377	40	635
6	345,513	41	521
7	216,106	42	449
8	141,593	43	432
9	98,898	44	323
10	71,833	45	315
11	57,335	46	295
12	38,490	47	309
13	26,728	48	246
14	20,294	49	261
15	15,560	50	249
16	12,509	51	185
17	10,266	52	222
18	8,445	53	183
19	7,382	54	117
20	6,142	55	148
21	5,617	56	156
22	5,171	57	142
23	4,940	58	127
24	4,193	59	151
25	3,838	60	97
26	3,132	61	90
27	2,702	62	95
28	2,524	63	75
29	2,037	64	36
30	1,684	65	52
31	1,423	66	56
32	1,212	67	65
33	1,047	68	45
34	981	69	45
35	835	70	16
		Balloon	89

		Machinable Pieces [B]	Non-machinable Pieces [C]	Balloon-Rate Pieces [D]	All Regular-Size Pieces Combined [E]
[a]	Average Cubic Feet Per Piece	0.425	2.777	2.777	
[b]	Transportation Savings ($ Per Cubic Foot)	2.449	2.449	2.449	
[c]	Transportation Savings ($ Per Wt. Avg. Piece)	1.041	6.801	6.801	1.361
[d]	*Non Transportation Savings ($ Per Piece)*	1.377	5.168	5.168	1.588
[e]	RDU Projected Regular-Sized Volumes	3,021,939	178,010	17	3,199,966
[f]	Total RDU-Volume-Weighted Revenue Using Benchmark (Intra-BMC Local) Rates				10,948,820
[g]	*Weighted Average Benchmark Revenue Per Piece*				3.422
[h]	Weighted Average Savings Per Piece				2.949
[i]	Proposed Price				2.11

Notes

[1] Calculation: Column [A], rows 1 Pound to 70 Pounds = (Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local Rate by weight) * (Current Volumes (WP-PRS-3), RDU pieces by weight)
Calculation: Column [A], Balloon row = (Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local 15-pound Rate) * (Current Volumes (WP-PRS-3), RDU Balloon pieces)
Source: [Ba] (WP-PRS-1, Input [14])
[Ca], [Da] (WP-PRS-1, Input [15])
[Bb] to [Db] (WP-PRS-1, Input [5])
Calculation: Row [c], Columns [B] to [D] = Row [a] * Row [b], Columns [B] to [D]
[Ec] = ([Bc]*[Be] + [Cc]*[Ce] + [Dc]*[De]) / [Ee]
Source: [Bd] (WP-PRS-1, Input [7])
[Cd], [Dd] (WP-PRS-1, Input [8])
Calculation: [Ed] = ([Bd]*[Be] + [Cd]*[Ce] + [Dd]*[De]) / [Ee]
Calculation: [Be] = (WP-PRS-1, Input [3]) * (1 - (Current Volumes, WP-PRS-3), Sum of RDU Balloon and Oversize volumes) / (Current Volumes (WP-PRS-3), Total RDU volume)) * (1 - WP-PRS-1, Input [2])
[Ce] = [Be] / (1 - (WP-PRS-1, Input [2])) * (WP-PRS-1, Input [2])
[De] = (WP-PRS-1, Input [3]) * (Current Volumes (WP-PRS-3), RDU Balloon volume) / (Current Volumes (WP-PRS-3), Total RDU volume)
[Ee] = Sum of [Be], [Ce], [De]
Calculation: [Ef] = (Sum of Column [A], Rows 1 pound to Balloon)
Calculation: [Eg] = [Ef] / (Current Volumes (WP-PRS-3), Sum of RDU volumes for 1 pound to Balloon)
Calculation: [Eh] = [Ec] + [Ed]
Calculation: [Ei] Input [17]* Current PRS Rate for RDU ($2.00)

	Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]
Savings[1]		
Non-Transportation (Per Piece)	0.5600	1.1080
Transportation (Per Cubic Foot)	2.2180	2.2180
Cubic Feet Per Piece	0.4250	2.7770

Calculation of Savings[4]

Weight (Pounds)	Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]	Weight (Pounds)	Nonmachinable Return BMC All Zones [B]
1	5,042,117	1,426,329	36	2,572
2	3,844,503	1,087,545	37	2,381
3	2,060,631	582,918	38	2,041
4	1,091,431	308,747	39	2,381
5	581,041	164,367	40	1,988
6	329,930	93,332	41	1,616
7	200,078	56,599	42	1,382
8	128,302	36,295	43	1,318
9	87,565	24,771	44	978
10	62,307	17,625	45	946
11	48,836	13,815	46	882
12	32,142	9,092	47	914
13	21,933	6,204	48	723
14	16,400	4,639	49	765
15	12,387	3,504	50	723
16	9,775	2,765	51	531
17	7,935	2,245	52	638
18	6,434	1,820	53	521
19	5,564	1,574	54	329
20	4,549	1,287	55	415
21	4,117	1,165	56	436
22	3,752	1,061	57	393
23	3,542	1,002	58	351
24	2,971	840	59	415
25	2,669	761	60	266
26	2,176	616	61	244
27	1,856	525	62	255
28	1,717	486	63	202
29	1,370	388	64	96
30	1,119	317	65	138
31	938	265	66	149
32	793	224	67	170
33	677	191	68	117
34	629	178	69	117
35	532	150	70	43
			Balloon	381

	RBMC	Pieces Weighing 1 to 35 Pounds [C]	Pieces Weighing Over 35 Pounds [D]	Balloon-Rate Pieces [E]
[d]	Calculated Savings	17,476,380	27,432	381
[e]	Total Pieces	9,596,075	3,775	50
[f]	Average Savings/Piece	1.821	7.267	7.267

Notes

[1] Source [Aa] WP-PRS-1 -Input [10]
[Ba] WP-PRS-1 -Input [11]
[Ab],[Bb] WP-PRS-1, -Input [6]
[Ac] WP-PRS-1, Input [14]
[Bc] WP-PRS-1, Input [15]

[2] Calculation Column [A], pounds 1 to 35 = ([Aa] + [Ab]*[Ac]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)
* (1 - (*RBMC Volume Distribution (WP-PRS-6)*, RBMC Nonmachinable share under 36 pounds))
Column [B], pounds 1 to 35 = ([Ba] + [Bb]*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)
* (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds)
Column [B], pounds 36 to 70 plus Balloon = ([Ba] + [Bb]*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 36 to 70, plus Balloon)

Calculation [Cd] = (Sum of Columns [A] and [B], pounds 1-35)
[Ce] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 1-35)
[Cf] = [Cd] / [Ce]

Source [Cg] [Ch] (Assumed)

Calculation [Dd] = (Sum of Column [B], pounds 36-70)
[De] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 36-70)
[Df] = [Dd] / [De]

Source [Dg] [Dh] (Assumed)

Calculation [Ed] = (Column [B], Balloon row)
[Ee] = (RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, Balloon row)
[Ef] = [Ed] / [Ee]

Recalculated Using PRC Costs Provided in Response to USPS-T2-15

	Unit Cost Savings[1] [A]
RDU Savings	
Non-Transportation (Per Piece)	$ 12.343
Transportation (Per Piece)	$ 19.440
Total	$ 31.78
RBMC Savings	
Non-Transportation (Per Piece)	$ 1.647
Transportation (Per Piece)	$ 17.606
Total	$ 19.25

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [9])
Calculation: [Ab] = (WP-PRS-1, Input [5] * Input [16])
Calculation: [Ac] = ([Aa] + [Ab])
Source: [Ad]: (WP-PRS-1, Input [12])
Calculation: [Ae] = (WP-PRS-1, Input [6] * Input [16])
Calculation: [Af] = ([Ad] + [Ae])

Workbook Tab: Oversized Cost Savings

Recalculated Using PRC Costs Provided in Response to USPS-T2-15

	Volume [1] [A]	Projected Revenue[2] [B]	Cost Savings [3] [C]	Revenue Reduction [4] [D]	Savings Passthrough [5] [E]
Parcel Select					
RDU	3,200,000	$6,752,195	$9,438,373	$4,197,467	44.5%
RBMC	9,600,000	$28,418,984	$17,778,091	$8,719,734	49.0%

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [3])
[Ab]: RBMC Forecast (WP-PRS-5), [Ae]

[2] Calculation: [Ba] = (Projected Revenue Calculation (WP-PRS-11), [Aa]
[Bb] = (Projected Revenue Calculation (WP-PRS-11), [Bb]

[3] Calculation: [Ca] = (RDU Savings Calculation (WP-PRS-7), [Ee] *
(RDU Savings Calculation (WP-PRS-6), [Ec] + [Ed]) +
((WP-PRS-1, Input [3]) - (RDU Savings Calculation (WP-PRS-6), [Ee])) *
(Oversized Cost Savings (WP-PRS-8), [Aa] • [Ab])
Calculation: [Cb] = (RBMC Savings Calculation (WP-PRS-7), [Cd] + [Dd] + [Ed]) +
(RBMC Savings Calculation (WP-PRS-7), [Ce]) * (WP-PRS-1, Input [13]) *
(1 - Volume Distribution RBMC (WP-PRS-6), RBMC Nonmachinables share < 35 pounds) +
(Oversized Cost Savings (WP-PRS-8), [Ae] + [Af]) *
(Volume Distribution RBMC (WP-PRS-6), RBMC Total column, Oversized row)

[4] Source: [Da] to [Db] Revenue Impacts (WP-PRS-12), [Aa] to [Ab]

[5] Calculation: [D] = [D] / [C]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS GROMA TO PRESIDING OFFICERS INFORMATION REQUEST NO. 1

3. Please refer to Excel workbook "USPS-T-3_Workpapers," sheet "RDU Savings Calculation." Cells H16 to H50 follow the same basic equation template: (Intra-BMC rate for that weight class) * (RDU volume associated with that weight class). Please confirm that the equation should have added the nonmachinable surcharge associated with Intra-BMC parcels that weigh 36 – 70 lbs. In other words, confirm that the equation for cells H16 to H50 should be: (Intra-BMC rate for that weight class + nonmachinable surcharge) * (RDU volume associated with that weight class). If you do not confirm, please explain why the nonmachinable surcharge is not added in, even though it is applied for all Intra-BMC mail that weighs 36 – 70 lbs. If you do confirm, please provide conforming worksheets.

RESPONSE:

Confirmed. In addition, nonmachinable surcharge revenue for pieces weighing 1-35 pounds was inadvertently excluded. Adding that nonmachinable surcharge revenue increases the total RDU "revenue reduction" from $4,197,467 to $4,452,029 (as presented in USPS-T-3, WP-PRS-13). As a result, the RDU savings passthrough increases from 47.2 percent to 50.1 percent. Conforming worksheets are attached.

Attachment to response to POIR No. 1, question 3
Page 1 of 3

USPS-T-3
WP-PRS-6
REVISED 12/21/05

Calculation of RDU Cost Savings by Weight

Calculation of Savings[1]

Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]	Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]
1	3,504,391	36	964
2	2,978,943	37	897
3	1,756,365	38	773
4	1,007,156	39	910
5	574,377	40	765
6	345,513	41	626
7	216,106	42	539
8	141,593	43	517
9	98,898	44	387
10	71,833	45	376
11	57,335	46	352
12	38,490	47	368
13	26,728	48	293
14	20,294	49	311
15	15,560	50	296
16	12,509	51	219
17	10,266	52	264
18	8,445	53	217
19	7,382	54	138
20	6,142	55	175
21	5,617	56	184
22	5,171	57	167
23	4,941	58	150
24	4,193	59	178
25	3,818	60	115
26	3,132	61	106
27	2,702	62	111
28	2,524	63	89
29	2,037	64	42
30	1,684	65	61
31	1,423	66	66
32	1,232	67	76
33	1,047	68	53
34	981	69	53
35	835	70	19
		Balloon	89

		Machinable Pieces [B]	Non-machinable Pieces [C]	Balloon-Rate Pieces [D]	All Regular-Size Pieces Combined [E]
[a]	Average Cubic Feet Per Piece	0.425	2.777	2.777	
[b]	Transportation Savings ($ Per Cubic Foot)	2.442	2.442	2.442	
[c]	Transportation Savings ($ Per Wt. Avg. Piece)	1.038	6.781	6.781	1.357
[d]	Non Transportation Savings ($ Per Piece)	1.233	4.600	4.600	1.420
[e]	RDU Projected Regular-Sized Volumes	3,021,939	178,010	17	3,199,966
[f]	Total RDU-Volume-Weighted Revenue Using Benchmark (Intra-BMC Local) Rates				11,203,381
[g]	Weighted Average Benchmark Revenue Per Piece				3.501
[h]	Weighted Average Savings Per Piece				2.778
[j]	Proposed Price				2.11

Notes

[1] Calculation: Column [A] rows 1 Pound to 70 Pounds = (Proposed Parcel Post Rates (WP-PRS-2) Intra-BMC Local Rate by weight) * (Current Volumes (WP-PRS-3) RDU pieces by weight)

Calculation: Column [A] Balloon row = (Proposed Parcel Post Rates (WP-PRS-2) Intra-BMC Local 15-pound Rate) * (Current Volumes (WP-PRS-3) RDU Balloon pieces)

Source: [Ba] (WP-PRS-1 Input [14]);
[Ca] [Da] (WP-PRS-1 Input [15])
[Bb] to [Db] (WP-PRS-1 Input [5])

Calculation: Row [c] Columns [B] to [D] = Row [a] * Row [b] Columns [B] to [D]
[Ec] = ([Bc]*[Be] + [Cc]*[Ce] + [Dc]*[De]) / [Ee]

Source: [Bd] (WP-PRS-1 -Input [7])
[Cd] [Dd] (WP-PRS-1 -Input [8])

Calculation: [Ed] = ([Bd]*[Be] + [Cd]*[Ce] + [Dd]*[De]) / [Ee]

Calculation: [Be] = (WP-PRS-1 Input [3]) * (1 - (Current Volumes (WP-PRS-3) Sum of RDU Balloon and Oversize volumes) / (Current Volumes (WP-PRS-3) Total RDU volume - * (1 - WP-PRS-1 Input [2])
[Ce] = [Be] / (1 - (WP-PRS-1 Input [2])) * (WP-PRS-1 Input [2]).
[De] = (WP-PRS-1 Input [3]) * (Current Volumes (WP-PRS-3) RDU Balloon volume) / (Current Volumes (WP-PRS-3) Total RDU volume
[Ee] = Sum of [Be] [Ce] [De]

Calculation: [Ef] = (Sum of Column [A] Rows 1 pound to Balloon)
Calculation: [Eg] = [Ef] / (Current Volumes (WP-PRS-3) Sum of RDU volumes for 1 pound to Balloon)
Calculation: [Eh] = [Ec] + [Ed]
Calculation: [Ej] Input [17]* Current PRS Rate for RDU ($2.00).

Workbook Tab: RDU Savings Calculation

Attachment to response to POIR No. 1, question 3
Page 2 of 3

USPS-T-3
WP-PRS-12
REVISED 12/21/05

Revenue Impacts

Summary of Revenue Impacts[1]

		[A]
[a]	PSRS RDU	(4,452,029)
[b]	PSRS RBMC	(8,719,734)

Return BMC Revenue Impact Detail[2]

Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]	Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]
1	(2,379,952)	(519,216)	(258,437)	(65,845)	36	(199)	(53)	(43)	(15)
2	(1,901,353)	(346,339)	(168,321)	(44,047)	37	(215)	(38)	(24)	(16)
3	(1,016,709)	(189,107)	(87,966)	(24,744)	38	(165)	(42)	(35)	(16)
4	(539,107)	(100,050)	(45,388)	(14,418)	39	(216)	(41)	(37)	(14)
5	(286,213)	(52,425)	(24,696)	(9,124)	40	(188)	(37)	(14)	(22)
6	(161,521)	(30,142)	(14,324)	(5,444)	41	(148)	(40)	(21)	(9)
7	(98,143)	(18,320)	(8,648)	(3,144)	42	(146)	(19)	(22)	(3)
8	(63,040)	(11,584)	(5,489)	(1,942)	43	(137)	(24)	(21)	(3)
9	(42,518)	(7,778)	(3,970)	(1,393)	44	(93)	(25)	(15)	(8)
10	(30,242)	(5,374)	(2,805)	(1,079)	45	(101)	(25)	(9)	(3)
11	(24,414)	(3,958)	(2,071)	(818)	46	(91)	(27)	(13)	(2)
12	(15,660)	(2,834)	(1,489)	(566)	47	(101)	(26)	(8)	(5)
13	(10,425)	(2,110)	(1,066)	(435)	48	(69)	(21)	(20)	(2)
14	(7,782)	(1,520)	(797)	(324)	49	(81)	(29)	(12)	-
15	(5,882)	(1,167)	(640)	(250)	50	(92)	(19)	(3)	(2)
16	(4,629)	(830)	(548)	(206)	51	(50)	(19)	(16)	(2)
17	(3,684)	(728)	(429)	(200)	52	(84)	(11)	(9)	(4)
18	(3,000)	(644)	(325)	(145)	53	(69)	(13)	(4)	(4)
19	(2,571)	(519)	(305)	(134)	54	(44)	(9)	(4)	-
20	(2,311)	(438)	(214)	(133)	55	(58)	(9)	(2)	(4)
21	(1,881)	(406)	(212)	(120)	56	(61)	(10)	(4)	(4)
22	(1,654)	(399)	(240)	(108)	57	(50)	(8)	(8)	(6)
23	(1,562)	(400)	(188)	(95)	58	(47)	(10)	(4)	(4)
24	(1,336)	(290)	(193)	(84)	59	(52)	(10)	(2)	(14)
25	(1,174)	(313)	(151)	(71)	60	(38)	(6)	(4)	(2)
26	(968)	(213)	(158)	(52)	61	(39)	(4)	(2)	(2)
27	(804)	(189)	(132)	(55)	62	(42)	(6)	(2)	-
28	(723)	(198)	(121)	(59)	63	(29)	(8)	(2)	-
29	(562)	(179)	(91)	(42)	64	(13)	-	(4)	(2)
30	(494)	(120)	(76)	(28)	65	(22)	-	(2)	(4)
31	(381)	(105)	(71)	(44)	66	(15)	(9)	(2)	(4)
32	(330)	(85)	(56)	(33)	67	(20)	(9)	(7)	-
33	(295)	(68)	(55)	(15)	68	(25)	-	-	-
34	(266)	(64)	(37)	(33)	69	(16)	(5)	(5)	-
35	(224)	(61)	(41)	(15)	70	(2)	(2)	(5)	-
					Balloon	(44)	-	(1)	-
					Oversized	(510)	(131)	(235)	(26)

Notes

[1] Calculation: [Aa] = (RDU Savings Calculation (WP.PRS-6): [Le]) *
(Proposed PRS Rates (WP.PRS-10): 1-pound rate
RDU Savings Calculation (WP.PRS-6): [Lg]) +
(WP.PRS 1: Input [3]) * (RDU Savings Calculation (WP.PRS-7): [Le]) *
(Proposed PRS Rates (WP.PRS-10): RDU Oversize Rate
Proposed Parcel Post Rates (WP.PRS-2): Intra BMC Local Oversize Rate)
[Ab] = Sum of Columns [A] to [D]: 1-pound row to Oversized row

[2] Calculation: Columns [A] to [D]: 1-pound to 35 pounds and Oversize row
(Proposed PRS Rates (WP.PRS-10): Columns [B] to [E] *
Proposed Parcel Post Rates (WP.PRS-2): Intra-BMC Zoned Rates) *
(Volume Distribution (WP.PRS-5): Return BMC Pieces Zones 1 to 5)
Columns [A] to [D]: 36-pounds to 70 pounds
(Parcel Select Returns Rates (WP.PRS-10): Columns [B] to [E] *
Proposed Parcel Post Rates (WP.PRS-2): (Intra-BMC Zoned Rates +
Intra-BMC Nonmachinable Surcharge)) *
(Volume Distribution (WP.PRS-6): Return BMC Pieces Zones 1 to 5)
Columns [A] to [D]: Balloon row
(Proposed PRS Rates (WP.PRS-10): Cols. [B] to [E]: Balloon row
Proposed Parcel Post Rates (WP.PRS-2): Intra BMC Zoned 15 Pound Rates) *
(Volume Distribution (WP.PRS-5): RBMC Balloon Pcs Zones 1 to 5)

Workbook Tab: Revenue Impacts

Attachment to response to POIR No. 1, question 3
Page 3 of 3

USPS-T-3
WP-PRS-13
REVISED 12/21/05

Financial Summary

		Volume [1] [A]	Projected Revenue[2] [B]	Cost Savings [3] [C]	Revenue Reduction [4] [D]	Savings Passthrough [5] [E]
	Parcel Select					
[a]	RDU	3,200,000	$6,752,195	$8,889,600	$4,452,029	50.1%
[b]	RBMC	9,600,000	$28,418,984	$16,982,312	$8,719,734	51.3%

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [3])
[Ab]: RBMC Forecast (WP-PRS-5), [Ae]

[2] Calculation: [Ba] = (Projected Revenue Calculation (WP-PRS-11), [Aa]
[Bb] = (Projected Revenue Calculation (WP-PRS-11), [Bb]

[3] Calculation: [Ca] = (RDU Savings Calculation (WP-PRS-7), [Ee] *
(RDU Savings Calculation (WP-PRS-6), [Ec] + [Ed]) +
((WP-PRS-1, Input [3]) - (RDU Savings Calculation (WP-PRS-6), [Ee])) *
(Oversized Cost Savings (WP-PRS-8), [Aa] + [Ab])
Calculation [Cb] = (RBMC Savings Calculation (WP-PRS-7), [Cd] + [Dd] + [Ed]) +
(RBMC Savings Calculation (WP-PRS-7), [Ce]) * (WP-PRS-1, Input [13]) *
(1 - Volume Distribution RBMC (WP-PRS-6), RBMC Nonmachinables share < 35 pounds) +
(Oversized Cost Savings (WP-PRS-8), [Ae] + [Af]) *
(Volume Distribution RBMC (WP-PRS-6), RBMC Total column, Oversized row)

[4] Source [Da] to [Db] Revenue Impacts (WP-PRS-12), [Aa] to [Ab]

[5] Calculation [D] = [D] / [C]

USPS-T-3

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

PARCEL RETURN SERVICES

Docket No. MC2006-1

DIRECT TESTIMONY
OF
SAMUEL J. KOROMA
ON BEHALF OF
THE UNITED STATES POSTAL SERVICE

TABLE OF CONTENTS

AUTOBIOGRAPICAL SKETCH

My name is Samuel J. Koroma. I am an economist in Specialty Pricing, Pricing and Classification, in the United States Postal Service Marketing Department. I testified in Docket No. R2001-1 on the Postal Service's proposed fee and classification changes for selected special services (USPS-T-37). I also presented the Postal Service's proposal for a permanent Periodicals "Ride-Along" classification in the same docket (USPS-T-44). My primary responsibilities have included Parcel Post and other pricing issues. Most recently, I presented the Postal Service's pricing and classification proposal in Docket No. MC2005-1 (USPS-T-4) for the experimental Premium Forwarding Service (PFS).

Prior to becoming a career postal employee, I worked in 1995 as an intern and later as an economic analyst for the National Mail Transportation Purchasing department of the United States Postal Service. My responsibilities included conducting various economic studies on the respective modes of transportation.

I earned a Master of Arts degree in Economics from Howard University, Washington, D.C., and also a Bachelor of Science degree in Economics from the University of Sierra Leone.

I. PURPOSE AND SCOPE OF TESTIMONY

The purpose of my testimony is to present and support the Postal Service's proposal for permanent classifications and rates for the Parcel Select portion of the experimental Parcel Return Services (PRS).[1] The Postal Service proposes to make permanent the experimental Return Bulk Mail Center (RBMC) and Return Delivery Unit (RDU) classifications that provide commercial mailers the ability to pick up their returned parcels in bulk, at a designated Bulk Mail Center (BMC) or a designated delivery unit. The testimony will discuss the rationale for the classification changes, the appropriateness of the proposed prices, the classification's potential impacts, and its consistency with the statutory classification criteria.

II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION

Attached to my testimony are my workpapers. My testimony relies on the cost estimates presented by witness Miller (USPS-T-2), and the current PRS product description and volume projections presented by witness Daniel (USPS-T-1).

In addition, this testimony relies on information previously presented to the Postal Rate Commission in Docket No. R2005-1, which is referenced as necessary.

III OVERVIEW OF THE EXPERIMENT

The Postal Service developed Parcel Return Services (PRS) as a customer-friendly and more efficient means for consumers to return parcels to mail-order retailers.

The two-year experiment was recommended by the Commission and was implemented by the Postal Service on October 19, 2003. The experiment includes return services for both Parcel Select and Bound Printed Matter. Under the experimental classifications, commercial mailers or their third-party logistics providers participating in the experiment can choose to receive bulk delivery of returned parcels at a designated delivery unit or at a BMC. PRS was designed to be consistent with destination entry services provided at delivery units or bulk mail centers, so that PRS returned parcels could be picked up at the same facilities where outgoing packages are entered. As a result, some participants may benefit from the increased efficiency of dropping off and picking up parcels concurrently. The worksharing prices for PRS reflected the estimated net savings resulting from avoidance of transportation and processing to the merchant's return address.

As discussed in witness Daniel's testimony (USPS-T-1), only the Parcel Select rate categories have been used by mailers. The Bound Printed Matter categories did not garner any participation. As a result, no permanent return classification is being requested for Bound Printed Matter.

[1] The proposed name for the permanent classification is Parcel Return Service (singular) rather than Parcel Return Services, which was used in the experiment, because it involved both Bound Printed Matter and Parcel Select.

IV. THE PROPOSAL

A. Summary

The Postal Service is proposing permanent classifications and rates for the Parcel Select Return Services RBMC and RDU rate categories. These are found in Attachments A and B to the Request. The Postal Service is proposing to maintain the current rate structures, including flat-rate pricing for regular-sized RDU. The Postal Service is also proposing the same prices that it proposed in the ongoing omnibus rate case, Docket No. R2005-1. Accordingly, the specific rate proposed for regular-sized RDU parcels is a flat price of $2.11 (currently $2.00) . Similarly, for RBMC parcels, the proposed rates are generally 5.4 percent higher than the current prices.

B. Rationale for Maintaining the Rates Proposed in Docket No. R2005-1

The rates proposed in this case are those presented in Docket No. R2005-1 by witness Taufique (USPS-T-28) and documented in Exhibit USPS-28A, Table 6. Those rates represent a 5.4 percent increase over current rates, similar to the changes proposed for other prices in the omnibus rate case. This approach would maintain consistency between the permanent PRS rates and all other rates. It would also avoid the disruption to the Postal Service and the mailers of potentially having the PRS rates change twice within a short period, once as a result of the omnibus case and then again as a result of this case.

I have analyzed and assessed the proposed rates using relevant portions of the pricing methodology developed by witness Kiefer in Docket No. MC2003-2 and considering the cost data filed by witness Miller in USPS-T-2 in this case. My assessment concluded that the proposed pricing is reasonable in the context of the

specific history of, and data available for, PRS and the Postal Service's omnibus pricing proposals. Subsequent omnibus filings will provide opportunities for a more typical evaluation of all prices, including PRS pricing.

V. PRICING AND RATE DESIGN

As discussed in witness Daniel's testimony (USPS-T- 1), the RDU and the RBMC categories are fundamentally different from each other. Therefore, the separate pricing structures proposed by witness Kiefer in Docket No. MC2003-2 (USPS-T-3) and recommended by the Commission remain appropriate for the permanent classifications and rates proposed here.

A. RDU Pricing and Rate Design

1. Regular-sized Parcels

The proposed prices are $2.11 for pieces of all weights and sizes, except "oversized" parcels. The simplified unitary pricing approach for regular-sized RDU parcels developed by witness Kiefer continues to be reasonable since there have been no significant departures from what was expected in the original PRS filing. A flat rate for RDU parcels avoids the complexities of weighing and rating each parcel. Additionally, the absence of a transportation component and the minimal mail processing involved in handling RDU pieces support the flat rate design. Such a rate structure is also easier to communicate and understand from both the customer's and Postal Service's perspective.

Estimates of transportation and non-transportation cost savings for RDU parcels compared to the benchmark, Parcel Post Intra-BMC local parcels, were provided by

witness Miller (USPS-T-2). To evaluate the proposed prices, I calculated the average per-piece savings for regular-sized RDU pieces, taking into account witness Miller's average cubic feet per piece estimates for machinable and nonmachinable parcels. I used the weight distribution of RBMC pieces to distribute RDU pieces (which do not have a weight component) to weight increment. Then, using the proposed benchmark[2] rates (local Intra-BMC rates), I estimated the revenue RDU pieces would have generated if those benchmark rates applied. I then divided this total revenue by the volume to get the revenue per piece for these RDU parcels (but at the Intra-BMC prices). Next, I calculated the average savings per piece using cost savings estimates from witness Miller, USPS-T-2. The results of these calculations are presented in workpaper WP-PRS-6. The financial implications are shown in workpaper WP-PRS-13 and discussed in more detail in section VII.

2. Oversized Parcels

The proposed price for oversized RDU parcels is $7.92. Oversized parcel cost savings estimates from witness Miller were used to evaluate this price. These savings calculations are shown in workpaper WP-PRS-8. The financial implications are shown in workpaper WP-PRS-13 and discussed in more detail in section VII.

[2] The term "benchmark" is usually used in conjunction with costs, however, for simplification, I am using it in my testimony when referring to rates, as well.

B. RBMC Pricing and Rate Design

1. Regular-sized Parcels

The proposed RBMC prices are evaluated using cost savings estimates provided by witness Miller (USPS-T-2) and witness Kiefer's methodology in Docket No. MC2003-2, USPS-T-3.

Witness Miller (USPS-T-2) provides cost savings estimates for PRS in comparison to zoned Intra-BMC Parcel Post. The cost differences are provided for machinable and non-machinable parcels. Using current weight and zone distribution for RBMC parcels from the experiment and the cost savings estimates for machinable and nonmachinable parcels, I calculated the savings for machinable and nonmachinable RBMC parcels separately for light/medium weight pieces (those rated from 1-35 pounds), heavier pieces (those rated over 35 pounds), and balloon rate pieces (see WP-PRS-7). Also, using the proposed PRS prices, I calculated the revenue in workpaper WP-PRS-11, and in workpaper WP-PRS-12 I subtracted the revenue that would have been generated by the intra-BMC Parcel Post prices to determine the revenue differential. The financial implications are shown in workpaper WP-PRS-13 and discussed in more detail in section VII.

2. Oversized parcels

The proposed prices for oversized RBMC parcels were evaluated using witness Miller's (USPS-T-2) cost savings estimates for oversized RBMC parcels. These calculations are shown in workpaper WP-PRS-8. The financial implications are shown in workpaper WP-PRS-13 and discussed in more detail in section VII.

VI. RATIONALE FOR PERMANENT CLASSIFICATION

The experiment has yielded useful information that supports the establishment of a permanent classification for Parcel Select RDU and RBMC. In particular, response from customers has been favorable, volume is expected to grow, and the operational results have been positive.

A. Response to Experiment by Mailers

Having recognized that an easy and convenient returns process contributes to customers' loyalty and profitability, direct-to-customer commercial mailers are increasingly soliciting the services of reverse logistics providers to handle their returns. At the moment, there are two such providers participating in PRS; they represent many end users. The number of participants is expected to grow along with an increasing number of end users, as merchants try to optimize their return processes. See witness Daniel's testimony (USPS-T-1) for a more complete description of the market response to the experiment.

B. Expected Growth

PRS volume has doubled from the first year of the experiment to the second year, and is projected to grow significantly in fiscal year (FY) 2006. See witness Daniel's testimony (USPS-T-1), Section III, for a complete discussion on volume projections.

C. Operational Results

During the experiment, the Postal Service made a few operational modifications to improve ease of use for commercial mailers; it also simplified the product flow. As a whole, the two-year experiment has shown PRS to be operationally feasible from both

the Postal Service's and the customers' perspectives. See witness Daniel's testimony (USPS-T-1) for a more complete description of the operational results.

VII. REVENUE, COST AND VOLUME IMPLICATIONS

Witness Daniel (USPS-T-1) provides projected FY 2006 RBMC and RDU volumes as follows:

RDU Pieces:	3.2 million
RBMC Pieces:	9.6 million

I used these volume projections in the calculation of the financial implications of the proposed rates. In earlier sections, I described how I calculated the effective revenue differential by comparing the proposed prices to the benchmark prices. The revenue differentials generated from RDU and RBMC are $4,197,467 and $8,719,734, respectively.[3] I also described how I used witness Miller's unit cost savings estimates to determine total savings estimates for RDU and RBMC. These estimated cost savings are $8,889,600 and $16,982,312 for RDU and RBMC, respectively. The resulting implicit passthroughs are therefore 47 percent and 51 percent for RDU and RBMC, respectively.[4] These calculations are derived in my workpaper WP-PRS-13 and shown in the table below.

---

[3] See workpaper WP-PRS-12. The "revenue differential" is the difference between the Intra-BMC rates and the proposed PRS rates.

[4] As described earlier, the proposed rates are consistent with the across-the-board approach used in Docket No. R2005-1. Therefore, the prices were not derived through a step-by-step rate design exercise that would have involved explicit selection of passthroughs. Instead, the rate design approach underlying the current rates is used to verify that the proposed prices are reasonable in light of the costs reported by witness Miller in this case.

Parcel Return Service Cost Savings Passthroughs

	Cost Savings	Revenue Differential	Savings Passthrough[5]
RDU	$8,889,600	$4,197,467	47.2%
RBMC	$16,982,312	$8,719,734	51.3%

The overall revenue from the proposed categories is small relative to Parcel Post total revenue for test year 2006 reported in Docket No. R2005-1. Test Year after Rates Parcel Post revenue reported is approximately $1.239 Billion.[6] Therefore, even with the growth projections from witness Daniel, revenue from PRS, at approximately $35 million (See WP-PRS-11), would be only 2.8 percent of Parcel Post total revenue, and 0.05 percent of total domestic mail revenue. Therefore, PRS should not materially affect Parcel Post's contribution to institutional costs relative to other subclasses. The proposed pricing has the effect of recognizing some, but not all, of the estimated cost differences that PRS enjoys, so the impact on contribution, though minimal, is positive.[7]

VIII. CLASSIFICATION CRITERIA

Section 3623(c) of Title 39 U.S.C. requires the Commission to make its recommended decision on establishing a new classification in accordance with the following factors:

1. the establishment and maintenance of a fair and equitable classification system for all mail;

[5] Revenue differential divided by cost savings.
[6] Docket No. R2005-1, Exhibit USPS-27B.
[7] Total contribution from Parcel Post is expected to be over $250,000,000. See Docket No. R2005-1, Exhibit USPS-27B.

2. the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;

3. the importance of providing classifications with extremely high degrees of reliability and speed of delivery;

4. the importance of providing classifications which do not require an extremely high degree of reliability and speed of delivery;

5. the desirability of special classifications from the point of view of both the user and of the Postal Service; and

6. such other factors as the Commission may deem appropriate.

The proposed classification is fair and equitable (Criterion 1) to consumers, commercial mailers, as well as the Postal Service without creating any undue disadvantage to either postal customers or postal competitors. It fosters a smooth return process for consumers, and promotes a more efficient and less costly means of collecting returns by commercial mailers. The creation of PRS provides value in that it enables another option for the return of parcels. In this instance, it enables a return process that is more efficient and convenient relative to other return mechanisms (Criterion 2). Given that PRS is a category of Parcel Post, the degree of reliability and speed of delivery is commensurate with that of Parcel Post; however, I would note that the worksharing aspects of the service allow for increased reliability and speed of returns by enabling the activity of the agents which expedites the return process (Criteria 3 and 4). In addition, the proposed classification is desirable to the Postal Service, commercial mailers, and their customers (Criterion 5), as described below. The Postal Service will have a broader product line that better meets the needs of both commercial senders and individual recipients. This is achieved through advantageous pricing for the commercial

customers and increased convenience for consumers who need to return items. The classification is desirable to the Postal Service in that these advantages are provided through worksharing arrangements that reduce the costs to the Postal Service. The end result is that both merchants and consumers benefit, while other customers are in no way disadvantaged.

IX. DMCS CHANGES

I propose that the Commission recommend the Parcel Select RDU and RBMC rate categories as permanent classifications within the Parcel Post subclass at rates presented in Attachment B to the Request. Attachment A to the Request presents the proposed DMCS language. Sections 521.27 and 521.28, which describe the proposed Parcel Select rate categories, are maintained. Section 521.11, which describes the duration of the experiment for Parcel Select Return Service, is eliminated. Since a separate classification for Bound Printed Matter is not proposed, sections 522.27 and 522.11, which describe the service for Bound Printed Matter and the duration of the experiment, are eliminated.

During the course of the experiment, as noted by witness Daniel, it was discovered that consumers occasionally seek a record of having mailed the return. In order to serve these customers, I propose that the existing Certificate of Mailing service be made available to consumers entering PRS parcels. The proposed DMCS language reflects this addition in section 562. The DMCS section regarding Certificates of Mailing is also amended to include availability for PRS through the addition of section 947.22. Sections 561 and 562 are added so that the Ancillary Services section for Package

Services can be split into two groupings: one section for all Package Services other than Parcel Return Service; and another section specifically for Parcel Return Service.

Several other sections are revised to note that the Bound Printed Matter option is not being proposed as a permanent classification, including 933.22b, 943.221b, 944.21c, 945.221c, 948, 949, 951.21, 951.21b, and 2032. In most instances, these sections clarify that other special services are not available for Parcel Return Service, though they are available for other Package Services.

Section 570 is amended to delete Bound Printed Matter Return Service from the list of rates and fees within Package Services. The section retains the current listing for Parcel Select Return Services, though it deletes the plural form, "services."

Also, participants in this service are required to hold a permit and pay an accounting fee as described in section 585, which is amended to remove the reference to Bound Printed Matter Return Service. The permit and accounting fees proposed by witness Taufique (USPS-T-28) in Docket No. R2005-1 are proposed to apply.[8]

Attachment B to the Request has the proposed rate schedules. Schedule 522E is deleted. Also, fee schedule 1000 is presented to show that the applicable fees are proposed to increase to the level proposed in Docket No. R2005-1.

[8] USPS-T-28, Exhibit USPS-28A Table 10.

USPS-T-3
WORKPAPERS

Table of Contents

USPS-T-3
WP-PRS-1

Major Input Assumptions for Proposed Rate Schedule Determination

	Input Assumption	Notes	Value
	Total Estimated PSRS Volume	[1]	12,800,000
	Nonmachinables Share of Total PSRS Volume	[2]	0.05563
	Estimated PSRS RDU Volume	[3]	3,200,000
	Estimated Zone Distributions for PSRS RBMC Volumes		
	Zones 1&2	[4a]	75.7%
	Zone 3	[4b]	15.0%
	Zone 4	[4c]	7.3%
	Zone 5	[4d]	2.0%
	Unit Transportation Cost Impacts ($/Cubic Foot)		
	RDU Return Parcels (Compared to Local Intra-BMC)	[5]	-$2.442
	RBMC Machinable Parcels (Compared to Zoned Intra-BMC)	[6]	-$2.212
	Unit Non-Transportation Cost Impacts ($/Piece)		
	RDU Return Parcels (Compared to Intra-BMC Local)		
	Machinable Parcels	[7]	-$1.233
	Nonmachinable Parcels	[8]	-$4.600
	Oversized Parcels	[9]	-$11.126
	RBMC Machinable Parcels (Compared to Intra-BMC)		
	Machinable Parcels	[10]	-$0.482
	Nonmachinable Parcels	[11]	-$1.002
	Oversized Parcels	[12]	-$1.536
	Barcoding Cost Savings ($/Piece)	[13]	$0.03
	Average Cubic Feet Per Piece		
	RDU and RBMC Return Parcels		
	Machinable Parcels	[14]	0.425
	Nonmachinable Parcels	[15]	2.777
	Oversized Parcels	[16]	7.938

Notes

1 USPS-T-1
2 Share of Nonmachinable PRS Pieces from FY2004 RPW.
3 USPS-T-1
4a-4d RBMC zone distribution based on Base Year Volumes.
5 USPS-T-2, Attachment E, page 1, Column 1, RDU Parcels
6 USPS-T-2, Attachment E, page 1, Column 1, RBMC Parcels
7 USPS-T-2, Attachment A, RDU Machinable Parcels, Column 7 - Column 4.
8 USPS-T-2, Attachment A, RDU Nonmachinable Parcels, Column 7 - Column 4.
9 USPS-T-2, Attachment A, RDU Oversized Parcels, Column 7 - Column 4.
10 USPS-T-2, Attachment A, RBMC Machinable Parcels, Column 7 - Column 4.
11 USPS-T-2, Attachment A, RBMC Nonmachinable Parcels, Column 7 - Column 4.
12 USPS-T-2, Attachment A, RBMC Oversized Parcels, Column 7 - Column 4.
13 Docket No. R2005-1, USPS-LR-K-46
14 USPS-T-2, Attachment E, page 1, Column 2, Machinable Parcels.
15 USPS-T-2, Attachment E, page 1, Column 2, Nonmachinable Parcels.
16 USPS-T-2, Attachment E, page 1, Column 2, Oversized Parcels.

USPS-T-3
WP-PRS-2

R2005-1 Proposed Intra-BMC Parcel Post Rates

Intra-BMC Pieces[1]

Weight (Pounds)	Local	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Weight (Pounds)	Local	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	2.96	3.12	3.15	3.21	3.31	36	6.75	8.57	10.51	11.19	12.10
2	3.30	3.72	3.75	3.83	3.94	37	6.79	8.66	10.60	11.28	12.18
3	3.63	4.30	4.33	4.43	4.55	38	6.84	8.73	10.70	11.35	12.26
4	3.93	4.51	4.87	4.97	5.12	39	6.91	8.81	10.80	11.41	12.33
5	4.21	4.69	5.29	5.43	5.64	40	6.97	8.86	10.88	11.48	12.41
6	4.46	4.86	5.67	5.81	6.11	41	7.03	8.96	10.99	11.54	12.48
7	4.60	5.02	6.00	6.16	6.55	42	7.08	9.01	11.07	11.62	12.54
8	4.70	5.62	6.30	6.47	6.96	43	7.14	9.07	11.15	11.68	12.60
9	4.81	5.75	6.56	6.80	7.33	44	7.21	9.15	11.24	11.74	12.65
10	4.91	5.93	6.88	7.10	7.67	45	7.25	9.20	11.31	11.81	12.70
11	5.00	6.07	7.10	7.38	7.99	46	7.29	9.30	11.40	11.96	12.75
12	5.10	6.23	7.31	7.65	8.29	47	7.36	9.37	11.47	12.02	12.81
13	5.19	6.37	7.48	7.91	8.57	48	7.41	9.42	11.56	12.06	12.86
14	5.27	6.49	7.61	8.17	8.83	49	7.45	9.50	11.64	12.11	12.91
15	5.35	6.61	7.79	8.39	9.09	50	7.50	9.53	11.71	12.15	12.96
16	5.45	6.72	7.97	8.60	9.32	51	7.57	9.62	11.77	12.21	13.02
17	5.51	6.86	8.14	8.83	9.54	52	7.60	9.69	11.88	12.25	13.07
18	5.59	6.96	8.29	9.03	9.74	53	7.65	9.72	11.93	12.28	13.12
19	5.65	7.08	8.45	9.22	9.94	54	7.72	9.78	11.97	12.33	13.18
20	5.75	7.19	8.60	9.39	10.12	55	7.77	9.84	12.02	12.38	13.23
21	5.81	7.28	8.75	9.55	10.30	56	7.80	9.91	12.06	12.43	13.28
22	5.87	7.40	8.87	9.70	10.46	57	7.85	9.98	12.08	12.45	13.33
23	5.94	7.48	9.04	9.84	10.61	58	7.91	10.03	12.12	12.49	13.39
24	6.01	7.58	9.17	9.97	10.77	59	7.96	10.09	12.15	12.53	13.44
25	6.08	7.66	9.30	10.10	10.91	60	7.98	10.16	12.18	12.55	13.49
26	6.13	7.77	9.41	10.23	11.05	61	8.07	10.22	12.22	12.60	13.54
27	6.20	7.85	9.55	10.35	11.17	62	8.09	10.28	12.25	12.66	13.60
28	6.26	7.93	9.68	10.45	11.30	63	8.15	10.33	12.27	12.73	13.65
29	6.33	8.02	9.80	10.56	11.41	64	8.20	10.39	12.29	12.79	13.70
30	6.41	8.11	9.91	10.67	11.52	65	8.24	10.45	12.33	12.85	13.75
31	6.46	8.19	9.99	10.76	11.64	66	8.27	10.52	12.35	12.92	13.81
32	6.51	8.28	10.12	10.87	11.73	67	8.35	10.58	12.38	13.00	13.86
33	6.59	8.35	10.22	10.95	11.84	68	8.39	10.60	12.40	13.04	13.91
34	6.64	8.43	10.31	11.04	11.92	69	8.40	10.68	12.42	13.11	13.97
35	6.69	8.50	10.42	11.12	12.02	70	8.41	10.73	12.45	13.18	14.02
						Balloon	5.35	6.61	7.79	8.39	9.09
						Oversized	25.06	36.33	36.67	37.40	38.50

Discounts and Surcharges (Per Piece)

Nonmachinable Surcharges	
Intra-BMC	1.42
Barcode Discount	0.03

Notes

[1] *Pieces weighing* over 35 pounds must automatically add the nonmachinable surcharge.
Source: Docket No. R2005-1, USPS-T-28, Exhibit 28A

USPS-T-3
WP-PRS-3

Distribution of Current Volumes by Zone and Weight[1]

RDU Pieces				RBMC Pieces										
Weight (Pounds)	RDU	Weight (Pounds)	RDU	Weight (Pounds)	RBMC Zones 1 & 2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5	RBMC Total	Weight (Pounds)	RBMC Zones 1 & 2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5	RBMC Total
1	10,981	36	1	1	1,788,258	394,465	196,343	49,475	2,428,541	36	155	41	34	12	242
2	8,373	37	1	2	1,428,646	263,125	126,474	33,464	1,851,709	37	185	29	18	12	224
3	4,488	38	1	3	763,939	143,671	66,096	18,799	992,505	38	123	31	26	12	192
4	2,377	39	1	4	405,078	75,178	34,483	10,854	525,689	39	157	30	27	10	224
5	1,265	40	1	5	215,056	39,391	18,556	6,856	279,859	40	135	26	10	16	187
6	719	41	1	6	121,384	22,648	10,783	4,136	158,911	41	103	28	15	6	152
7	436	42	1	7	73,743	13,785	6,498	2,362	96,388	42	100	13	15	2	130
8	279	43	1	8	47,367	8,801	4,170	1,459	61,797	43	92	16	14	2	124
9	191	44	0	9	32,302	5,844	2,983	1,047	42,176	44	61	16	10	5	92
10	136	45	0	10	22,976	4,083	2,131	820	30,010	45	65	16	6	2	89
11	106	46	0	11	18,344	3,007	1,556	615	23,522	46	57	17	8	1	83
12	70	47	0	12	11,787	2,153	1,131	430	15,481	47	62	16	5	3	86
13	48	48	0	13	7,833	1,603	801	327	10,564	48	42	13	12	1	68
14	36	49	0	14	5,912	1,142	599	246	7,899	49	48	17	7	-	72
15	27	50	0	15	4,420	877	481	188	5,966	50	54	11	2	1	68
16	21	51	0	16	3,517	824	412	155	4,708	51	29	11	9	1	50
17	17	52	0	17	2,799	547	326	150	3,822	52	47	6	5	2	60
18	14	53	0	18	2,254	489	247	109	3,099	53	38	7	2	2	49
19	12	54	0	19	1,953	394	232	101	2,680	54	24	5	2	-	31
20	10	55	0	20	1,568	329	176	100	2,191	55	31	5	1	2	39
21	9	56	0	21	1,429	305	159	90	1,983	56	32	5	2	2	41
22	8	57	0	22	1,243	303	160	81	1,807	57	26	4	4	3	37
23	8	58	0	23	1,187	304	143	72	1,706	58	24	5	2	2	33
24	6	59	0	24	1,004	218	145	64	1,431	59	26	5	1	7	39
25	6	60	0	25	892	235	115	53	1,295	60	19	3	2	1	25
26	5	61	0	26	727	162	120	39	1,048	61	19	2	1	1	23
27	4	62	0	27	611	142	99	42	894	62	20	3	1	-	24
28	4	63	0	28	543	149	91	44	827	63	14	4	1	-	19
29	3	64	0	29	422	136	70	32	660	64	6	-	2	1	9
30	2	65	0	30	371	90	57	21	539	65	10	-	1	2	13
31	2	66	0	31	286	80	53	33	452	66	7	4	1	2	14
32	2	67	0	32	251	64	42	25	382	67	9	4	3	-	16
33	1	68	0	33	222	52	41	11	326	68	11	-	-	-	11
34	1	69	0	34	202	48	28	25	303	69	7	2	2	-	11
35	1	70	0	35	168	46	31	11	256	70	1	1	2	-	4
		Balloon	0							Balloon	33	-	1	-	34
		Oversized	0							Oversized	39	10	18	2	69
		Total	29,681							Total	4,970,561	964,874	476,104	132,551	6,564,090

Notes

[1] RBMC volume data (July 2004- June 2005).
RDU volume data (January 2005-June 2005).
RDU weight distribution based on RBMC average weight distribution by weight steps

Source: PRS Experiment Data.

USPS-T-3
WP-PRS-4

RBMC Forecast Volume Distribution

		Forecast Volumes[1] [A]
	RBMC	
[a]	Zones 1&2	7,269,459
[b]	Zone 3	1,440,381
[c]	Zone 4	696,303
[d]	Zone 5	193,856
[e]	Total	9,600,000

Notes

[1] Calculation:
[Aa] to [Ad] = (WP-PRS-1, Inputs [4a] to [4d]) * (Input [1] - Input [3]))
[Ae] = Sum of [Aa] to [Ad]

Workbook Tab: RBMC Forecast

Distribution of Forecast PSRS Pieces by Zone and Weight

RDU [1]				RBMC[1]											
Weight (Pounds)		Weight (Pounds)		Weight (Pounds)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	RBMC Total	Weight (Pounds)	Zones 1 & 2	Zone 3	Zone 4	Zone 5	RBMC Total
1	1,183,818	36	116	1	2,615,332	576,908	287,152	72,357	3,551,748	36	227	60	50	18	354
2	902,710	37	109	2	2,089,399	384,821	184,869	48,841	2,708,130	37	241	42	26	18	328
3	483,847	38	84	3	1,117,263	210,119	96,666	27,494	1,451,541	38	180	45	36	18	281
4	256,274	39	109	4	592,425	109,945	50,431	16,020	768,822	39	230	44	39	15	328
5	136,432	40	91	5	314,520	57,609	27,138	10,027	409,295	40	197	38	15	23	273
6	77,469	41	74	6	177,495	33,123	15,741	6,049	232,408	41	151	41	22	9	222
7	48,978	42	83	7	107,849	20,131	9,503	3,454	140,938	42	146	19	22	3	190
8	30,126	43	80	8	69,274	12,871	6,099	2,134	90,378	43	135	23	20	3	181
9	20,561	44	45	9	47,242	8,547	4,363	1,531	61,683	44	89	23	15	7	135
10	14,630	45	43	10	33,602	5,871	3,117	1,199	43,890	45	95	23	9	3	130
11	11,467	46	40	11	26,828	4,306	2,276	899	34,401	46	83	25	12	1	121
12	7,547	47	42	12	17,208	3,148	1,654	629	22,641	47	81	23	7	4	126
13	5,150	48	33	13	11,456	2,344	1,171	478	15,450	48	61	18	18	1	99
14	3,851	49	35	14	8,648	1,870	678	380	11,552	49	70	25	10	-	105
15	2,906	50	33	15	6,464	1,283	703	275	8,725	50	78	16	3	1	98
16	2,295	51	24	16	5,144	913	603	227	6,885	51	42	16	13	1	73
17	1,863	52	29	17	4,094	800	477	219	6,590	52	69	9	7	3	88
18	1,511	53	24	18	3,298	715	361	158	4,532	53	58	10	3	3	72
19	1,307	54	15	19	2,856	576	339	148	3,920	54	35	7	3	-	45
20	1,089	55	19	20	2,320	491	257	146	3,204	55	45	7	1	3	57
21	967	56	20	21	2,090	448	233	132	2,900	56	47	7	3	3	60
22	881	57	18	22	1,818	443	263	118	2,843	57	38	8	6	4	54
23	872	58	18	23	1,736	445	209	105	2,495	58	35	7	3	3	48
24	699	59	19	24	1,466	318	212	94	2,093	59	38	7	1	10	57
25	631	60	12	25	1,305	344	168	78	1,894	60	28	4	3	1	37
26	511	61	11	26	1,083	237	176	57	1,533	61	26	3	1	1	34
27	436	62	12	27	894	209	145	61	1,307	62	29	4	1	-	35
28	403	63	9	28	784	218	133	64	1,209	63	20	6	1	-	28
29	322	64	4	29	617	199	102	47	965	64	9	-	3	1	13
30	283	65	8	30	543	132	83	31	788	65	15	-	1	3	19
31	220	66	7	31	418	117	78	48	661	66	10	6	1	3	20
32	186	67	8	32	367	94	81	37	559	67	13	6	4	-	23
33	158	68	5	33	325	78	60	16	477	68	16	-	-	-	16
34	146	69	5	34	295	70	41	37	443	69	10	3	3	-	16
35	125	70	2	35	246	67	45	16	374	70	1	1	3	-	5
		Balloon	17							Balloon	48	-	1	-	50
		Oversized	34							Oversized	67	15	28	3	101
		Total	3,200,000							Total	7,269,458	1,440,381	886,303	183,856	9,800,000

Total Nonmachinable Pieces 634,040

Nonmachinable Share of Pieces 1-35 pounds 5.526%

Notes

[1] RDU weight distribution based on RBMC average weight distribution by weight step

[1] Calculation:
Rows 1 Pound through Oversized = (Volume Distribution (WP-PRS-5), (total RBMC volume for each weight / total RBMC volume)) * Input [3]
Total Row: Sum of rows 1 Pound to Oversized for RDU

[2] Calculation:
(Current Volumes (WP-PRS-3), (RBMC volume for each weight and zone / total RBMC volume by zone)) * (RBMC Forecast (WP-PRS-4), [As] to [Ad]);
Total Row: Sum of rows 1 Pound to Oversized for each zone;
RBMC Total Column: Sum of zones for each row.
Nonmachinables Total = (RBMC Total) * (WP-PRS-1, Input[2]).
Nonmachinables Share Under 35 lbs = (Nonmachinables Total - Sum of RBMC volume 36 - 70 pounds) / (Sum of RBMC volume 1 - 35 pounds)

Workbook Tab: Volume Distribution

USPS-T-3
WP-PRS-5

Calculation of RDU Cost Savings by Weight

Calculation of Savings[h]

Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]	Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]
1	3,504,391	36	796
2	2,978,943	37	741
3	1,756,365	38	640
4	1,007,156	39	755
5	574,377	40	635
6	345,513	41	521
7	216,106	42	449
8	141,593	43	432
9	98,898	44	323
10	71,833	45	315
11	57,335	46	295
12	38,490	47	309
13	26,728	48	246
14	20,294	49	261
15	15,560	50	249
16	12,509	51	185
17	10,266	52	222
18	8,445	53	183
19	7,382	54	117
20	6,142	55	148
21	5,617	56	156
22	5,171	57	142
23	4,940	58	127
24	4,193	59	151
25	3,838	60	97
26	3,132	61	90
27	2,702	62	95
28	2,524	63	75
29	2,037	64	36
30	1,684	65	52
31	1,423	66	56
32	1,212	67	65
33	1,047	68	45
34	981	69	45
35	835	70	16
		Balloon	69

		Machinable Pieces [B]	Non-machinable Pieces [C]	Balloon-Rate Pieces [D]	All Regular-Size Pieces Combined [E]
[a]	Average Cubic Feet Per Piece	0.425	2.777	2.777	
[b]	Transportation Savings ($ Per Cubic Foot)	2.442	2.442	2.442	
[c]	Transportation Savings ($ Per Wt. Avg. Piece)	1.038	6.781	6.781	1.357
[d]	Non Transportation Savings ($ Per Piece)	1.233	4.600	4.600	1.420
[e]	RDU Projected Regular-Sized Volumes	3,021,939	178,010	17	3,199,966
[f]	Total RDU-Volume-Weighted Revenue Using Benchmark (Intra-BMC Local) Rates:				10,948,820
[g]	Weighted Average Benchmark Revenue Per Piece				3.422
[h]	Weighted Average Savings Per Piece				2.778
[i]	Proposed Price				2.11

Notes

[1] Calculation: Column [A], rows 1 Pound to 70 Pounds = (Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local Rate by weight) * (Current Volumes (WP-PRS-4), RDU pieces by weight)

Calculation: Column [A], Balloon row = (Proposed Parcel Post Rates (WP-PRS-3), Intra-BMC Local 15-pound Rate) * (Current Volumes (WP-PRS-4), RDU Balloon pieces)

Source: [Ba]: (WP-PRS-1, Input [14])
[Ca], [Da]: (WP-PRS-1, Input [15])
[Bb] to [Db]: (WP-PRS-1, Input [5])

Calculation: Row [c], Columns [B] to [D] = Row [a] * Row [b], Columns [B] to [D]

[Ec] = ([Bc]*[Be] + [Cc]*[Ce] + [Dc]*[De]) / [Ee]

Source: [Bd]: (WP-PRS-1, -Input [7])
[Cd], [Dd]: (WP-PRS-1, -Input [8])

Calculation: [Ed] = ([Bd]*[Be] + [Cd]*[Ce] + [Dd]*[De]) / [Ee]

Calculation: [Ba] = (WP-PRS-1, Input [3]) * (1 - (Current Volumes (WP-PRS-3), Sum of RDU Balloon and Oversize volumes) / (Current Volumes (WP-PRS-3), Total RDU volume)) * (1 - WP-PRS-1, Input [2])

[Ca] = [Ba] / (1 - (WP-PRS-1, Input [2])) * (WP-PRS-1, Input [2])

[Da] = (WP-PRS-1, Input [3]) * (Current Volumes (WP-PRS-3), RDU Balloon volume) / (Current Volumes (WP-PRS-3), Total RDU volume)

[Ea] = Sum of [Ba], [Ca], [Da]

Calculation: [Ef] = (Sum of Column [A], Rows 1 pound to Balloon)

Calculation: [Eg] = [Ef] / (Current Volumes (WP-PRS-3), Sum of RDU volumes for 1 pound to Balloon)

Calculation: [Eh] = [Ec] + [Ed]

Calculation: [Ei], Input [17], Current PRS Rate for RDU ($2.00)

USPS-T-3
WP-PRS-7

Distribution of RBMC Cost Savings by Weight

		Machinable Return BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]
	Savings[1]		
[a]	Non-Transportation (Per Piece)	0.4820	1.0020
[b]	Transportation (Per Cubic Foot)	2.2120	2.2120
[c]	Cubic Feet Per Piece	0.4250	2.7770

Calculation of Savings[2]

Weight (Pounds)	Machinable *Return* BMC All Zones [A]	Nonmachinable Return BMC All Zones [B]	Weight (Pounds)	Nonmachinable Return BMC All Zones [B]
1	4,771,833	1,402,255	36	2,529
2	3,638,418	1,069,189	37	2,341
3	1,950,170	573,079	38	2,006
4	1,032,925	303,536	39	2,341
5	549,894	161,592	40	1,954
6	312,244	91,756	41	1,588
7	189,353	55,644	42	1,358
8	121,425	35,682	43	1,296
9	82,872	24,353	44	961
10	58,967	17,328	45	930
11	46,218	13,582	46	867
12	30,419	8,939	47	899
13	20,757	6,100	48	711
14	15,521	4,561	49	752
15	11,723	3,445	50	711
16	9,251	2,718	51	522
17	7,510	2,207	52	627
18	6,089	1,789	53	512
19	5,268	1,547	54	324
20	4,305	1,265	55	408
21	3,896	1,145	56	428
22	3,551	1,043	57	387
23	3,352	985	58	345
24	2,812	826	59	408
25	2,545	748	60	261
26	2,059	605	61	240
27	1,757	516	62	251
28	1,625	478	63	199
29	1,297	381	64	94
30	1,059	311	65	136
31	888	261	66	146
32	751	221	67	167
33	641	188	68	115
34	595	175	69	115
35	503	148	70	42
			Balloon	355

RBMC

		Pieces Weighing 1 to 35 Pounds [C]	Pieces Weighing Over 35 Pounds [D]	Balloon-Rate Pieces [E]
[d]	Calculated Savings	18,881,086	26,969	355
[e]	Total Pieces	9,596,075	3,775	50
[f]	Average Savings/Piece	1.738	7.145	7.145

Notes

[1] Source [Aa] WP-PRS-1, -Input [10]
[Ba] WP-PRS-1, -Input [11]
[Ab],[Bb] WP-PRS-1, -Input [6]
[Ac] WP-PRS-1, Input [14]
[Bc] WP-PRS-1, Input [15]

[2] Calculation Column [A], pounds 1 to 35 = ([Aa] + [Ab]*[Ac]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)
* (1 - (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds))
Column [B], pounds 1 to 35 = ([Ba] + [Bb]*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 1-35)
* (RBMC Volume Distribution (WP-PRS-6), RBMC Nonmachinable share under 36 pounds)
Column [B], pounds 36 to 70, plus Balloon = ([Ba] + [Bb]*[Bc]) * (RBMC Volume Distribution (WP-PRS-6), RBMC Totals, pounds 36 to 70, plus Balloon)
Calculation [Cd] = (Sum of Columns [A] and [B], pounds 1-35)
[Ce] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 1-35)
[Cf] = [Cd] / [Ce]
Source [Cg], [Ch] (Assumed)
Calculation [Dd] = (Sum of Column [B], pounds 36-70)
[De] = (Sum of RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, pounds 36-70)
[Df] = [Dd] / [De]
Source [Dg], [Dh] (Assumed)
Calculation [Ed] = (Column [B], Balloon row)
[Ee] = (RBMC Volume Distribution (WP-PRS-6), RBMC Totals Column, Balloon row)
[Ef] = [Ed] / [Ee]

USPS-T-3
WP-PRS-8

Oversized Mail Savings Calculation

		Unit Cost Savings[1] [A]
	RDU Savings	
[a]	Non-Transportation (Per Piece)	$ 11.126
[b]	Transportation (Per Piece)	$ 19.385
[c]	Total	$ 30.51
	RBMC Savings	
[d]	Non-Transportation (Per Piece)	$ 1.536
[e]	Transportation (Per Piece)	$ 17.559
[f]	Total	$ 19.09

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [9])
Calculation: [Ab] = (WP-PRS-1, Input [5] * Input [16])
Calculation: [Ac] = ([Aa] + [Ab])
Source: [Ad]: (WP-PRS-1, Input [12])
Calculation: [Ae] = (WP-PRS-1, Input [6] * Input [16])
Calculation: [Af] = ([Ad] + [Ae])

Current Parcel Select Return Service Rates[1]

RDU				RBMC									
Weight (Pounds)	RDU [A]	Weight (Pounds)	RDU [A]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 6 [E]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 6 [E]
1	2.00	36	2.00	1	2.10	2.13	2.19	2.28	36	8.66	10.49	11.14	12.00
2	2.00	37	2.00	2	2.87	2.70	2.77	2.86	37	8.72	10.56	11.20	12.06
3	2.00	38	2.00	3	3.22	3.25	3.34	3.46	38	8.76	10.63	11.26	12.11
4	2.00	39	2.00	4	3.42	3.78	3.88	4.00	39	8.82	10.71	11.29	12.16
5	2.00	40	2.00	5	3.59	4.18	4.29	4.49	40	8.88	10.78	11.33	12.21
6	2.00	41	2.00	6	3.75	4.52	4.65	4.94	41	8.92	10.85	11.37	12.26
7	2.00	42	2.00	7	3.90	4.83	4.98	5.35	42	8.86	10.90	11.42	12.30
8	2.00	43	2.00	8	4.47	5.12	5.28	5.74	43	8.98	10.96	11.46	12.33
9	2.00	44	2.00	9	4.80	5.36	5.58	6.08	44	9.04	11.02	11.90	12.36
10	2.00	45	2.00	10	4.77	5.67	5.86	6.42	45	9.07	11.07	11.94	12.39
11	2.00	46	2.00	11	4.90	5.88	6.14	6.72	46	9.14	11.14	11.97	12.42
12	2.00	47	2.00	12	5.05	6.06	6.40	7.01	47	9.19	11.18	11.70	12.46
13	2.00	48	2.00	13	5.18	6.24	6.64	7.27	48	9.22	11.25	11.73	12.48
14	2.00	49	2.00	14	5.30	6.39	6.89	7.52	49	9.27	11.30	11.76	12.51
15	2.00	50	2.00	15	5.41	6.53	7.10	7.76	50	9.28	11.36	11.77	12.54
16	2.00	51	2.00	16	5.52	6.70	7.30	7.98	51	9.36	11.39	11.99	12.57
17	2.00	52	2.00	17	5.63	6.86	7.52	8.19	52	9.39	11.47	11.82	12.60
18	2.00	53	2.00	18	5.74	7.01	7.71	8.38	53	9.40	11.80	11.83	12.63
19	2.00	54	2.00	19	5.86	7.16	7.89	8.57	54	9.44	11.82	11.86	12.66
20	2.00	55	2.00	20	5.96	7.30	8.05	8.74	55	9.48	11.84	11.89	12.69
21	2.00	56	2.00	21	6.05	7.44	8.20	8.91	56	9.82	11.86	11.91	12.72
22	2.00	57	2.00	22	6.16	7.56	8.34	8.06	57	9.87	11.88	11.91	12.75
23	2.00	58	2.00	23	6.24	7.72	8.48	9.21	58	9.88	11.88	11.93	12.76
24	2.00	59	2.00	24	6.33	7.84	8.60	9.36	59	9.83	11.89	11.96	12.81
25	2.00	60	2.00	25	6.41	7.96	8.72	9.49	60	9.86	11.90	11.96	12.84
26	2.00	61	2.00	26	6.51	8.07	8.85	9.62	61	9.72	11.61	11.97	12.87
27	2.00	62	2.00	27	6.59	8.20	8.96	9.74	62	9.78	11.62	12.01	12.90
28	2.00	63	2.00	28	6.66	8.32	9.05	9.86	63	9.78	11.62	12.06	12.93
29	2.00	64	2.00	29	6.75	8.44	9.18	9.97	64	9.82	11.62	12.09	12.96
30	2.00	65	2.00	30	6.83	8.54	9.28	10.07	65	9.88	11.64	12.13	12.99
31	2.00	66	2.00	31	6.91	8.62	9.35	10.18	66	9.90	11.64	12.16	13.02
32	2.00	67	2.00	32	7.00	8.74	9.45	10.27	67	9.84	11.66	12.23	13.05
33	2.00	68	2.00	33	7.08	8.84	9.53	10.37	68	9.94	11.68	12.26	13.06
34	2.00	69	2.00	34	7.14	8.92	9.61	10.45	69	9.99	11.65	12.30	13.11
35	2.00	70	2.00	35	7.20	9.03	9.69	10.54	70	10.02	11.68	12.34	13.14
		Balloon[2]							Balloon[2]	5.41	6.53	7.10	7.76
		Oversized	7.51						Oversized	25.99	26.31	27.00	28.05

Surcharge (Per Piece)[3]

Nonmachinable Surcharge (Nonmachinable pieces weighing less than 36 pounds)

RBMC Pieces 1.35

Notes

[1] Source: Docket No. MC2003-2, USPS-T-3, WP-PRS-10

[2] Parcels weighing less than 15 pounds and measuring between 84 and 108 inches in length plus girth pay the balloon rate

[3] Nonmachinable RBMC parcels weighing 35 pounds or less pay the RBMC surcharge in addition to the appropriate RBMC rate

Workbook Tab: Current PRS Rates

Proposed Parcel Select Return Service Rates[1]

RDU				RBMC					RBMC				
Weight (Pounds)	RDU [A]	Weight (Pounds)	RDU [A]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]
1	2.11	36	2.11	1	2.21	2.25	2.31	2.40	36	9.11	11.05	11.74	12.66
2	2.11	37	2.11	2	2.81	2.85	2.92	3.04	37	9.19	11.13	11.80	12.71
3	2.11	38	2.11	3	3.39	3.43	3.52	3.65	38	9.23	11.20	11.85	12.76
4	2.11	39	2.11	4	3.80	3.96	4.07	4.22	39	9.29	11.29	11.90	12.81
5	2.11	40	2.11	5	3.78	4.38	4.52	4.73	40	9.33	11.34	11.94	12.87
6	2.11	41	2.11	6	3.95	4.76	4.90	5.21	41	9.40	11.43	11.98	12.92
7	2.11	42	2.11	7	4.11	5.09	5.25	5.64	42	9.43	11.49	12.03	12.96
8	2.11	43	2.11	8	4.71	5.40	5.57	6.05	43	9.47	11.56	12.08	12.99
9	2.11	44	2.11	9	4.85	5.65	5.89	6.42	44	9.53	11.61	12.12	13.02
10	2.11	45	2.11	10	5.03	5.98	6.20	6.77	45	9.56	11.66	12.27	13.06
11	2.11	46	2.11	11	5.16	6.20	6.47	7.08	46	9.63	11.74	12.30	13.09
12	2.11	47	2.11	12	5.32	6.41	6.75	7.39	47	9.66	11.78	12.33	13.12
13	2.11	48	2.11	13	5.46	6.58	7.00	7.66	48	9.71	11.86	12.38	13.18
14	2.11	49	2.11	14	5.59	6.70	7.26	7.93	49	9.77	11.91	12.38	13.18
15	2.11	50	2.11	15	5.70	6.86	7.48	8.18	50	9.78	11.96	12.40	13.21
16	2.11	51	2.11	16	5.82	7.06	7.69	8.41	51	9.86	12.00	12.43	13.26
17	2.11	52	2.11	17	5.96	7.23	7.93	8.63	52	9.89	12.09	12.46	13.28
18	2.11	53	2.11	18	6.05	7.39	8.13	8.83	53	9.90	12.12	12.47	13.31
19	2.11	54	2.11	19	6.18	7.55	8.32	9.03	54	9.96	12.14	12.50	13.34
20	2.11	55	2.11	20	6.28	7.69	8.48	9.21	55	9.99	12.16	12.53	13.37
21	2.11	56	2.11	21	6.38	7.84	8.64	9.39	56	10.03	12.18	12.56	13.40
22	2.11	57	2.11	22	6.49	7.97	8.79	9.55	57	10.09	12.18	12.58	13.44
23	2.11	58	2.11	23	6.58	8.14	8.94	9.71	58	10.12	12.20	12.57	13.47
24	2.11	59	2.11	24	6.67	8.26	9.06	9.87	59	10.16	12.21	12.59	13.50
25	2.11	60	2.11	25	6.76	8.39	9.19	10.00	60	10.20	12.22	12.59	13.53
26	2.11	61	2.11	26	6.86	8.51	9.33	10.14	61	10.24	12.23	12.61	13.56
27	2.11	62	2.11	27	6.95	8.64	9.44	10.27	62	10.27	12.24	12.58	13.59
28	2.11	63	2.11	28	7.02	8.77	9.54	10.39	63	10.31	12.24	12.71	13.63
29	2.11	64	2.11	29	7.11	8.90	9.65	10.51	64	10.35	12.24	12.74	13.66
30	2.11	65	2.11	30	7.20	9.00	9.76	10.61	65	10.38	12.27	12.76	13.69
31	2.11	66	2.11	31	7.28	9.09	9.85	10.73	66	10.43	12.27	12.63	13.72
32	2.11	67	2.11	32	7.38	9.21	9.96	10.82	67	10.47	12.28	12.89	13.76
33	2.11	68	2.11	33	7.44	9.32	10.04	10.93	68	10.47	12.28	12.91	13.78
34	2.11	69	2.11	34	7.53	9.40	10.13	11.01	69	10.53	12.28	12.96	13.82
35	2.11	70	2.11	35	7.59	9.52	10.21	11.11	70	10.56	12.28	13.00	13.86
		Balloon[2]	2.11						Balloon[2]	5.70	6.86	7.46	8.18
		Oversized	7.92						Oversized	27.39	27.73	28.46	29.56

Surcharge (Per Piece)[3]

Nonmachinable Surcharge (Nonmachinable pieces weighing less than 35 pounds)

RBMC Pieces 1.42

Notes

[1] Source: Docket No. R2005-1, USPS-T-28A, Table 6.

Proposed Parcel Select Return Service Rates [1]

	RDU				RBMC									
	Weight (Pounds)	RDU [A]	Weight (Pounds)	RDU [A]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]	Weight (Pounds)	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 5 [E]

Projected Revenue

Summary of Projected Revenue

		[A]
[a]	PSRS RDU	6,752,195
[b]	PSRS RBMC	28,418,984
TOTAL		35,171,180

PRS Projected Revenue Detail [1]

Weight (Pounds)	RDU [A]	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 8 [E]	Weight (Pounds)	RDU [A]	RBMC Zones 1 & 2 [B]	RBMC Zone 3 [C]	RBMC Zone 4 [D]	RBMC Zone 8 [E]
1	2,498,083	5,779,884	1,298,039	663,322	173,658	36	249	2,065	663	584	222
2	1,904,718	5,671,211	1,096,740	540,108	148,781	37	230	2,218	472	311	223
3	1,020,917	3,787,521	720,709	340,263	100,352	38	198	1,860	508	451	224
4	540,738	2,132,729	435,383	205,256	67,605	39	230	2,133	495	470	187
5	287,871	1,188,866	252,329	122,865	47,427	40	192	1,642	431	175	301
6	183,460	701,106	157,664	77,131	31,515	41	156	1,418	466	263	113
7	99,127	443,261	102,469	49,883	19,483	42	134	1,379	218	264	38
8	63,566	326,282	69,506	33,969	12,909	43	128	1,274	270	247	38
9	43,383	229,123	46,290	25,896	9,631	44	95	850	272	177	95
10	30,869	169,020	35,709	19,323	8,119	45	92	909	273	108	38
11	24,185	136,433	27,266	14,723	6,368	46	85	803	292	144	19
12	15,824	91,553	20,184	11,165	4,647	47	88	676	276	90	58
13	10,866	62,549	15,426	8,200	3,863	48	70	596	225	217	19
14	8,125	48,333	11,190	6,360	2,853	49	74	686	296	127	-
15	6,137	36,846	8,824	5,262	2,249	50	70	772	192	36	19
16	4,843	29,836	6,443	4,634	1,906	51	51	418	193	184	19
17	3,931	24,398	5,784	3,781	1,893	52	62	680	108	91	39
18	3,188	19,944	5,285	2,937	1,408	53	50	550	124	36	39
19	2,757	17,852	4,351	2,823	1,334	54	32	349	89	37	-
20	2,254	14,567	3,700	2,183	1,347	55	40	453	89	18	39
21	2,040	13,334	3,497	2,009	1,236	56	42	489	89	37	39
22	1,859	11,798	3,532	2,314	1,131	57	38	383	71	73	59
23	1,755	11,423	3,619	1,870	1,022	58	34	355	89	37	39
24	1,472	9,784	2,634	1,921	924	59	40	386	89	18	138
25	1,332	8,819	2,884	1,548	775	60	26	283	54	37	20
26	1,078	7,294	2,016	1,637	578	61	24	285	36	18	20
27	920	6,210	1,784	1,387	631	62	25	300	54	19	-
28	851	5,575	1,911	1,270	669	63	20	211	72	19	-
29	679	4,388	1,770	888	492	64	9	91	-	37	20
30	554	3,907	1,185	814	326	65	13	152	-	19	40
31	465	3,045	1,064	764	516	66	14	107	72	19	40
32	393	2,709	882	612	396	67	16	138	72	57	-
33	335	2,416	709	602	178	68	11	168	-	-	-
34	312	2,225	660	415	403	69	11	108	36	38	-
35	263	1,865	640	463	179	70	4	15	18	38	-
						Balloon	35	275	-	11	-
						Oversized	266	1,562	406	749	86
						Total	6,752,195	21,235,255	4,361,176	2,183,516	659,037

Notes

Calculations for Projected Revenue

[1] Calculation: [A] to [E]= Proposed PSRS Rates (WP-PRS-10), * Volume Distribution (WP-PRS-5)

USPS-T-37
WP-PRS-12

Revenue Impacts

Summary of Revenue Impacts[1]

		[A]
[a]	PSRS RDU	(4,197,467)
[b]	*PSRS RBMC*	*(8,719,734)*

Return BMC Revenue Impact Detail[2]

Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]	Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]
1	(2,379,952)	(519,216)	(256,437)	(65,845)	36	(199)	(53)	(43)	(15)
2	(1,901,353)	(346,339)	(168,321)	(44,047)	37	(215)	(38)	(24)	(16)
3	(1,016,709)	(189,107)	(87,966)	(24,744)	38	(165)	(42)	(35)	(16)
4	(539,107)	(100,050)	(45,388)	(14,418)	39	(216)	(41)	(37)	(14)
5	(286,213)	(52,425)	(24,696)	(9,124)	40	(188)	(37)	(14)	(22)
6	(161,521)	(30,142)	(14,324)	(5,444)	41	(148)	(40)	(21)	(9)
7	(98,143)	(18,320)	(8,648)	(3,144)	42	(146)	(19)	(22)	(3)
8	(63,040)	(11,584)	(5,489)	(1,942)	43	(137)	(24)	(21)	(3)
9	(42,518)	(7,778)	(3,970)	(1,393)	44	(93)	(25)	(15)	(8)
10	(30,242)	(5,374)	(2,805)	(1,079)	45	(101)	(25)	(9)	(3)
11	(24,414)	(3,958)	(2,071)	(816)	46	(91)	(27)	(13)	(2)
12	(15,860)	(2,834)	(1,489)	(568)	47	(101)	(26)	(8)	(5)
13	(10,425)	(2,110)	(1,066)	(435)	48	(69)	(21)	(20)	(2)
14	(7,782)	(1,520)	(797)	(324)	49	(81)	(29)	(12)	-
15	(5,882)	(1,167)	(640)	(250)	50	(92)	(19)	(3)	(2)
16	(4,629)	(830)	(548)	(206)	51	(50)	(19)	(16)	(2)
17	(3,884)	(728)	(429)	(200)	52	(84)	(11)	(9)	(4)
18	(3,000)	(544)	(325)	(145)	53	(69)	(13)	(4)	(4)
19	(2,571)	(519)	(305)	(134)	54	(44)	(9)	(4)	-
20	(2,111)	(438)	(234)	(133)	55	(56)	(9)	(2)	(4)
21	(1,881)	(406)	(212)	(120)	56	(61)	(10)	(4)	(4)
22	(1,654)	(399)	(240)	(106)	57	(50)	(8)	(8)	(6)
23	(1,562)	(400)	(188)	(95)	58	(47)	(10)	(4)	(4)
24	(1,336)	(290)	(193)	(84)	59	(52)	(10)	(2)	(14)
25	(1,174)	(313)	(153)	(71)	60	(38)	(6)	(4)	(2)
26	(968)	(213)	(158)	(52)	61	(39)	(4)	(2)	(2)
27	(804)	(189)	(132)	(55)	62	(42)	(6)	(2)	-
28	(723)	(198)	(121)	(59)	63	(29)	(8)	(2)	-
29	(562)	(179)	(93)	(42)	64	(13)	-	(4)	(2)
30	(494)	(120)	(76)	(28)	65	(22)	-	(2)	(4)
31	(381)	(105)	(71)	(44)	66	(15)	(9)	(2)	(4)
32	(330)	(85)	(56)	(33)	67	(20)	(9)	(7)	-
33	(295)	(68)	(55)	(15)	68	(25)	-	-	-
34	(266)	(64)	(37)	(33)	69	(16)	(5)	(5)	-
35	(224)	(61)	(41)	(15)	70	(2)	(2)	(5)	-
					Balloon	(44)	-	(1)	-
					Oversized	(510)	(131)	(235)	(28)

Notes

[1] Calculation [Aa] = (RDU Savings Calculation (WP-PRS-6), [Ee]) *
(*Proposed PRS Rates (WP-PRS-10), 1-pound rate* -
RDU Savings Calculation (WP-PRS-6), [Eg]) +
(WP-PRS-1, Input [3] - (RDU Savings Calculation (WP-PRS-7), [Ee]) *
(Proposed PRS Rates (WP-PRS-10), RDU Oversize Rate -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local Oversize Rate)
[Ab] = Sum of Columns [A] to [D], 1-pound row to Oversized row

[2] Calculation Columns [A] to [D], 1-pound to 35 pounds, and Oversize row =
(Proposed PRS Rates (WP-PRS-10), Columns [B] to [E] -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Zoned Rates) *
(Volume Distribution (WP-PRS-5), Return BMC Pieces, Zones 1 to 5)
Columns [A] to [D], 36-pounds to 70 pounds =
(Parcel Select Returns Rates (WP-PRS-10), Columns [B] to [E] -
Proposed Parcel Post Rates (WP-PRS-2), (Intra-BMC Zoned Rates +
Intra-BMC Nonmachinable Surcharge)) *
(Volume Distribution (WP-PRS-6), Return BMC Pieces, Zones 1 to 5)
Columns [A] to [D], Balloon row =
(Proposed PRS Rates (WP-PRS-10), Cols [B] to [E], Balloon row -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Zoned 15-Pound Rates) *
(Volume Distribution (WP-PRS-5), RBMC Balloon Pcs , Zones 1 to 5)

USPS-T-3
WP-PRS-13

Financial Summary

		Volume [1] [A]	Projected Revenue [2] [B]	Cost Savings [3] [C]	Revenue Reduction [4] [D]	Savings Passthrough [5] [E]
	Parcel Select					
[a]	RDU	3,200,000	$6,752,195	$8,889,600	$4,197,467	47.2%
[b]	RBMC	9,600,000	$28,418,984	$16,982,312	$8,719,734	51.3%

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [3])
[Ab]: RBMC Forecast (WP-PRS-5), [Ae]

[2] Calculation: [Ba] = (Projected Revenue Calculation (WP-PRS-11), [Aa]
[Bb] = (Projected Revenue Calculation (WP-PRS-11), [Bb]

[3] Calculation: [Ca] = (RDU Savings Calculation (WP-PRS-7), [Ee] *
(RDU Savings Calculation (WP-PRS-6), [Ec] + [Ed]) •
((WP-PRS-1, Input [3]) - (RDU Savings Calculation (WP-PRS-6), [Ee])) *
(Oversized Cost Savings (WP-PRS-8), [As] • [Ab])
Calculation: [Cb] = (RBMC Savings Calculation (WP-PRS-7), [Cd] + [Dd] • [Ed]) +
(RBMC Savings Calculation (WP-PRS-7), [Ce]) * (WP-PRS-1, Input [13]) *
(1 - Volume Distribution RBMC (WP-PRS-6), RBMC Nonmachinables share < 35 pounds) +
(Oversized Cost Savings (WP-PRS-8), [Ae] • [Af]) *
(Volume Distribution RBMC (WP-PRS-6), RBMC Total column, Oversized row)

[4] Source: [Da] to [Db]: Revenue Impacts (WP-PRS-12), [Aa] to [Ab]

[5] Calculation: [E] = [D] / [C]

POSTAL RATE COMMISSION
DOCKET NO. MC2006-1
PARCEL RETURN SERVICE

I, Samuel J. Koroma, hereby declare under penalty of perjury that:

The *Direct Testimony of Samuel J. Koroma on Behalf of the United States Postal Service,* denominated USPS-T-3, was prepared by me or under my direction;

Were I to give this testimony orally before the Commission, it would be the same;

The interrogatory responses filed under my name, and designated for inclusion in the record of this docket, were prepared by me or under my direction; and

Were I to respond orally to the questions appearing in the interrogatories, my answers would be the same.

Samuel J. Koroma

1-5-06
Date

United States Postal Service

Michael W. Miller
(USPS-T-2)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-1. Please refer to attachment G of your testimony, the table titled "Postage Due Sampling Ratio, USPS Sample Size by Volume Range[1]."

a. Please confirm that, for the range 1 – 19, all 19 pieces were counted. If you are unable to confirm, please specifically identify the number of pieces counted and the derivation of all calculated values.
b. Please confirm that for the range 20 – 99, 16 pieces (20 percent rounded) were counted. If you are unable to confirm, please specifically identify the number of pieces counted and the derivation of all calculated values.
c. Please confirm that for the range 100 – 199, 15 pieces (15 percent) were counted. If you are unable to confirm, please specifically identify the number of pieces counted and show the derivation of all calculated values.
d. Please confirm that for the range 200 – 299, 10 pieces (10 percent) were counted. If you are unable to confirm, please specifically identify the number of pieces counted and the derivation of all calculated values.

RESPONSE:

The referenced table is the guide that should be followed when PRS sampling activities are performed. It is my understanding that no study has been conducted to verify field compliance. When the term "were counted" is used in these interrogatories, it is assumed that the term "should be sampled" is what the author actually meant.

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-2. The following interrogatory refers to Attachment C, page 2, footnote 1, of your testimony and Attachment C, page 2, footnote 1 of USPS witness Eggleston's, Docket No. MC2003-2 testimony. The source you both reference for your "productivities (units per Wkhr)" is Docket No. R97-1, LR-H-132, page 329. However, none of the productivities you use in your Attachment C, page 2 match those used by witness Eggleston. Please fully explain why the unloading productivities and the dump containers and sack shake out productivities are not the same as used by witness Eggleston though you both reference the same source. Include in your response the derivation of all calculated values, cite all sources relied upon and provide copies of those sources not previously filed in this docket.

RESPONSE:

The productivities in question are "marginal" productivities that have been adjusted to reflect the Postal Service volume variability cost methodology (i.e., the actual productivity values are divided by volume variability factors). If you look at the formula in the cells, the base productivity figures filed in the instant proceeding are identical to those relied upon in Docket No. MC2003-2. The reason the marginal productivity values differ is the fact that different volume variability factors were used. Witness Eggleston relied on Docket No. R2001-1 volume variability factors. In the instant proceeding, I have relied on Docket No. R2005-1 volume variability factors.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-3. In your testimony in Docket No. R2005-1 (USPS-T-20 at 3), you note that that Singulation Scan Induction Units (SSIU) have been added to the Secondary Parcel Sorting Machine (SPSM) and that updated Government Fiscal Year (GFY) 2003 Productivity Information Management System (PIMS) productivities were used in the models.

a. Please provide a copy of the GFY 2003 PIM if one has not been previously filed or provide a reference to the Commission's files if it has been filed.
b. Please fully explain how the impact of the SSIU has affected the Secondary Parcel Sort. Cite all source documents referenced, provide copies of all source documents not previously filed in this docket, and the derivation of all calculated values.

RESPONSE:

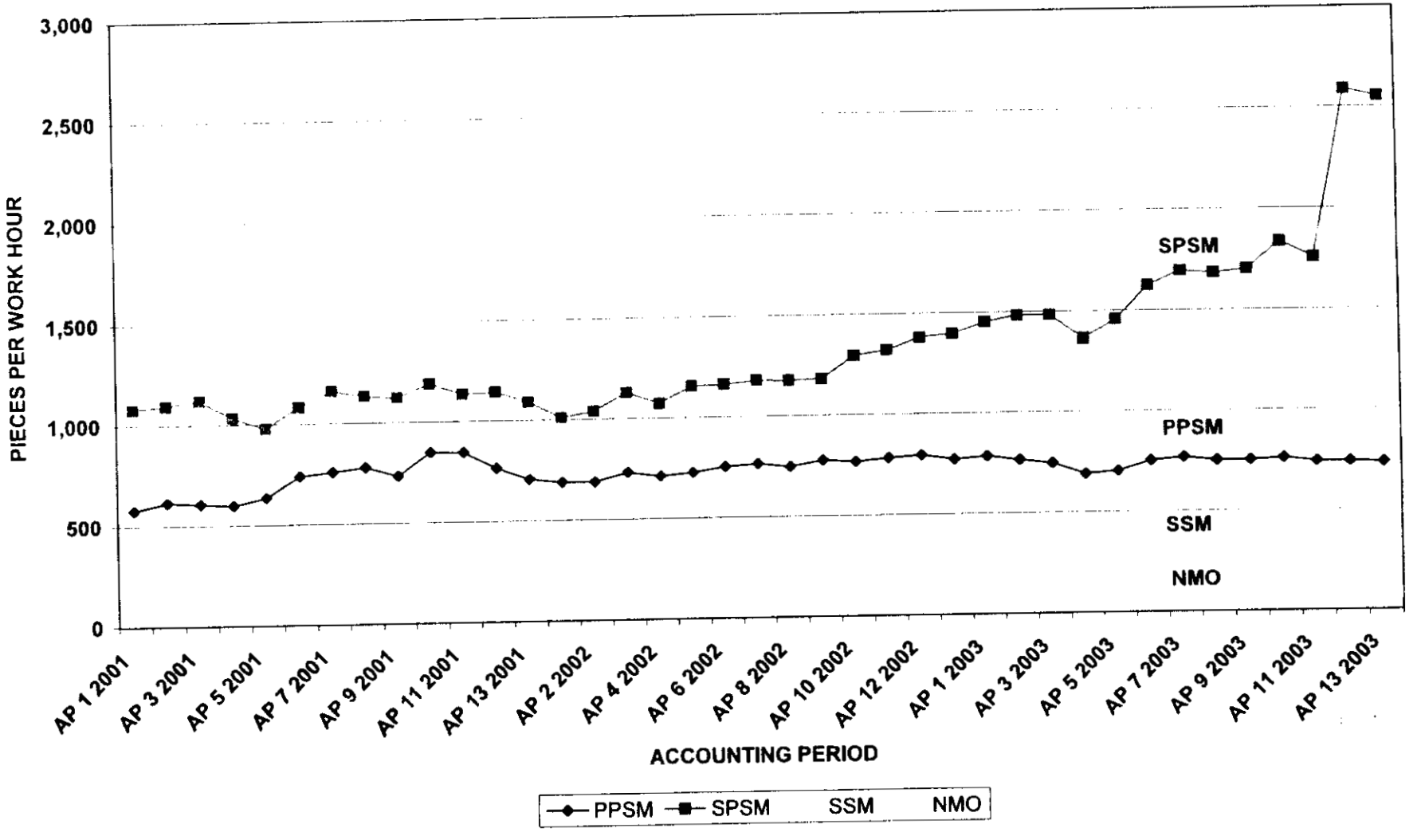
(a) Please see Attachment 1.

(b) Please see Attachment 1 and the response to Docket No. R2005-1, POIR No. 4, Question 5.

FY 2003 PIMS DATA

Description	Op. No.	Value
PPSM Total Volume	120	1,079,067,306
Workhours	120	1,448,700
Productivity	120	744.852
SPSM Total Volume	130	931,329,398
Workhours	130	559,583
Productivity	130	1,664.328
SSM Total Volume	140	376,627,015
Workhours	140	1,081,212
Productivity	140	348.338
NMO Total Volume	201 / 202	121,663,627
Workhours	201 / 202	1,772,233
Productivity	201 / 202	68.650

PIMS PRODUCTIVITIES FOR PPSM, SPSM, SSM, NMO OPERATIONS
AP 1 FY 2001 - AP 13 FY 2003



AP / FY	PPSM	SPSM	SSM	NMO
AP 1 2001	577	1,081	349	79
AP 2 2001	615	1,097	350	77
AP 3 2001	606	1,121	350	71
AP 4 2001	598	1,034	315	88
AP 5 2001	635	977	357	80
AP 6 2001	741	1,084	359	73
AP 7 2001	759	1,162	371	80
AP 8 2001	780	1,134	373	75
AP 9 2001	734	1,125	386	80
AP 10 2001	849	1,193	386	77
AP 11 2001	846	1,138	385	75
AP 12 2001	764	1,145	368	80
AP 13 2001	707	1,091	363	73
AP 1 2002	689	1,010	359	66
AP 2 2002	689	1,040	353	65
AP 3 2002	734	1,131	354	72
AP 4 2002	712	1,073	329	82
AP 5 2002	727	1,158	365	78
AP 6 2002	753	1,163	364	72
AP 7 2002	765	1,180	371	72
AP 8 2002	749	1,177	374	69
AP 9 2002	778	1,182	369	67
AP 10 2002	768	1,296	363	68
AP 11 2002	784	1,321	364	67
AP 12 2002	795	1,382	359	68
AP 13 2002	772	1,397	362	66
AP 1 2003	784	1,452	358	68
AP 2 2003	765	1,483	353	66
AP 3 2003	747	1,484	355	62
AP 4 2003	691	1,365	328	66
AP 5 2003	703	1,456	357	67
AP 6 2003	754	1,622	372	69
AP 7 2003	769	1,695	377	71
AP 8 2003	752	1,682	372	72
AP 9 2003	752	1,700	380	72
AP 10 2003	761	1,836	373	71
AP 11 2003	744	1,756	362	70
AP 12 2003	743	2,590	283	70
AP 13 2003	735	2,553	285	73

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-4. The following refers to your testimony, in this docket, at pages 2 and 3. You state, "Window service adjustments have then been made using Docket No. R2005-1 Base Year 2004 data." Please fully explain the window service adjustments that were made. Include in your response, each adjustment made, the rationale for that change, the derivation of all calculated values, cite all sources and provide copies of all source documents not previously filed in this docket.

RESPONSE:

The use of the word "adjustments" may have caused confusion. The methodology used in the instant proceeding is identical to that relied upon by witness Eggleston in Docket No. MC2003-2, with the exceptions that I describe on pages 2 and 3 of my testimony. Witness Eggleston, however, relied on data from Docket No. R2001-1. I rely on base year 2004 data from Docket No. R2005-1 to complete my analysis. Therefore, the data contained in column G in Attachment B pages 2 and 3 of my cost study differ from those relied upon by witness Eggleston in Docket No. MC2003-2.

OCA/USPS-T2-5. The following refers to your testimony Attachment C, page 2 and USPS witness Eggleston's testimony, Attachment C, page 2, in Docket No. MC2003-2. The variabilities used in witness Eggleston's testimony differ from the variabilities you use in your testimony for: (1) BMC Platform, (2) BMC Other, (3) PSM, (4) SSM, (5) NMO Distribution at BMCs, (6) Platform Non-BMC, (7) NMO Distribution at Non-BMCs, and (8) LDC43.

a. If the variabilities used in your testimony Attachment C, page 2, as listed above, differ from the variabilities utilized in the recent Commission opinion in Docket No. R2005-1, please resubmit all pages of your Attachment C using the same variability values as used by the Commission for the rates recommended in that opinion and include in your response a variability for SPBS that is comparable to the SSB variability used by the Commission in the opinion.

b. If in response to part a, above, you resubmit page 2 of Attachment C using different variabilities, please update all related Tables, Attachments and workpapers impacted by the change in your testimony in this docket.

RESPONSE:

(a)-(b) The Postal Service is developing a PRS cost model that relies on the data contained in Docket No. R2005-1, PRC-LR-9. The cost model will be filed once it is completed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-6. The following refers to your testimony, Attachment C, page 4. You cite footnote "21/" for probabilities that PRS mail is processed on either a PPSM or a SPSM; however, you have omitted the note. Please provide a cite to the source of the probabilities, provide a copy of the source document if one has not been previously filed in this docket, and the derivation of all calculated values.

RESPONSE:

In looking at both my records and the file that is posted on the Commission website, footnote "21/" in Attachment C, page 4 does appear to have a citation which indicates that the source of the data were the "August 2005 BMC PRS Survey."

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-7. The following refers to your testimony, Attachment C, page 5. "Rows (1&2)/" of Attachment C, page 5, references Docket No. R2001-1, LR-J-64, Attachment A, page 6. Docket No. R2001-1, LR-J-64, Attachment A, page 6 indicates that the value for "inter-BMC that is retail" is 36.7 and is a proxy for the percent of Parcel Post entered at an AO.

a. Please explain why you use 25.6 percent for inter-BMC that is retail instead of the 36.7 used by USPS witness Eggleston in Attachment C, page 5, of her testimony in Docket No. MC2003-2.
b. If the value you use (25.6 percent) is a calculated value, please provide the derivation, cite all sources relied upon and provide copies of those source documents not been previously filed in this docket.

RESPONSE:

(a) The formula relied upon by witness Eggleston is identical to that used in the instant proceeding. The calculation relies on volume data in the table above the formulas on the same page. Given that the volumes witness Eggleston relied upon were FY 2000 volumes and the volumes I have relied upon are FY 2004 volumes, the results differ.

(b) The formula was based on FY 2000 ODIS data. The data were used to estimate the percentage of Inter-BMC that was entered via retail channels. The results of that analysis showed that 5.4 percent of the total Parcel Post mail volume consisted of Inter-BMC "retail" pieces. In the analysis, the term "retail" was defined as single-piece Parcel Post mail pieces bearing stamps or PVI indicia. The formula is shown below:

0.054 • (BY Total Parcel Post volume) / (BY Inter-BMC Parcel Post volume)

Given that Inter-BMC is not a part of the PRS analysis, it should be noted that this figure has no bearing on the PRS cost study results.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-8. The following refers to your testimony, Attachment C, page 5. "Rows (1&2)/" of Attachment C, page 5, references Docket No. R2001-1, LR-J-64, Attachment A, page 6. Docket No. R2001-1, LR-J-64, Attachment A, page 6 indicates that the value for "intra-BMC that is retail" is 32.2 percent and is a proxy for the percent of Parcel Post entered at an AO.

a. Please explain why you use 38.5 percent for intra-BMC that is retail instead of the 32.2 used by USPS witness Eggleston in Attachment C, page 5, of her testimony in Docket No. MC2003-2.

b. If the value you use (38.5 percent) is a calculated value, please provide the derivation, cite all sources relied upon and provide copies of those source documents if they have not been previously filed in this docket.

RESPONSE:

(a) The formula relied upon by witness Eggleston is identical to that used in the instant proceeding. The calculation relies on volume data in the table above the formulas on the same page. Given that the volumes witness Eggleston relied upon were FY 2000 volumes and the volumes I have relied upon are FY 2004 volumes, the results differ.

(b) The formula was based on FY 2000 ODIS data. The data were used to estimate the percentage of Intra-BMC that was entered via retail channels. The results of that analysis showed that 3.2 percent of the total Parcel Post mail volume consisted of Intra-BMC "retail" pieces. In the analysis, the term "retail" was defined as single-piece Parcel Post mail pieces bearing stamps or PVI indicia. The formula is shown below:

0.032 * (BY Total Parcel Post volume) / (BY Intra-BMC Parcel Post volume)

OCA/USPS-T2-9. The following refers to your testimony at page 4.

a. Please provide a copy of the BMC survey and the survey results "conducted in order to determine the methods in which the 21 facilities" currently isolate PRS machinable mail pieces.

b. You indicate that you used an estimate of 97.36 percent for PRS machinable mail processed through the PPSM. Please provide the derivation of the estimate, cite all source documents referenced and provide copies of those documents not previously filed in this docket.

c. You indicate that you used an estimate of 24.82 percent for PRS machinable mail that is further processed on the SPSM. Please provide the derivation of the estimate, cite all source documents referenced and provide copies of those documents not previously filed in this docket.

RESPONSE:

(a) (b) (c) Please see Attachment 2.

PRS AVERAGE STORAGE DAYS

BMC No.	Total PRS Volume	Storage Days
1	436,510	1.500
2	365,712	2.000
3	377,127	1.200
4	222,237	2.000
5	357,789	2.000
6	610,645	2.000
7	276,390	2.000
8	139,422	2.000
9	291,106	2.000
10	656,530	1.200
11	650,827	1.200
12	387,184	2.000
13	308,213	2.000
14	426,109	3.000
15	371,846	2.000
16	462,792	2.000
17	353,486	2.000
18	480,933	2.000
19	767,748	2.000
20	158,861	2.000
21	321,300	1.200
	8,422,767	1.834

PRS SURVEY RESULTS

No.	Participant 1 Machinable Processing	Participant 2 Machinable Processing	Participant 1 Machinable Container	Participant 2 Machinable Container	Participant 1 NMO / Over Processing	Participant 2 NMO / Over Processing	Participant 1 NMO / Over Container	Participant 2 NMO / Over Container	Participant 1 Storage Location	Participant 2 Storage Location	Participant 1 Pick Up Days	Participant 2 Pick Up Days
1	PPSM - Ded	PPSM - Ded	Pallet Box	Pallet Box	Manual	Manual	Pallet Box	Pallet Box	Floor	Floor	Tu, W, Th, F, Sa	Tu, W, Th, F
2	SPSM - Man	SPSM-Man	Pallet Box	Pallet Box	Manual	Manual	Pallet Box	Pallet Box	Floor	Truck	M, Tu, W, Th, F	Tu, F, Su
3	PPSM - Man	PPSM - Man	Cardboard box	Cardboard box	Manual	Manual	Cardboard Box	Cardboard Box	Truck	Truck	M, Tu, W, Th, F	M, Tu, W, Th, F
4	SPSM - Man	SPSM - Ded	Gaylord	Gaylord	Manual	Manual	Gaylord	Gaylord	Floor	Floor	M, W, F	M, Tu, Th
5	PPSM - Man	PPSM - Man	Gaylord	Gaylord	Manual	Manual	OTR	OTR	Floor	Floor	M, W, F	M, W, F
6	PPSM - Sort	PPSM - Ded	Gaylord	Gaylord	Mech / Man	Mech / Man	Gaylord	Gaylord	Floor	Floor	Tu, Th, W, F	M, W, Th
7	PPSM - Sort	PPSM - Ded	Cardboard box	Cardboard box	Manual	Manual	Cardboard Box	Cardboard Box	Floor	Floor	M, Tu, W, Th, F	Tu, Th, Su
8	PPSM - Ded	PPSM - Ded	Gaylord	Gaylord	Manual	Manual	Gaylord	Gaylord	Floor / Truck	Floor / Truck	M, W, F	M, Tu, Th
9	PPSM - Sort	PPSM - Sort	Gaylord	Gaylord	Manual	Manual	Pallet	Pallet	Floor	Floor	M, Tu, W, F	M, W, F
10	PPSM - Man	PPSM - Man	Pallet Box	Pallet Box	Mech / Man	Mech / Man	Pallet	Pallet	Floor / Truck	Truck	M, Tu, W, Th, F	M, Tu, W, Th, F
11	SPSM - Man	SPSM - Man	Cardboard box	Cardboard box	Manual	Manual	Cardboard Box	Cardboard Box	Truck	Truck	M, Tu, W, Th, F	M, Tu, W, Th, F
12	PPSM - Man	PPSM - Man	Gaylord	Gaylord	Mech / Man	Mech / Man	Gaylord	Gaylord	Floor	Floor	M, Tu, W, Th, F	Su, Tu, F
13	PPSM - Ded	PPSM - Ded	Gaylord	Gaylord	Mech / Man	Mech / Man	Gaylord	Gaylord	Floor	Floor	M, W, F	M, W, F
14	PPSM - Man	PPSM - Man	Cardboard box	Cardboard Box	Manual	Manual	Cardboard Box	Cardboard Box	Floor	Floor	M, Tu, W, Th, F	Tu, Th
15	SPSM - Man	SPSM - Man	4' Pallet Box	4' Pallet Box	Manual	Manual	Pallet	Pallet	Floor	Floor	M, Tu, W, Th, F	M, W, F
16	PPSM - Man	PPSM - Sort	Pallet Box	Pallet Box	Manual	Manual	Pallet Box	GPC	Floor	Floor	M, W, F	Tu, Th, Su
17	PPSM - Ded	PPSM - Ded	Gaylord	Gaylord	Manual	Manual	Pallet	Pallet	Truck	Truck	M, Tu, W, Th, F	Tu, Th, Su
18	PPSM - Sort	PPSM - Sort	Pallet Box	Pallet Box	Manual	Manual	Pallet Box	Pallet Box	Floor	Floor	M, W, F	Tu, Th, Su
19	PPSM - Sort	PPSM - Sort	Rolling Stock	Gaylord	Manual	Manual	Rolling Stock	Gaylord	Floor	Floor	M, Tu, W, Th, F	M, Tu, F
20	SPSM - Sort	SPSM - Sort	Gaylord	Gaylord	Manual	Manual	Gaylord	Gaylord	Floor	Floor	M, W, F	M, Tu, Th
21	SPSM - Man	SPSM - Man	Gaylord	Gaylord	Mech / Man	Mech / Man	Gaylord	Gaylord	Floor	Floor	W, Su	M, Tu, W, Th, F

Ded - Dedicated runouts feed containers
Man - Dedicated runouts with manual loading
Sort - No dedicated runouts with manual sorting

PRS MAIL VOLUME (JULY 2004 - JUNE 2005)

No.	Total PRS Volume
1	436,510
2	365,712
3	377,127
4	222,237
5	357,789
6	610,645
7	276,390
8	139,422
9	291,106
10	656,530
11	650,827
12	387,184
13	308,213
14	426,109
15	371,846
16	462,792
17	353,486
18	480,933
19	767,748
20	158,861
21	321,300
	8,422,767

OCA/USPS-T2-10. The following refers to your testimony at page 5 concerning storage cost estimates.

a. Please identify the number of days per week that the two third-party vendors currently pick-up PRS parcels. Include in your response the specific day(s) of the week that PRS pick-ups are occurring.

b. Do the existing third-party vendors currently pick-up PRS parcels on Saturdays?

c. Please provide the "PRS BMC-specific volume data" used to calculate the 1.834 storage days. Please show the derivation of the storage days. Include in your response cites to all source documents and provide copies of all source documents not previously filed in this docket.

RESPONSE:

(a) (b) (c) Please see Attachment 2.

PRS COVERAGE FACTORS

BMC No.	Total PRS Volume	PPSM Coverage	SPSM Coverage
1	436,510	436,510	0
2	365,712	365,712	365,712
3	377,127	377,127	0
4	222,237	0	222,237
5	357,789	357,789	0
6	610,645	610,645	0
7	276,390	276,390	0
8	139,422	139,422	0
9	291,106	291,106	0
10	656,530	656,530	0
11	650,827	650,827	650,827
12	387,184	387,184	0
13	308,213	308,213	0
14	426,109	426,109	0
15	371,846	371,846	371,846
16	462,792	462,792	0
17	353,486	353,486	0
18	480,933	480,933	0
19	767,748	767,748	0
20	158,861	158,861	158,861
21	321,300	321,300	321,300
	8,422,767	8,200,530	2,090,783
		97.36%	24.82%

PRS AVERAGE STORAGE DAYS

BMC No.	Total PRS Volume	Storage Days
1	436,510	1.500
2	365,712	2.000
3	377,127	1.200
4	222,237	2.000
5	357,789	2.000
6	610,645	2.000
7	276,390	2.000
8	139,422	2.000
9	291,106	2.000
10	656,530	1.200
11	650,827	1.200
12	387,184	2.000
13	308,213	2.000
14	426,109	3.000
15	371,846	2.000
16	462,792	2.000
17	353,486	2.000
18	480,933	2.000
19	767,748	2.000
20	158,861	2.000
21	321,300	1.200
	8,422,767	1.834

PRS SURVEY RESULTS

No.	Participant 1 Machinable Processing	Participant 2 Machinable Processing	Participant 1 Machinable Container	Participant 2 Machinable Container	Participant 1 NMO / Over Processing	Participant 2 NMO / Over Processing	Participant 1 NMO / Over Container	Participant 2 NMO / Over Container	Participant 1 Storage Location	Participant 2 Storage Location	Participant 1 Pick Up Days	Participant 2 Pick Up Days
1	PPSM - Ded	PPSM - Ded	Pallet Box	Pallet Box	Manual	Manual	Pallet Box	Pallet Box	Floor	Floor	Tu, W, Th, F, Sa	Tu, W, Th, F
2	SPSM - Man	SPSM-Man	Pallet Box	Pallet Box	Manual	Manual	Pallet Box	Pallet Box	Floor	Truck	M, Tu, W, Th, F	Tu, F, Su
3	PPSM - Man	PPSM - Man	Cardboard box	Cardboard box	Manual	Manual	Cardboard Box	Cardboard Box	Truck	Truck	M, Tu, W, Th, F	M, Tu, W, Th, F
4	SPSM - Man	SPSM - Ded	Gaylord	Gaylord	Manual	Manual	Gaylord	Gaylord	Floor	Floor	M, W, F	M, Tu, Th
5	PPSM - Man	PPSM - Man	Gaylord	Gaylord	Manual	Manual	OTR	OTR	Floor	Floor	M, W, F	M, W, F
6	PPSM - Sort	PPSM - Ded	Gaylord	Gaylord	Mech / Man	Mech / Man	Gaylord	Gaylord	Floor	Floor	Tu, Th, W, F	M, W, Th
7	PPSM - Sort	PPSM - Ded	Cardboard box	Cardboard box	Manual	Manual	Cardboard Box	Cardboard Box	Floor	Floor	M, Tu, W, Th, F	Tu, Th, Su
8	PPSM - Ded	PPSM - Ded	Gaylord	Gaylord	Manual	Manual	Gaylord	Gaylord	Floor / Truck	Floor / Truck	M, W, F	M, Tu, Th
9	PPSM - Sort	PPSM - Sort	Gaylord	Gaylord	Manual	Manual	Pallet	Pallet	Floor	Floor	M, Tu, W, F	M, W, F
10	PPSM - Man	PPSM - Man	Pallet Box	Pallet Box	Mech / Man	Mech / Man	Pallet	Pallet	Floor / Truck	Truck	M, Tu, W, Th, F	M, Tu, W, Th, F
11	SPSM - Man	SPSM - Man	Cardboard box	Cardboard box	Manual	Manual	Cardboard Box	Cardboard Box	Truck	Truck	M, Tu, W, Th, F	M, Tu, W, Th, F
12	PPSM - Man	PPSM - Man	Gaylord	Gaylord	Mech / Man	Mech / Man	Gaylord	Gaylord	Floor	Floor	M, Tu, W, Th, F	Su, Tu, F
13	PPSM - Ded	PPSM - Ded	Gaylord	Gaylord	Mech / Man	Mech / Man	Gaylord	Gaylord	Floor	Floor	M, W, F	M, W, F
14	PPSM - Man	PPSM - Man	Cardboard box	Cardboard Box	Manual	Manual	Cardboard Box	Cardboard Box	Floor	Floor	M, Tu, W, Th, F	Tu, Th
15	SPSM - Man	SPSM - Man	4' Pallet Box	4' Pallet Box	Manual	Manual	Pallet	Pallet	Floor	Floor	M, Tu, W, Th, F	M, W, F
16	PPSM - Man	PPSM - Sort	Pallet Box	Pallet Box	Manual	Manual	Pallet Box	GPC	Floor	Floor	M, W, F	Tu, Th, Su
17	PPSM - Ded	PPSM - Ded	Gaylord	Gaylord	Manual	Manual	Pallet	Pallet	Truck	Truck	M, Tu, W, Th, F	Tu, Th, Su
18	PPSM - Sort	PPSM - Sort	Pallet Box	Pallet Box	Manual	Manual	Pallet Box	Pallet Box	Floor	Floor	M, W, F	Tu, Th, Su
19	PPSM - Sort	PPSM - Sort	Rolling Stock	Gaylord	Manual	Manual	Rolling Stock	Gaylord	Floor	Floor	M, Tu, W, Th, F	M, Tu, F
20	SPSM - Sort	SPSM - Sort	Gaylord	Gaylord	Manual	Manual	Gaylord	Gaylord	Floor	Floor	M, W, F	M, Tu, Th
21	SPSM - Man	SPSM - Man	Gaylord	Gaylord	Mech / Man	Mech / Man	Gaylord	Gaylord	Floor	Floor	W, Su	M, Tu, W, Th, F

Ded - Dedicated runouts feed containers
Man - Dedicated runouts with manual loading
Sort - No dedicated runouts with manual sorting

PRS MAIL VOLUME (JULY 2004 - JUNE 2005)

No.	Total PRS Volume
1	436,510
2	365,712
3	377,127
4	222,237
5	357,789
6	610,645
7	276,390
8	139,422
9	291,106
10	656,530
11	650,827
12	387,184
13	308,213
14	426,109
15	371,846
16	462,792
17	353,486
18	480,933
19	767,748
20	158,861
21	321,300
	8,422,767

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-11. Please refer to storage cost estimates in your testimony at page 5.

a. For calculating the daily cost of storage space, please explain why you chose to use 303 delivery days rather than the 250 days per year formerly used by witness Eggleston.
b. What "other postal analyses" use 303 days per year?

RESPONSE:

(a) My reasoning for making this change is explained in Docket No. MC2006-1, USPS-T-2, page 5 at lines 5-20. In order to be consistent, it is my understanding that the 303 delivery days figure should probably have been used in Docket No. MC2003-2. The 250 days figure looks, in my opinion, to reflect the number of work days per year per employee (total possible work days less vacation and holidays).

(b) I have not attempted to determine exactly what analyses rely on the 303 delivery days per year figure; it is my understanding that any analysis which requires a delivery days per year figure typically relies on the figure I have used in the instant proceeding. Furthermore, it appears more reasonable to me. The Postal Service (predominantly) processes and delivers mail six days per week, excluding holidays. When one multiplies 6 days per week by 52 weeks per year, the total number of days is 312 days. When the number of postal holidays (10) is subtracted, the number of delivery days per year is 302. I do not know why 303 delivery days per year, rather than 302, is the official figure used for estimating purposes.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-12. The following refers to your testimony at 2. Both you and USPS witness Eggleston (Docket MC2003-2, USPS-T-2 at 3) make an assumption that the PRS acceptance costs for the RBMC and the RDU are identical because it was assumed that most PRS packages would be entered back into the mail stream via window service. Please provide the percent of total PRS parcels that were returned via: (1) window service, (2) left for carrier to pick-up, and (3) placed in a USPS collection box. If you are unable to provide this information, please fully explain and include in your response the rationale for continuing to assume that only window service costs need to be incorporated into your cost analysis as opposed to incorporating all three of the PRS parcel return options.

RESPONSE:

I think a better way to express what is in the cost study is to say that the only acceptance costs that have been provided are those associated with accepting a PRS mail piece through window service channels. The cost savings could vary by method, but I am not aware of any data which might be available and could be used to quantify the costs for the other methods. As far as the percentage distribution by channel, it is my understanding that those data are not available. It should be noted that acceptance cost savings are only a small component of the total PRS cost savings as indicated below:

RBMC Machinable	2.38 %	RDU Machinable	1.49 %
RBMC Non-Machinable	0.47 %	RDU Non-Machinable	0.30 %
RBMC Oversize	0.18 %	RDU Oversize	0.11 %

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-16. In the Experimental Parcel Return Services case, Docket No. MC2003-2, witness Eggleston was asked and answered (Tr.2/171) the following interrogatory.

> **OCA/USPS-T2-17.** The following interrogatory seeks to clarify the method of calculating the cost differences between Intra-BMC, RBMC and RDU parcels. In your testimony, you indicate that RDU and RBMC parcels will incur less mail processing and transportation costs than an Intra-BMC parcel. RBMC and RDU parcels are picked up by the retailer or its agent; thus the USPS will not incur carrier delivery costs. Please explain where in your cost analysis you account for the carrier delivery cost savings. If you did not consider carrier delivery cost savings, please explain fully why you did not do so.
>
> **RESPONSE:**
> My analysis did not account for any potential carrier delivery cost savings. In keeping with my conservative approach to estimating cost savings, it was not deemed necessary to attempt such a calculation.

Please provide your response to the same interrogatory. If your answer is the same as witness Eggleston's response, please explain why you are being conservative when carrier cost savings are clearly savings that would logically be included in the cost savings model.

RESPONSE:

I did not consider carrier delivery cost savings because it is my understanding that the rate design was not intended to differentiate based on type of delivery, and the pick up of parcels is generally viewed as "bulk delivery." Furthermore, such savings may not necessarily be achieved due to the implementation of PRS. In the absence of PRS, it is possible that mailers would still have retrieved their parcels in bulk. Finally, I am not aware of any data that could have been used to measure such savings.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-17. Please confirm that if the carrier delivery cost savings were calculated, then, consistent with your cost savings model, that calculation would be appropriately included as an additional Attachment to your testimony and its result included in your Summary of Estimated Cost Differences Compared to Benchmark (Attachment A, page 1) as a new column labeled "delivery cost savings." If you do not confirm, please explain.

RESPONSE:

Not confirmed. Please see my response to OCA/USPS-T2-16.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T2-18. Please estimate the carrier delivery cost savings and provide your assumptions, calculations and sources. *Please use data and methodologies applied in* Commission's opinion in Docket No. R2005-1, issued November 1, 2005.
If you are not able to estimate the carrier delivery cost savings, please explain.

RESPONSE:

Please see my response to OCA/USPS-T2-16.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

1. Please refer to USPS-T-2, attachment B, page 4. The value given for "Docket No. MC2003-2 Unit Cost Estimate" is $0.014. However, in Docket MC2003-2, USPS-T-2, Attachment B, page 4, which is footnoted as the source for the above mentioned value, the unit cost estimate is listed as $0.015. Please explain this difference and supply updated attachments if the unit cost should not have been listed as $0.014.

RESPONSE:

The original figure was incorrect. The attachment has been updated accordingly.

Intra-BMC Bulk Acceptance/Verification Cost Methodology

Docket No. MC2003-2 Unit Cost Estimate	1/	$0.015
TY 2003 Window Service Wage Rate	2/	$32.306
TY 2006 Window Service Wage Rate	3/	$36.344
Cost Escalation Factor	4/	1.125
TY 2006 Unit Cost Estimate	5/	$0.016

Sources

1/: Docket No. MC2003-2, USPS-T-2, Attachment B, page 4
2/: Docket No. MC2003-2, USPS-T-2, Attachment C, page 4
3/: Docket No. MC2006-1, USPS-T-2, Attachment C, page 4
4/: (3) / (2)

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

2. Please refer to Excel file USPS-T-2_Attachments_FINAL, sheet "Convers_C6". Column [3] computes "Cubic Feet Per Container", using the measurements given in column [2]. Please confirm that cell G13 should contain the equation =46.5/12*38.5/12*70/12 (with 70 replacing 69), due to the measurements in column 2 being 46.5X38.5X70. If confirmed, please update the workpaper accordingly. If not confirmed, please explain the rationale for using 69.

RESPONSE:

Confirmed. The attachment has been updated accordingly. I have also included a revised sheet B4 to make the change pointed out regarding the PRC version in question 7.

Attachment 1 to response to POIR No. 1, question 2

Conversion Factor Calculations

Container Type	Outside Dim. Per Container (Inches) [1]	Inside Dim. Per Container (Inches) [2]	Cubic Feet Per Container [3]	Effective Parcel Capacity (# of Parcels) [4]	Capacity at Average Fullness (# of Parcels) [5]	Average % FULL [6]
Machinable						
Pallet	48x40x48	48x40x48	53.3	125.6	106.8	85%
Postal Pak	48x40x69	46.5x38.5x69	71.5	153.1	130.1	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	153.1	134.7	88%
Pallet Box (for space)	48x40x70	46.5x38.5x70	72.5	155.3	116.5	75%
Sacks on In-house Container	65x41.5x36	65x41.5x36	56.2	120.3	102.3	85%
NMOs						
Pallet	48x40x48	48x40x48	53.3	19.2	19.2	100%
Pallet Box	48x40x69	46.5x38.5x69	71.5	23.4	19.9	85%
In-house Container	65x41.5x36	65x41.5x36	56.2	18.4	15.6	85%
Oversize NMOs						
108"-130" on Pallet	48x40x48	48x40x48	53.3	6.7	6.7	100%
108"-130" in IHC	65x41.5x36	65x41.5x36	56.2	6.4	6.4	100%

Pieces Per Container	Machinable R2000-1 (FY98) [7]	Machinable R2005-1 (FY04) [8]	Nonmachinable R2000-1 (FY98) [9]	Nonmachinable R2005-1 (FY04) [10]	108"-130" R2005-1 (FY04) [11]
Sack	5.1	7.0	n/a	n/a	n/a
Sack in OTR	81.8	112.0	n/a	n/a	n/a
OTR	69.0	94.5	27.1	19.5	6.8
APC	35.7	48.8	14.0	10.1	3.5
Hamper	23.0	31.5	9.0	6.5	2.3

	Cubic Feet Per Parcel Post			No. of Sacks	No. of Sacks
	Machinable [12]	NMO [13]	108"-130" [14]	on IHC [15]	on Postal Pak [16]
R2005-1 (BY04)	0.425	2.777	7.94	14.61	18.59
R2000 (BY98)	0.581	1.992			

Sources

Columns [1] & [2]: Container Methods Handbook PO-502 (September 1992); USPS LR-H-133

Column [3]: Length * width * height / (12*12*12)

Columns [4] - [10]: Column [3] * air factor to account for "effective cube" and (column [3]) / ((column [14]) * air factor) and (column [3]) / ((column [15]) * air factor)

Air factor = 1 for pallets and 1.1 for all else

Column [5]: Effective cube capacity (column [4]) * average % fullness (column [6])

Column [6]: Pallets, postal paks and IHCs should be as full as practicable before dispatch so it is reasonable to assume these containers will be at least 85% full

The majority of pallet boxes come from mailers who must have 75 percent full boxes, and tend to fill them to maximize capacity

Therefore 88 percent, the average of 75 and 100 percent was used

Column [7]: Docket No. RR4.1, Exhibit USPS-14I

Column [8]: Pieces per container in Docket No. RR4.1 (column [7]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14])

Column [9]: Docket No. RR4.1, Exhibit USPS-14I

Column [10]: Pieces per container in Docket No. RR4.1 (column [9]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14])

Column [11]: Column [10] * column [13] / column [15]

Column [12]: *Attachment C, page 5, column [7], machinable parcels*

Column [13]: Attachment C, page 5, column [7], nonmachinable parcels

Column [14]: Attachment C, page 5, column [7], oversize parcels

Column [15]: No. of parcels on IHC (column 5) divided by no. of parcels in a sack (column 8)

Column [16]: No. of parcels on a parcel (column 5) divided by no. of parcels in a sack (column 8)

Piggyback Factors, Wages, Mail Flow Operating Assumptions

Wage Rate with Premium Pay Factor Applied	$35.371	1/
***Premium* Pay Factor**	0.989	2/
TY Other mail processing wage rate	$35.772	3/
Window Service Adjustment Factor	1.075	4/
Window Service Base year wage rate	33.804	5/
Window Service Test year wage rate	36.344	6/
Mail Processing Operation Specific Piggyback Factors		
NMO Sorting at BMC	1.571	7/
Other Operations at BMCs	1.545	7/
Platform BMC	1.622	7/
Primary Parcel Sorting Machine	2.145	7/
Secondary Parcel Sorting Machine	5.391	7/
Sack Sorting Machine - BMC	2.159	7/
NMO Sorting at SCF	1.419	7/
Platform Non-BMC	1.458	7/
NonMODS *Allied*	1.738	7/
NonMODSMANP	1.510	7/
Window Service Piggyback factor (Parcel Post)	1.348	8/
Mail Flow Operating Assumptions		
Percent with direct transportation to destinating delivery unit from BMC	12.3%	9/
Percent Sorted to 5-Digits by Primary Parcel Sorting Machine	20.1%	10/
Destinating BMCs *will feed barcoded destinating mail unfiltered to secondary*	20.8%	11/
Probability that mail fed directly to nonspecific secondary will receive more than one sort	50.0%	12/
Probability that barcode on secondary will not be readable	3.0%	13/
Proportion of parcel singulators (SSIU) being at secondary	100.0%	14/
Proportion sent from secondary to primary *due to SSIU*	0.0%	15/
Probability of Inter-BMC parcel going to primary psm at destination BMC	83.4%	16/
Probability of Inter-BMC parcel being handled by SSIU in destination BMC	94.5%	17/
Probability of Intra-BMC and DBMC parcels going *to primary psm (or get keyed)*	100.00%	18/
Probability of Intra-BMC and DBMC on secondary psm	79.9%	19/
Probability that NMOs will NOT be inducted on the conveyor system (not used for NMOs over 10!	41.2%	20/
Probability that NMOs will be NOT be moved using towveyor (not *used for pallets*)	31.4%	20/
Probability that PRS machinable mail pieces are processed on the PPSM	97.4%	21/
Probability that PRS machinable mail pieces are processed on the SPSM	24.8%	21/

Sources

1/: (2) x (3)
2/: Docket No. R2005-1, USPS-LR-K-55
3/: Docket No. R2005-1, USPS-LR-K-55
4/: (6) / (5)
5/: Docket No. R2005-1, USPS-LR-K-55
6/: Docket No. R2005-1, USPS-LR-K-55
7/: Docket No. R2005-1, USPS-LR-K-52
8/: Docket No. R2005-1, USPS-LR-K-52
9/: USPS LR-PCR-40, page 64
10/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [10]
11/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [9]
12/: Assumption that mail going to secondary PSM will be evenly split between scheme 1 and scheme 2.
13/: Assumption used by Operations
14/: Assumption used by Operations
15/: (14) x (15)
16/: [1 - (12)] + [(16) x (12)]+{[(1) - (12)] x [(1) - (11)] x (16)}+{(11) x (12) x [(1) - (16)]}.
17/: (12) + [(11) x (13)] + [1-(12)] x [(1-(11)]
18/: 1 + [1-(11)] * (16)
19/: 1 - (11).
20/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [11]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

5. Please refer to the Excel file that was provided with the answers to OCA/USPS-T2-9-10, sheet "Avg Storage Days." To calculate the storage days for each BMC, six (the number of delivery days per week) is divided by the number of participant 2's pickup days, taken from the sheet entitled, "Survey Results." Why were participant 1's data never used in the calculation of the average storage days?

RESPONSE:

The Postal Service has not been reporting data due to the fact that there are currently only two PRS participants. It is my understanding that these data have therefore not been maintained at the mailer level. In order to be conservative, I relied on the figures for participant 2, which retrieved its mail slightly less frequently.

RESPONSE OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

6. Please refer to the cost sheets that were supplied with the supplemental responses to OCA/USPS-13 and 15, Attachment F, column [3] (piggyback factors.) The source for the piggyback factors is listed as PRC-LR-6, file "PRC MPPG TY06.XLS", worksheet A, cell M49, which is the piggyback factor for "LDC 43 – Unit Distribution – Manual." However, the USPS version of the cost sheets that was originally supplied with T-2 did not use this piggyback factor; it used the piggyback factor for "Parcels – Manual." Why was the piggyback factor used from PRC-LR-6 "LDC 43 – Unit Distribution - Manual" instead of "Parcels – Manual" in the cost sheets supplied for these supplemental responses?

RESPONSE:

The piggyback factor for "Parcels - Manual" should have been used. The attachment has been updated accordingly. The updated attachment also addresses the issues raised in POIR No. 1, Questions 1 and 2.

Attachment 1 to response to POIR No. 1, question 6

PRC Version
Attachment F
Page 1 of 1
REVISED 2/7/05

Scanning Cost Estimates

PRS Rate Category	Transaction Time (hours) [1]	Wage Rate [2]	Piggyback Factor [3]	Cost per active scan [4]	Number of active scans [5]	Scan Cost [6]
RBMC - Machinable	0.0007	$35.371	1.508	$0.036	0	$0.000
RBMC - Non-machinable	0.0007	$35.371	1.508	$0.036	0	$0.000
RBMC - Oversize	0.0007	$35.371	1.508	$0.036	0	$0.000
RDU - Machinable	0.0007	$35.371	1.508	$0.036	2	$0.073
RDU - Non-machinable	0.0007	$35.371	1.508	$0.036	2	$0.073
RDU - Oversize	0.0007	$35.371	1.508	$0.036	3	$0.109

Sources

[1]: Docket No. R2000-1, USPS-T-30, Section A, Data Sheet A-8

[2]: *Attachment C, page 4. Premium Pay Adjusted Wage Rate.*

[3]: Docket No. R2005-1, PRC-LR-6, file "PRC MPPG TY06.XLS", worksheet A, cell M22

[4]: [1] x [2] x [3]. Follows methodology shown in Docket No. R2001-1 LR-J-135.

[5]: Assumption taken from USPS product description.

[6]: [4] x [5]

Intra-BMC Bulk Acceptance/Verification Cost Methodology

Docket No. MC2003-2 Unit Cost Estimate	1/	$0.015
TY 2003 Window Service Wage Rate	2/	$32.306
TY 2006 Window Service Wage Rate	3/	$36.344
Cost Escalation Factor	4/	1.125
TY 2006 Unit Cost Estimate	5/	$0.016

Sources

1/: Docket No. MC2003-2, USPS-T-2, Attachment B, page 4
2/: Docket No. MC2003-2, USPS-T-2, Attachment C, page 4
3/: Docket No. MC2006-1, USPS-T-2, Attachment C, page 4
4/: (3) / (2)

Attachment 3 to response to POIR No. 1, question 6

Conversion Factor Calculations

Container Type	*Outside Dim. Per Container (Inches)* [1]	Inside Dim. Per Container (Inches) [2]	Cubic Feet Per Container [3]	Effective Parcel Capacity (# of Parcels) [4]	Capacity at Average Fullness (# of Parcels) [5]	Average % FULL [6]
Machinable						
Pallet	48x40x48	48x40x48	53.3	125.6	106.8	85%
Postal Pak	48x40x69	46.5x38.5x69	71.5	153.1	130.1	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	153.1	134.7	88%
Pallet (w/ space)	48x40x70	46.5x38.5x70	72.5	155.3	116.5	75%
[illegible]-house Container	65x41.5x36	65x41.5x36	56.2	120.3	102.3	85%
NMOs						
Pallet	48x40x48	48x40x48	53.3	19.2	19.2	100%
Pallet Box	48x40x69	46.5x38.5x69	71.5	23.4	19.9	85%
[illegible] Container	65x41.5x36	65x41.5x36	56.2	18.4	15.6	85%
Oversize NMOs						
108"-130" on Pallet	48x40x48	48x40x48	53.3	6.7	6.7	100%
108"-130" in IHC	65x41.5x36	65x41.5x36	56.2	6.4	6.4	100%

Pieces Per Container	Machinable R2000-1 (FY98) [7]	Machinable R2005-1 (FY04) [8]	Nonmachinable R2000-1 (FY98) [9]	Nonmachinable R2005-1 (FY04) [10]	108"-130" R2005-1 (FY04) [11]
[illegible]	5.1	7.0	n/a	n/a	n/a
[illegible] in OTR	81.8	112.0	n/a	n/a	n/a
OTR	69.0	94.5	27.1	19.5	6.8
[illegible]	35.7	48.8	14.0	10.1	3.5
[illegible]	23.0	31.5	9.0	6.5	2.3

	Cubic Feet Per Parcel Post: Machinable [12]	Cubic Feet Per Parcel Post: NMO [13]	Cubic Feet Per Parcel Post: 108"-130" [14]	No. of Sacks on IHC [15]	No. of Sacks on Postal Pak [16]
R2005-1 (BY04)	0.425	2.777	7.94	14.61	18.59
R2000 (BY98)	0.581	1.992			

Sources:

Column [1]: Container Methods Handbook PO-502 (September 1992) USPS LR-H-133

Column [2]: Length * width * height - (12*12*12)

Column [3]: (column [1] * column [13] * air factor) to account for "effective cube" and ((column [14]) * air factor) and (column [3]) / ((column [16]) * air factor)
Air factor = 1 for pallets and 1.1 for all else

Column [4]: Effective cube capacity (column [4]) * average % fullness (column [6])

Column [6]: Pallets, postal paks and IHCs should be as full as practicable before dispatch so it is reasonable to assume these containers will be at least 85% full
The majority of pallet boxes come from mailers who must have 75 percent full boxes and tend to fill them to maximize capacity
Therefore 88 percent, the average of 75 and 100 percent was used

Column [7]: Docket No. R84-1, Exhibit USPS-14I

Column [8]: Pieces per container in Docket No. R84-1 (column [7]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14])

Column [9]: Docket No. R84-1, Exhibit USPS-14I

Column [10]: Pieces per container in Docket No. R84-1 (column [9]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14])

Column [11]: Column [10] * column [13] / column [15]

Column [12]: Attachment C, page 5, column [7], machinable parcels

Column [13]: Attachment C, page 5, column [7], non-machinable parcels

Column [14]: Attachment C, page 5, column [7], oversize parcels

Column [15]: No. of parcels on IHC (column 5) divided by no. of parcels in a sack (column 8)

Column [16]: No. of parcels on a parcel (column5) divided by no. of parcels in a sack (column 8)

USPS-T-2

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

PARCEL RETURN SERVICES

Docket No. MC2006-1

DIRECT TESTIMONY
OF
MICHAEL W. MILLER
ON BEHALF OF
UNITED STATES POSTAL SERVICE

TABLE OF CONTENTS

LIST OF TABLES

DIRECT TESTIMONY
OF
MICHAEL W. MILLER

AUTOBIOGRAPHICAL SKETCH

My name is Michael W. Miller. I am an Economist in Special Studies at the United States Postal Service. Special Studies is a unit of Corporate Financial Planning in Finance at Headquarters. I have testified before the Postal Rate Commission on nine separate occasions.

Most recently, I presented two direct testimonies on behalf of the Postal Service in Docket No. R2005-1. The first testimony covered First-Class Mail, Periodicals, and Standard Mail flats mail processing unit cost estimates. The second testimony presented Parcel Post, Bound Printed Matter, and Media Mail / Library Mail cost estimates.

In Docket No. C2004-1, I testified as a witness in opposition to the Time Warner, et al. complaint case.

In Docket No. R2001-1, I sponsored two separate testimonies as a direct witness on behalf of the Postal Service. The first testimony presented First-Class Mail letters/cards and Standard Mail letters mail processing unit cost estimates and worksharing related savings estimates, the Qualified Business Reply Mail (QBRM) worksharing related savings estimate, the nonstandard surcharge/nonmachinable surcharge cost studies, and the Business Reply Mail (BRM) fee cost studies. The second testimony presented First-Class Mail, Periodicals, and Standard Mail flats mail processing unit cost estimates.

In Docket No. R2000-1, I testified as the direct witness presenting First-Class Mail letters/cards and Standard Mail letters mail processing unit cost estimates and worksharing related savings estimates. My testimony also included the cost study supporting the nonstandard surcharge. In that same docket, I also testified as a rebuttal witness. My testimony contested key elements of the worksharing discount proposals

presented by several First-Class Mail intervenors, as well as the Office of the Consumer Advocate (OCA).

In Docket No. R97-1, I testified as a direct witness concerning Prepaid Reply Mail (PRM) and QBRM mail processing cost avoidance estimates. In that same docket, I also testified as a rebuttal witness concerning the Courtesy Envelope Mail (CEM) proposal presented by the OCA.

Prior to joining the Special Studies unit in January 1997, I served as an Industrial Engineer at the Margaret L. Sellers Processing and Distribution Center in San Diego, California. In that capacity, I worked on field implementation projects. For example, I was the local coordinator for automation programs in San Diego such as the Remote Bar Coding System (RBCS) and the Delivery Bar Code Sorter (DBCS). I was also responsible for planning the operations for a new Processing and Distribution Center (P&DC) that was activated in 1993. In addition to field work, I have completed detail assignments within the Systems/Process Integration group in Engineering. My primary responsibility during those assignments was the development of Operating System Layouts (OSL) for new facilities.

Prior to joining the Postal Service, I worked as an Industrial Engineer at General Dynamics Space Systems Division, where I developed labor and material cost estimates for new business proposals. These estimates were submitted as part of the formal bidding process used to solicit government contracts.

I was awarded a Bachelor of Science degree in Industrial Engineering from Iowa State University in 1984 and a Master of Business Administration from San Diego State University in 1990. I also earned a Professional Engineer registration in the State of California in 1990 and a Methods Time Measurement (MTM) "blue card" certification in 2004.

I. PURPOSE AND SCOPE OF TESTIMONY

The purpose of this testimony is to develop Test Year 2006 Parcel Return Service (PRS) cost estimates. Cost estimates can be found in Attachment A and are developed for both the Parcel Select Return Bulk Mail Center (RBMC) service and the Parcel Select Return Delivery Unit (RDU) service. These estimates are referenced in the testimony of witness Koroma (USPS-T-3) and rely on the cost methodology and cost model presented in Docket No. MC2003-2 by witness Eggleston (USPS-T-2). The cost model has been modified to incorporate Docket No. R2005-1 data, as well as information obtained from field personnel.

II. GUIDE TO TESTIMONY

This testimony includes eight attachments:

A. Cost Summary

B. Acceptance Cost Estimates

C. Mail Processing Cost Estimates

D. Storage Cost Estimates

E. Transportation Cost Estimates

F. Scanning Cost Estimates

G. Postage Due Cost Estimates

H. Postage Due Survey Data

In addition, this testimony relies on data previously submitted to the Postal Rate Commission. These data are referenced, as necessary, in this testimony and the cost model contained in the attachments.

III. PARCEL RETURN SERVICE COST METHODOLOGY

The PRS cost estimates have been separated into six categories: acceptance, mail processing, storage, transportation, scanning, and postage due. The analysis relies on a cost avoidance approach. Rather than estimating bottom-up costs, the cost difference between a benchmark and each rate category is measured. The benchmark is Intra-BMC Parcel Post.

A. ACCEPTANCE COST ESTIMATES

The acceptance cost estimates are calculated in Attachment B. The analysis is limited to window service costs. It is also assumed that the PRS acceptance costs for the RBMC and RDU services are identical.

Intra-BMC Acceptance Cost Estimates: Intra-BMC mail pieces are assumed to be either entered individually through retail channels, where they must be weighed and rated, or entered in bulk at the BMEU.

The Test Year (TY) 2006 unit cost estimate for individual retail transactions can be found in Attachment B, page 2. The cost methodology used to develop this estimate is identical to that relied upon in Docket No. MC2003-2. A time estimate for a "weigh/rate" transaction has been taken from Table 3.1 of the transaction time study conducted in Docket No. R97-1, USPS-LR-H-167. A direct cost per transaction is then estimated by applying the Docket No. R2005-1 TY 2006 window service wage rate to the transaction time estimate. Window service adjustments have then been made using Base Year 2004 data from Docket No.R2005-1, USPS-T-5, Workpapers B. Finally, a window service piggyback factor is applied.

The unit cost estimate for bulk transactions can be found in Attachment B, page 4. This estimate relies on the TY 2003 estimate from Docket No. MC2003-2. A cost escalation factor has been calculated by dividing the Docket No. R2005-1 TY 2006 window service wage rate by the Docket No. R2001-1 TY 2003 window service wage rate. The TY 2006 bulk acceptance unit cost is estimated to be the product of the cost escalation factor and the Docket No. MC2003-2 bulk acceptance unit cost estimate.

PRS Acceptance Cost Estimates: The TY 2006 unit cost estimate for PRS mail pieces can be found in Attachment B, page 3. PRS mail pieces can be given to a carrier, placed in a collection box, or submitted to a window service clerk. The cost methodology used to develop this estimate is identical to that relied upon in Docket No. MC2003-2. A time estimate for an "acceptance" transaction has been taken from Table 3.1 of the Docket No. R97-1 transaction time study. A direct cost per transaction is then estimated by applying the Docket No. R2005-1 TY 2006 window service wage rate to the transaction time estimate. Window service adjustments have then been made using

Docket No. R2005-1 Base Year 2004 data. Finally, a window service piggyback factor is applied.

The acceptance cost differences between PRS and retail Intra-BMC and PRS and bulk Intra-BMC are measured in Attachment B, page 1. Those cost difference estimates are then weighted together using the Docket No. R2005-1 retail and bulk percentage figures, which are 38.5 percent and 61.5 percent, respectively. The aggregate cost difference estimate is then applied to all PRS rate categories, as shown in Attachment A, page 1.

B. MAIL PROCESSING COST ESTIMATES

The mail processing unit cost estimates by rate category are shown in Attachment C, page 1. Model cost estimates are developed for Intra-BMC, Return Bulk Mail Center (RBMC), and Return Delivery Unit (RDU) mail pieces that are machinable, nonmachinable, and oversized. CRA adjustment factors from the Docket No. R2005-1 Parcel Post cost models (USPS-LR-K-46) are then applied. For each rate category, the mail processing unit cost savings estimates are calculated to be the difference between the CRA-adjusted mail processing unit cost estimate for a given rate category and the CRA-adjusted mail processing unit cost estimate for the corresponding Intra-BMC rate category. For example, the mail processing unit cost savings estimate for the RBMC machinable rate category reflects the mail processing unit cost difference between an Intra-BMC machinable mail piece and a RBMC machinable mail piece.

Intra-BMC Mail Processing Unit Cost Estimates: The cost models found in Attachment C contain updated Test Year 2006 inputs (wage rates, piggyback factors, volumes, etc.) from Docket No. R2005-1, USPS-LR-K-46. In addition, they also contain the Parcel Post cost methodology changes I described in my USPS-T-20 testimony in that docket. Consequently, the Intra-BMC machinable, Non Machinable Outsides (NMO), and oversize CRA-adjusted mail processing unit cost estimates calculated in Attachment C, page 1 are identical to those developed in Docket No. R2005-1, USPS-LR-K-46.

RBMC Mail Processing Unit Cost Estimates: The RBMC cost models also contain the updated TY 2006 inputs and the Parcel Post cost methodology changes from Docket No. R2005-1. Other modifications have been made as well. Field

observations indicate that the Bulk Mail Centers (BMC) isolate the PRS mail on either the Primary Parcel Sorting Machine (PPSM) or the Secondary Parcel Sorting Machine (SPSM) and that the mail for both participants at a given facility is isolated using the same machine. A BMC survey has been conducted in order to determine the methods in which the 21 facilities are currently isolating PRS machinable mail pieces. Using the survey results and PRS mail volume data, coverage factors have been developed. It is estimated that 97.36 percent of the PRS machinable mail is processed through the PPSM and 24.82 percent is further processed on the SPSM.[1] These coverage factors have been incorporated into the RBMC machinable cost model found in Attachment C, page 10.

The RBMC machinable cost model from Docket No. MC2003-2 also contained a line item titled "sort parcels to mailers." That model was developed assuming that the PRS mail pieces for all participants would be sorted to a single parcel runout or chute, at which point they would have to be sorted by the participant's ID code in a separate operation. In reality, the mail pieces bear unique ZIP Codes. Most operations have been set up such that each participant's mail is sorted to dedicated runouts or chutes. In some instances, the mail may be sent to the same runout or chute as other parcels and require further sorting. This circumstance, however, occurs throughout PSM operations and is already reflected in the productivity figures for those operations. The "sort parcels to mailers" line item has therefore been deleted from the cost model in Attachment C, page 10.

The RBMC NMO and oversize cost models from Docket No. MC2003-2 both contained two line items titled "move NMOs to mach runoff" and "sort by mailer ID." During field observations, it became apparent that these mail pieces are sorted like any other mail pieces in NMO operations. Separate containers are located at the NMO mechanism for both participants. While NMO operations generally involve 3-digit separations, there are instances, especially for local mail, where 5-digit separations are being made. The "move NMOs to mach runoff" and "sort by mailer ID" tasks have

[1] The PPSM coverage factor is less than 100 percent due to the fact that one facility inducts all outbound mail "direct-to-secondary."

therefore been deleted from the cost models, as it is assumed that these tasks would be covered by the NMO productivity figure.

RDU Mail Processing Unit Cost Estimates: The RDU cost models also contain the updated TY 2006 inputs and the Parcel Post cost methodology changes from Docket No. R2005-1. Based on initial field observations, it has been determined that no other modifications are necessary.

C. STORAGE COST ESTIMATES

The storage cost methodology in the instant proceeding follows that used by witness Eggleston in Docket No. MC2003-2. Updated cost model inputs for cost of space have been obtained from Docket No. R2005-1, USPS-LR-K-52. Furthermore, two other changes have been made, both of which concern the RBMC storage costs only. The first change concerns the number of storage days. Witness Eggleston converted the annual cost of space to a daily cost of space using 250 days per year. It is my understanding that these data are expressed in terms of delivery days. Furthermore, other postal analyses assume that there are 303 delivery days per year. Consequently, I have used the latter figure. Witness Eggleston's cost model also assumed two storage days for RBMC mail pieces. The BMC survey described above asked the respondents for the specific days of the week the participants picked up their PRS mail pieces. The number of storage days for each BMC has been calculated by dividing six delivery days by the number of pick-up days per week. Using PRS BMC-specific volume data, the weighted average number of storage days is calculated to be 1.834 storage days. That figure has been incorporated into Attachment D, page 1.

D. TRANSPORTATION COST ESTIMATES

Transportation cost estimates can be found in Attachment E, page 1. The transportation cost methodology relied upon in this docket is identical to the four-step approach used in Docket No. MC2003-2.[2] Test Year 2006 Parcel Post transportation data from Docket No. R2005-1, USPS-LR-K-89 have been incorporated into the cost model. The magnitude of the transportation results has also been affected by the Docket No. R2005-1 average cubic volume for a machinable Parcel Post mail piece, which is smaller than the figure relied upon in Docket No. MC2003-2.

[2] Please see Docket No. MC2003-2, USPS-T-2, page 6 at line 12 to page 8 at line 10.

E. SCANNING COST ESTIMATES

The scanning cost estimates have been developed using a methodology identical to that used in Docket No. MC2003-2. RDU machinable and non-machinable mail pieces require two "active" scans. RDU oversize mail pieces require three active scans. No active RBMC scans are required. The basis for the Docket No. MC2003-2 estimate is the time required for a box section clerk to perform a delivery confirmation scan. That time estimate was obtained from Docket No. R97-1. A more recent estimate can be found in Docket No. R2000-1, USPS-T-30, Section A, Data Sheet A-8. That estimate of 2.46 seconds has been relied upon in the instant proceeding. A Docket No. R2005-1 wage rate and piggyback factor have also been incorporated into the analysis.

F. POSTAGE DUE COST ESTIMATES

Postage due cost estimates are calculated using a cost methodology identical to that relied upon in Docket No. MC2003-2. These cost estimates have been developed for RBMC only. It is assumed that there are no postage due costs for RDU mail pieces. The current sampling matrix can be found in Attachment G, page 2. The sampling operations survey that was presented in USPS-T-2, Attachment H in Docket No. MC2003-2 is again relied upon in the instant proceeding. A Docket No. R2005-1 wage rate and piggyback factor have also been incorporated into the analysis.

IV. SUMMARY OF RESULTS

The total unit cost savings estimates by rate category are shown in Table 1 below:

TABLE 1: PRS UNIT COST SAVINGS ESTIMATES

CATEGORY	RBMC	RDU
Machinable	**($1.421)**	**($2.270)**
Non Machinable	**($7.146)**	**($11.384)**
Oversize	**($19.096)**	**($30.513)**

Summary of Estimated Cost Differences Compared to Benchmark

	Acceptance [1]	Mail Processing [2]	Storage [3]	Transportation [4]	Scanning [5]	Postage Due [6]	Total [7]
RBMC							
Machinable	($0.034)	($0.532)	$0.014	($0.939)	$0.000	$0.070	($1.421)
Non-machinable	($0.034)	($1.134)	$0.096	($6.144)	$0.000	$0.070	($7.146)
Oversize	($0.034)	($1.857)	$0.284	($17.560)	$0.000	$0.070	($19.096)
RDU							
Machinable	($0.034)	($1.306)	$0.039	($1.037)	$0.069	$0.000	($2.270)
Non-machinable	($0.034)	($4.897)	$0.262	($6.784)	$0.069	$0.000	($11.384)
Oversize	($0.034)	($11.970)	$0.775	($19.387)	$0.103	$0.000	($30.513)

Sources

[1]: Attachment B, page 1.
[2]: Attachment C, page 1.
[3]: Attachment D, page 1.
[4]: Attachment E, page 1.
[5]: Attachment F, page 1.
[6]: Attachment G, page 1.
[7]: Sum of [1] through [6].

Acceptance Cost Difference Summary (per piece)

Retail Cost Difference

	Unit Costs	
PRS	$0.237	1/
Intra-BMC (retail)	$0.677	2/
Cost Difference	($0.440)	3/

Bulk Cost Difference

	Unit Costs	
PRS	$0.237	4/
Intra-BMC (bulk)	$0.016	5/
Cost Difference	$0.221	6/

Weighted Average Cost Difference

	Distribution [1]	Cost Difference [2]	
Entered at Window (Retail)	38.5%	($0.440)	2a
Entered in Bulk (Non-retail)	61.5%	$0.221	2b
Weighted Average Cost Difference per piece		**($0.034)**	2c

Sources

1/: Attachment B, page 3.
2/: Attachment B, page 2.
3/: (1) -(2),
4/: Attachment B, page 3.
5/: Attachment B, page 4.
6/: (4) - (5).

[1]: Docket R2005-1, USPS-LR-K-46, page 6.
[2]: Estimated cost differences
[2a]: (3).
[2b]: (6).
[2c]: Estimated costs in [2a] and [2b] weighted by percentages in [1].

Intra-BMC Retail Transactions
Cost Per "Weight/Rate" Transaction

Transaction Time (in seconds)				64.800	1/
Transaction Time (in minutes)				1.080	2/
TY 06 Wage Rate (per hour)				$36.344	3/
TY 06 Wage Rate (per minute)				$0.606	4/
Direct Cost per transaction				$0.654	5/
Misc. Volume Variable Window Costs	9.52% x	$0.654	=	$0.062	6/
			+	$0.654	
				$0.716	
Waiting Time Adjustment	26.64% x	$0.654	=	$0.174	7/
			+	$0.716	
				$0.891	
Variability	56.37% x	$0.891	=	$0.502	8/
Piggyback Factor	1.348 x	$0.502	=	$0.677	9/
Cost per minute for Retail Transaction			=	$0.677	10/

Sources

1/: Docket No. R97-1, LR-H-167 (Transaction Time Study), Table 3.1, page 160, "weight/rate" tas
2/: (1) / 60.
3/: Attachment C, page 4, line (6).
4/: (3) / 60.
5/: (2) x (4).
6:/ Docket No. R2005-1, USPS-LR-K-5, Workpapers B, Worksheet 3.2.1 (break time, clocking in and out, moving equip.).
7/: Docket No. R2005-1, USPS-LR-K-5, Workpapers B, Worksheet 3.2.1
8/: Docket No. R2005-1, USPS-LR-K-5, Workpapers B, Worksheet 3.2.1
9/: Docket No. R2005-1, USPS-LR-K-52
10/: Product from (9).

PRS Retail Transactions
Cost Per "Acceptance" Transaction

Transaction Time (in seconds)			22.650	1/
Transaction Time (in minutes)			0.378	2/
TY 06 Wage Rate (per hour)			$36.344	3/
TY 06 Wage Rate (per minute)			$0.606	4/
Direct Cost per transaction			$0.229	5/
Misc. Volume Variable Window Costs	9.52% x	$0.229 =	$0.022	6/
		+	$0.229	
			$0.250	
Waiting Time Adjustment	26.64% x	$0.229 =	$0.061	7/
		+	$0.250	
			$0.311	
Variability	56.37% x	$0.311 =	$0.176	8/
Piggyback Factor	1.348 x	$0.176 =	$0.237	9/
Cost per minute for Retail Transaction		=	$0.237	10/

Sources
1/: Docket No. R97-1, LR-H-167 (Transaction Time Study), Table 3.1, page 160, "accepta
2/: (1) / 60.
3/: Attachment C, page 4, line (6).
4/: Row (3) / 60.
5/: (2) x (4).
6:/ Docket No. R2005-1 , USPS-LR-K-5, Workpapers B, Worksheet 3.2.1 (break time, clocking in and out, moving equip.).
7/: Docket No. R2005-1, USPS-LR-K-5, Workpapers B, Worksheet 3.2.1.
8/: Docket No. R2005-1, USPS-LR-K-5, Workpaper B, Worksheet 3.2.1.
9/: Docket No. R2005-1, USPS-LR-K-52
10/: Product from (9).

Intra-BMC Bulk Acceptance/Verification Cost Methodology

Docket No. MC2003-2 Unit Cost Estimate	1/	$0.014
TY 2003 Window Service Wage Rate	2/	$32.306
TY 2006 Window Service Wage Rate	3/	$36.344
Cost Escalation Factor	4/	1.125
TY 2006 Unit Cost Estimate	5/	$0.016

Sources

1/: Docket No. MC2003-2, USPS-T-2, Attachment B, page 4
2/: Docket No. MC2003-2, USPS-T-2, Attachment C, page 4
3/: Docket No. MC2006-1, USPS-T-2, Attachment C, page 4
4/: (3) / (2)

Mail Processing Cost Estimate Summary Page

Estimated Mail Processing Costs

	Modeled Costs [1]	CRA Adjustment Factors Proportional [2]	CRA Adjustment Factors Fixed [3]	Adjusted Costs [4]	
Intra-BMC Machinable	$1.222	1.219	$0.120	$1.609	4a
Intra-BMC Non Machinable	$4.353	1.219	$0.120	$5.424	4b
Intra-BMC Oversize	$10.588	1.219	$0.120	$13.022	4c
RBMC Machinable	$0.785	1.219	$0.120	$1.077	4d
RBMC Nonmachinable	$3.422	1.219	$0.120	$4.290	4e
RBMC Oversize	$9.064	1.219	$0.120	$11.165	4f
RDU Machinable	$0.150	1.219	$0.120	$0.303	4g
RDU Nonmachinable	$0.334	1.219	$0.120	$0.527	4h
RDU Oversize	$0.765	1.219	$0.120	$1.052	4i

Estimated Mail Processing Cost Differences

Rate Category	Benchmark	Cost Difference [5]	
RBMC Machinable	Intra-BMC mach	($0.532)	5a
RBMC Nonmachinable	Intra-BMC nmo	($1.134)	5b
RBMC Oversize	Intra-BMC over	($1.857)	5c
RDU Machinable	Intra-BMC mach	($1.306)	5d
RDU Nonmachinable	Intra-BMC nmo	($4.897)	5e
RDU Oversize	Intra-BMC over	($11.970)	5f

Sources

[1]: Modeled costs from Attachment C, pages 7-15.
[2]: Docket No. R2005-1, USPS-LR-K-46
[3]: Docket No. R2005-1, USPS-LR-K-46
[4]: [1] * [2] + [3].
[5]: Difference between Cost Category and Benchmark.
[5a]: (4a)-(4d).
[5b]: (4b)-(4e)
[5c]: (4c)-(4f).
[5d]: (4a)-(4g)
[5e]: (4b)-(4h).
[5f]: (4c)-(4i).

Productivities and Variabilities for Direct Labor Operations

	Productivities (Units per Wkhr)	
UNLOADING		
Unload sacked machinable parcels to extended conveyor	213.2	1/
Unload machinable parcels to extended conveyor	709.8	1/
Unload non-machinable parcels	183.9	1/
Unload non-machinable parcels to IHC only (proxy for sacks)	175.6	1/
Unload wheeled containers	23.7	1/
Unload Pallets/Postal Paks/Pallet Box	14.0	1/
DUMPING & SACK HANDLING		
Dump Containers	7.6	1/
Sack shake out	85.4	1/
Manually dump sacks at Non-BMC	119.8	2/
Sack sorter (PIRS 98)	419.7	3/
PARCEL SORTING MACHINE DISTRIBUTION		
PPSM	897.4	3/
SPSM	2005.2	3/
SPSM (Before the SSIU)	1474.7	4/
100 percent Key Rate	971.1	5/
NONMACHINABLE OUTSIDES DISTRIBUTION		
NMO Distribution	82.7	3/
NMO Distribution at SCFs	452.6	6/
Parcel Sort at AO	521.7	8/
OTHER OPERATIONS		
Tend container loader/sweep runouts	6.4	1/
Crossdock containers	8.0	1/
Sack and Tie	148.1	1/
LOADING		
Bedload NMOs to van from IHCs (proxy for machinables)	201.3	1/
Bedload Sacked Machinables	208.1	1/
Load wheeled containers	11.9	1/
Load Pallets/Postal Paks/Pallet Boxes	15.3	1/
Variabilities		
BMC Platform	0.83	7/
BMC Other	0.83	7/
PSM	0.83	7/
SSM	0.83	7/
SPBS	0.83	7/
NMO Distribution at BMCs	0.83	7/
Platform Non-BMC	0.83	7/
NMO Distribution at Non-BMCs	0.78	7/
LDC43	0.83	7/

Sources

1/: Docket No. R97-1, LR-H-132, page 329.
2/: *Proxy based on Planning* Guidelines (PGLs).
3/: GFY 2003 PIMS
4/: *National Database*, PIRS *average* 1995 - 2000.
5/: National Database, PIRS FY93, (pure keying, no prebarcode).
6/: Docket No. R2005-1, USPS-LR-K-56
7/: Docket No. R2005-1, USPS-T-11, Table 1
8/: Docket No. R2001-1, LR-J-64, Attachment D, page 2 (sorting 5-digit to carrier-route).

Arrival and Dispatch Profiles

	Arrival and Dispatch Percentages	
Mail Flow Arrival Profile at Originating BMCs		
Machinable Parcels Arriving in Bedloaded Sacks at BMC	4.3%	1/
Machinable Parcels Arriving Bedloaded at BMC	7.0%	1/
Machinable Parcels Arriving sacked in OTRs at BMC	11.5%	1/
Machinable Parcels Arriving loose in OTRs at BMC	51.1%	1/
Machinable Parcels Arriving Palletized at BMC	1.6%	1/
Machinable Parcels Arriving in Pallet Boxes at BMC	0.9%	1/
Machinable Parcels Arriving in Hampers/APC/OWC (OWC) at BMC	23.6%	1/
Non-Machinable Parcels Arriving Bedloaded at BMC	4.0%	1/
Non-Machinable Parcels Arriving Palletized at BMC	1.3%	1/
Non-Machinable Parcels Arriving in OTR Containers at BMC	72.5%	1/
Non-Machinable Parcels Arriving in Hampers/APC/OWC (OWC) at BMC	22.2%	1/
Mail Flow Arrival Profile from Origin BMCs to Destination BMCs		
Machinable Parcels Arriving in Postal Paks at Destination BMC (from Origin BMC)	100.0%	2/
NMOs Arriving Palletized at Destination BMC (from Origin BMC)	100.0%	2/
Mail Flow Arrival at Destinating BMCs for DBMC parcels		
Machinable Parcel Arriving Bedloaded at DBMC	96.2%	3/
Machinable Parcels Arriving on Pallets at DBMC	0.3%	3/
Machinable Parcels Arriving in OTRs at BMC	0.8%	3/
Machinable Parcels Arriving in Gaylords at DBMC	2.6%	3/
Machinable Parcels arriving in OWC at DBMC	0.1%	3/
Non-Machinable Parcels Arriving Bedloaded at DBMCs	98.5%	3/
Non-Machinable Parcels Arriving in Pallet Boxes at DBMC	0.7%	3/
Non-Machinable Parcels Arriving on Pallets at DBMC	0.8%	3/
Mail Flow Dispatch Profiles From BMCs to Service Area		
Machinable Parcels Dispatched in Bedloaded Sacks to Service Area	23.8%	4/
Machinable Parcels Dispatched loose in OTRs to Service Area	60.3%	4/
Machinable Parcels Dispatched sacked in OTRs to Service Area	2.9%	4/
Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Service Area	13.0%	4/
Non-Machinable Parcels Dispatched Bedloaded to Service Area	12.9%	5/
Non-Machinable Parcels Dispatched on Pallets to Service Area	31.0%	5/
Non-Machinable Parcels Dispatched in OTRs to Service Area	53.6%	5/
Non-Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Service Area	2.5%	5/
Mail Flow Dispatch Profiles to Delivery Unit		
Machinable Parcels Dispatched in Bedloaded Sacks ot Delivery Unit	26.7%	6/
Machinable Parcels Dispatched loose in OTRs to Service Area to Delivery Unit	60.3%	6/
Machinable Parcels Dispatched in OWC to Delivery Unit	13.0%	6/
Non-Machinable Parcels Dispatched Bedloaded to Delivery Unit	26.7%	7/
Non-Machinable Parcels Dispatched in OTRs to Delivery Unit	60.3%	7/
Non-Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Delivery Unit	13.0%	7/

Sources

1/ Docket No. R97-1 USPS LR-H-131, Table 1. Assume 61.6 of bedloaded is loose and 38.4 is sacked.
Assume 81.6 percent of mail in OTRs is loose and 18.4 percent is sacked (Docket No. R97-1, LR-H-132, page 277).

2/ Assumptions that 100 percent of parcels going from BMC to BMC will be in Postal Paks.

3/ Unload Profile and # of handlings are from Docket No. R97-1 USPS-LR-H-131, Table 2.

4/ Docket No. R97-1 USPS LR-H-132, Attachment 1, page 274.

5/ Docket No. R97-1 USPS LR-H-132, Attachment 3, page 278.

6/ Assume same as dispatch profile as BMC, but sacks in OTRs get bedloaded.

7/ Use Dispatch profile of machinables as a proxy, use bedloaded sacks for bedloaded NMOs.

Piggyback Factors, Wages, Mail Flow Operating Assumptions

Wage Rate with Premium Pay Factor Applied	$35.371	1/
Premium Pay Factor	0.989	2/
TY Other mail processing wage rate	$35.772	3/
Window Service Adjustment Factor	1.075	4/
Window Service Base year wage rate	33.804	5/
Window Service Test year wage rate	36.344	6/
Mail Processing Operation Specific Piggyback Factors		
NMO Sorting at BMC	1.571	7/
Other Operations at BMCs	1.545	7/
Platform BMC	1.622	7/
Primary Parcel Sorting Machine	2.145	7/
Secondary Parcel Sorting Machine	5.391	7/
Sack Sorting Machine - BMC	2.159	7/
NMO Sorting at SCF	1.419	7/
Platform Non-BMC	1.458	7/
NonMODS Allied	1.738	7/
NonMODSMANP	1.510	7/
Window Service Piggyback factor (Parcel Post)	1.348	8/
Mail Flow Operating Assumptions		
Percent with direct transportation to destinating delivery unit from BMC	12.3%	9/
Percent Sorted to 5-Digits by Primary Parcel Sorting Machine	20.1%	10/
Destinating BMCs will feed barcoded destinating mail unfiltered to secondary	20.8%	11/
Probability that mail fed directly to nonspecific secondary will receive more than one sort	50.0%	12/
Probability that barcode on secondary will not be readable	3.0%	13/
Proportion of parcel singulators (SSIU) being at secondary	100.0%	14/
Proportion sent from secondary to primary due to SSIU	3.0%	15/
Probability of Inter-BMC parcel going to primary psm at destination BMC	85.7%	16/
Probability of Inter-BMC parcel being handled by SSIU in destination BMC	94.5%	17/
Probability of Intra-BMC and DBMC parcels going to primary psm (or get keyed)	100.00%	18/
Probability of Intra-BMC and DBMC on secondary psm	79.9%	19/
Probability that NMOs will NOT be inducted on the conveyor system (not used for NMOs over 10	41.2%	20/
Probability that NMOs will be NOT be moved using towveyor (not used for pallets)	31.4%	20/
Probability that PRS machinable mail pieces are processed on the PPSM	97.4%	21/
Probability that PRS machinable mail pieces are processed on the SPSM	24.8%	21/

Sources

1/: (2) x (3).
2/: Docket No. R2005-1, USPS-LR-K-55
3/: Docket No. R2005-1, USPS-LR-K-55
4/: (6) / (5).
5/: Docket No. R2005-1, USPS-LR-K-55
6/: Docket No. R2005-1, USPS-LR-K-55
7/: Docket No. R2005-1, USPS-LR-K-52
8/: Docket No. R2005-1, USPS-LR-K-52
9/: USPS LR-PCR-40, page 64.
10/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [10].
11/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [9].
12/: Assumption that mail going to secondary PSM will be evenly split between scheme 1 and scheme 2.
13/: Assumption used by Operations.
14/: Assumption used by Operations.
15/: (14) x (15).
16/: [1 - (12)] + [(16) x (12)]+{[(1) - (12)] x [(1) - (11)] x (16)}+{(11) x (12) x [(1) - (16)]}.
17/: (12) + [(11) x (13)] + [1-(12)] x [(1-(11)].
18/: 1 + [1-(11)] * (16).
19/: 1 - (11).
20/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [11].

Other Inputs

FY 2004 Volumes

	Percents			NMO		
	% mach [1]	% over [2]	machinable [3]	(non oversize) [4]	Oversize [5]	Total [6]
Inter-BMC	94.5%	0.063%	73,627,919	4,217,546	48,858	77,894,322
Intra-BMC	94.3%	0.099%	29,007,959	1,710,042	30,331	30,748,332
DBMC	93.4%	0.094%	81,164,769	5,617,204	81,739	86,863,713
DSCF	93.4%	0.094%	2,787,960	192,948	2,808	2,983,715
DDU	93.4%	0.094%	160,094,387	11,079,720	161,227	171,335,334
Total			346,682,994	22,817,459	324,963	369,825,416

Calculation of Percent of Inter and Intra entered at origin AO

Percent of inter-BMC that is retail	25.6%	1/
Percent of intra-BMC that is retail	38.5%	2/

Average Cubic Feet of Parcel Post

	[7]
Machinable	0.425
Non-machinable	2.777
Oversize	7.938

Sources

Rows (1&2)/. Docket R2001-1, LR-J-64, Attachment A, page 6.

Column [1]: Docket R2001-1, LR-J-67, Attachment A, page 6. Machinable volume / total volume.
Column [2]: Docket R2001-1, LR-J-67, Attachment A, page 6. Nonmachinable volume / total nonmachinable volume.
Column [3]: Column [1] * column [6].
Column [4]: Column [6] - column [3] - column [5].
Column [5]: Column [2] * column [6].
Column [6]: GFY2004 RPW volumes.
Column [7]: Docket No. R2005-1, USPS-LR-K-47

Conversion Factor Calculations

Container Type	Outside Dim. Per Container (inches) [1]	Inside Dim. Per Container (inches) [2]	Cubic Feet Per Container [3]	Effective Parcel Capacity (# of Parcels) [4]	Capacity at Average Fullness (# of Parcels) [5]	Average % FULL [6]
Machinable						
Pallet	48x40x48	48x40x48	53.3	125.6	106.8	85%
Postal Pak	48x40x69	46.5x38.5x69	71.5	153.1	130.1	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	153.1	134.7	88%
Pallet Box (for space)	48x40x70	46.5x38.5x70	71.5	153.1	114.8	75%
Sacks on In-house Container	65x41.5x36	65x41.5x36	56.2	120.3	102.3	85%
NMOs						
Pallet	48x40x48	48x40x48	53.3	19.2	19.2	100%
Pallet Box	48x40x69	46.5x38.5x69	71.5	23.4	19.9	85%
In-house Container	65x41.5x36	65x41.5x36	56.2	18.4	15.6	85%
Oversize NMOs						
108"-130" on Pallet	48x40x48	48x40x48	53.3	6.7	6.7	100%
108"-130" in IHC	65x41.5x36	65x41.5x36	56.2	6.4	6.4	100%

Pieces Per Container	Machinable R2000-1 (FY98) [7]	Machinable R2005-1 (FY04) [8]	Nonmachinable R2000-1 (FY98) [9]	Nonmachinable R2005-1 (FY04) [10]	108"-130" R2005-1 (FY04) [11]
Sack	5.1	7.0	n/a	n/a	n/a
Sack in OTR	81.8	112.0	n/a	n/a	n/a
OTR	69.0	94.5	27.1	19.5	6.8
APC	35.7	48.8	14.0	10.1	3.5
Hamper	23.0	31.5	9.0	6.5	2.3

	Cubic Feet Per Parcel Post			No. of Sacks on IHC	No. of Sacks on Postal Pak
	Machinable [12]	NMO [13]	108"-130" [14]	[15]	[16]
R2005-1 (BY04)	0.425	2.777	7.94	14.61	18.59
R2000 (BY98)	0.581	1.992			

Sources

Columns [1 & 2] Container Methods Handbook PO-502 (September 1992), USPS LR-H-133

Column [3] (Length * width * height) / (12*12*12)

Column [4] (Column [3]) / ((column [13]) * air factor), to account for "effective cube" and (column [3]) / ((column [14]) * air factor) and (column [3]) / ((column [16]) * air factor).
Air factor =1 for pallets, and 1.1 for all else

Column [5] Effective cubic capacity (column [4]) * average % fullness (column [6])

Column [6] Pallets, postal paks and IHCs should be as full as practicable before dispatch so it is reasonable to assume these containers will be at least 85% full.
The majority of pallet boxes come from mailers who must have 75 percent full boxes, and tend to fill them to maximize capacity.
Therefore 88 percent, the average of 75 and 100 percent was used

Column [7] Docket No. R84-1, Exhibit USPS-14I

Column [8] Pieces per container in Docket No. R84-1 (column [7]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14]).

Column [9] Docket No. R84-1, Exhibit USPS-14I

Column [10] Pieces per container in Docket No. R84-1 (column [9]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14]).

Column [11] Column [10] * column [13] / column [15].

Column [12] Attachment C, page 5, column [7], machinable parcels

Column [13] Attachment C, page 5 column [7], non-machinable parcels

Column [14] Attachment C, page 5, column [7], oversize parcels

Column [15] No. of parcels on IHC (column 5) divided by no. of parcels in a sack (column 8)

Column [16] No of parcels on a parcel (column5) divided by no. of parcels in a sack (column 8)

Intra-BMC Machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.068**
Move Containers to Dock	0.3849	32.1	40.1	1.738	$0.048	$0.018
Load Containers	0.3849	11.9	40.1	1.738	$0.129	$0.050
Origin SCF						**$0.303**
Unload Containers[2]	1.0000				$0.038	$0.038
Crossdock containers	1.0000	8.0	40.1	1.738	$0.191	$0.191
Bedload Sacks	0.0434	208.1	7.0	1.458	$0.035	$0.002
Bedload loose	0.0696	201.3	1.0	1.458	$0.256	$0.018
Load Sacks in OTRs	0.1152	11.9	112.0	1.458	$0.039	$0.004
Load Loose in OTRs	0.5108	11.9	94.5	1.458	$0.046	$0.023
Load Pallets	0.0160	15.3	106.8	1.458	$0.032	$0.001
Load Pallet Boxes	0.0090	15.3	134.7	1.458	$0.025	$0.000
Load OWCs	0.2360	11.9	40.1	1.458	$0.108	$0.026
Destination BMC						**$0.529**
Unload Bedload Sack	0.0434	213.2	7.0	1.622	$0.038	$0.002
Unload Bedload Loose	0.0696	709.8	1.0	1.622	$0.081	$0.006
Unload Sacks in OTR	0.1152	23.7	112.0	1.622	$0.022	$0.002
Unload loose in OTR	0.5108	23.7	94.5	1.622	$0.026	$0.013
Unload Pallet	0.0160	14.0	106.8	1.622	$0.038	$0.001
Unload Pallet Boxes	0.0090	14.0	134.7	1.622	$0.030	$0.000
Unload Other Wheeled Cont.	0.2360	23.7	40.1	1.622	$0.060	$0.014
Dump OTR of sacks	0.1152	7.6	112.0	1.545	$0.064	$0.007
Dump OTR of loose	0.5108	7.6	94.5	1.545	$0.076	$0.039
Dump Pallet	0.0160	7.6	106.8	1.545	$0.067	$0.001
Dump Pallet Boxes	0.0090	7.6	134.7	1.545	$0.053	$0.000
Dump Other Wheeled Cont	0.2360	7.6	40.1	1.545	$0.179	$0.042
Sack Sorter	0.1586	419.7	7.0	2.159	$0.026	$0.004
Sack shakeout	0.1586	85.4	7.0	1.545	$0.091	$0.015
PPSM	1.0000	897.4	1.0	2.145	$0.085	$0.085
SPSM	0.7991	2005.2	1.0	5.391	$0.095	$0.076
Sweep Runouts OTR	0.7327	6.4	94.5	1.545	$0.090	$0.066
Sack and Tie	0.2673	148.1	1.0	1.545	$0.369	$0.099
Bedload Sacks	0.2384	208.1	7.0	1.622	$0.039	$0.009
Load OTRs w/ sacks	0.0289	11.9	112.0	1.622	$0.043	$0.001
Load OTRs w/ loose	0.6025	11.9	94.5	1.622	$0.051	$0.031
Load Hampers/OWC	0.1302	11.9	40.1	1.622	$0.121	$0.016
Destination SCF						**$0.141**
Unload Bedload Sacks	0.2091	175.6	7.0	1.458	$0.042	$0.009
Unload Sacks in OTR	0.0253	23.7	112.0	1.458	$0.019	$0.000
Unload loose in OTR	0.5284	23.7	94.5	1.458	$0.023	$0.012
Unload OWC	0.1142	23.7	40.1	1.458	$0.054	$0.006
Crossdock IHC (Bedload Sack	0.2091	8.0	102.3	1.458	$0.063	$0.013
Crossdock Sacks in OTR	0.0253	8.0	112.0	1.458	$0.057	$0.001
Crossdock loose in OTR	0.5284	8.0	94.5	1.458	$0.068	$0.036
Crossdock OWC	0.1142	8.0	40.1	1.458	$0.160	$0.018
Bedload Sacks	0.2344	208.1	7.0	1.458	$0.035	$0.008
Load OTRs w/ loose	0.5284	11.9	94.5	1.458	$0.046	$0.024
Load Hampers/OWC	0.1142	11.9	40.1	1.458	$0.108	$0.012
Destination Delivery Unit						**$0.181**
Unload Bedload Sacks	0.2673	175.6	7.0	1.458	$0.042	$0.011
Unload loose in OTR	0.6025	23.7	94.5	1.458	$0.023	$0.014
Unload OWC	0.1302	23.7	40.1	1.458	$0.054	$0.007
Dump Sacks	0.2673	119.8	7.0	1.458	$0.062	$0.016
Move Containers from Dock	1.0000	32.1	64.0	1.738	$0.030	$0.030
Sort Parcels	1.0000	521.7	1.0	1.510	$0.102	$0.102
				Model Cost		**$1.222**

Sources
Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Number of Handlings at Origin AO from Attachment C, page 5.
[2] *Unload Containers* cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

Intra-BMC Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.330**
Move Containers to Dock	0.3849	32.1	8.3	1.738	$0.232	$0.089
Load Containers	0.3849	11.9	8.3	1.738	$0.627	$0.241
Origin SCF						**$1.388**
Unload Containers[2]	1.0000				$0.170	$0.170
Crossdock containers	1.0000	8.0	8.3	1.738	$0.927	$0.927
Bedload NMOs	0.0400	201.3	1.0	1.458	$0.256	$0.010
Load NMOs in OTRs	0.7250	11.9	19.5	1.458	$0.223	$0.162
Load NMOs in OWCs	0.2220	11.9	8.3	1.458	$0.526	$0.117
Load NMOs on Pallets	0.0130	15.3	19.2	1.458	$0.176	$0.002
Destination BMC						**$1.277**
Unload Bedloaded NMOs	0.0400	183.9	1.0	1.622	$0.312	$0.012
Unload NMOs in OTRs	0.7250	23.7	19.5	1.622	$0.124	$0.090
Unload NMOs in OWC	0.2220	23.7	8.3	1.622	$0.292	$0.065
Unload NMOs on Pallets	0.0130	14.0	19.2	1.622	$0.214	$0.003
Move IHCs (from bedload)	0.0165	16.0	15.6	1.545	$0.218	$0.004
Move OTRs	0.2988	16.0	19.5	1.545	$0.175	$0.052
Move OWC	0.0915	16.0	8.3	1.545	$0.412	$0.038
Move Pallets	0.0054	16.0	19.2	1.545	$0.177	$0.001
D. Primary NMO Sort	1.0000	82.7	1.0	1.571	$0.672	$0.672
Move IHCs	0.0405	16.0	18.4	1.545	$0.185	$0.007
Move OTRs	0.1681	16.0	19.5	1.545	$0.175	$0.029
Move OWC	0.0078	16.0	8.3	1.545	$0.412	$0.003
Move Pallets	0.3098	16.0	19.2	1.545	$0.177	$0.055
Bedload from IHC	0.1291	201.3	1.0	1.622	$0.285	$0.037
Load NMOs in OTRs	0.5363	11.9	19.5	1.622	$0.249	$0.133
Load NMOs in OWC	0.0248	11.9	8.3	1.622	$0.585	$0.015
Load NMOs on Pallet	0.3098	15.3	19.2	1.622	$0.196	$0.061
Destination SCF						**$0.928**
Unload Bedload to IHC	0.1291	175.6	1.0	1.458	$0.294	$0.038
Unload OTRs	0.5363	23.7	19.5	1.458	$0.112	$0.060
Unload OWC	0.0248	23.7	8.3	1.458	$0.263	$0.007
Unload Pallet	0.3098	14.0	19.2	1.458	$0.192	$0.059
Move IHC	0.1291	16.0	15.6	1.458	$0.205	$0.027
Move OTRs	0.5363	16.0	19.5	1.458	$0.165	$0.089
Move OWC	0.0248	16.0	8.3	1.458	$0.389	$0.010
Move Pallet	0.3098	16.0	19.2	1.458	$0.167	$0.052
Manual Sort	1.0000	452.6	1.0	1.419	$0.111	$0.111
Move IHC	0.2673	16.0	15.6	1.458	$0.205	$0.055
Move OTRs	0.6025	16.0	19.5	1.458	$0.165	$0.100
Move OWC	0.1302	16.0	8.3	1.458	$0.389	$0.051
Bedload NMOs	0.2673	201.3	1.0	1.458	$0.256	$0.068
Load OTRs w/ loose	0.6025	11.9	19.5	1.458	$0.223	$0.135
Load Hampers/OWC	0.1302	11.9	8.3	1.458	$0.526	$0.068
Destination Delivery Unit						**$0.429**
Unload Bedload NMOs	0.2673	175.6	1.0	1.458	$0.294	$0.078
Unload loose in OTR	0.6025	23.7	19.5	1.458	$0.112	$0.067
Unload OWC	0.1302	23.7	8.3	1.458	$0.263	$0.034
Move Containers from Dock	1.0000	32.1	13.1	1.738	$0.147	$0.147
Sort Parcels	1.0000	521.7	1.0	1.510	$0.102	$0.102
				Model Cost		**$4.353**

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Number of Handlings at Origin AO from Attachment C, page 5.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

Intra-BMC Non-machinable Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.944**
Move Containers to Dock	0.3849	32.1	2.9	1.738	$0.662	$0.255
Load Containers	0.3849	11.9	2.9	1.738	$1.791	$0.689
Origin SCF						**$3.926**
Unload Containers[2]	1.0000				$0.464	$0.464
Crossdock containers	1.0000	8.0	2.9	1.738	$2.650	$2.650
Bedload NMOs	0.0400	201.3	1.0	1.458	$0.256	$0.010
Load NMOs in OTRs	0.7250	11.9	6.8	1.458	$0.638	$0.463
Load NMOs in OWCs	0.2220	11.9	2.9	1.458	$1.502	$0.333
Load NMOs on Pallets	0.0130	15.3	6.7	1.458	$0.503	$0.007
Destination BMC						**$2.629**
Unload Bedloaded to IHC	0.0400	175.6	1.0	1.622	$0.327	$0.013
Unload NMOs in OTRs	0.7250	23.7	6.8	1.622	$0.355	$0.257
Unload NMOs in OWC	0.2220	23.7	2.9	1.622	$0.836	$0.185
Unload NMOs on Pallets	0.0130	14.0	6.7	1.622	$0.611	$0.008
Move IHC	0.0400	16.0	6.4	1.545	$0.529	$0.021
Move OTR	0.7250	16.0	6.8	1.545	$0.500	$0.363
Move OWC	0.2220	16.0	2.9	1.545	$1.178	$0.261
Move Pallet	0.0130	16.0	6.7	1.545	$0.507	$0.007
D Primary NMO Sort	1.0000	82.7	1.0	1.571	$0.672	$0.672
Move IHC	0.0125	16.0	6.4	1.545	$0.529	$0.007
Move OTR	0.2273	16.0	6.8	1.545	$0.500	$0.114
Move OWC	0.0696	16.0	2.9	1.545	$1.178	$0.082
Move Pallet	0.0130	16.0	6.7	1.545	$0.507	$0.007
Bedload from IHC	0.1291	201.3	1.0	1.622	$0.285	$0.037
Load NMOs in OTRs	0.5363	11.9	6.8	1.622	$0.711	$0.381
Load NMOs on Pallet	0.3098	15.3	6.7	1.622	$0.559	$0.173
Load NMOs in OWC	0.0248	11.9	2.9	1.622	$1.672	$0.041
Destination SCF						**$2.213**
Unload Bedload to IHC	0.1291	175.6	1.0	1.458	$0.294	$0.038
Unload OTRs	0.5363	23.7	6.8	1.458	$0.319	$0.171
Unload Pallet	0.3098	14.0	6.7	1.458	$0.549	$0.170
Unload OWC	0.0248	23.7	2.9	1.458	$0.751	$0.019
Move IHC	0.1291	16.0	6.4	1.458	$0.499	$0.064
Move OTRs	0.5363	16.0	6.8	1.458	$0.472	$0.253
Move Pallet	0.3098	16.0	6.7	1.458	$0.478	$0.148
Move OWC	0.0248	16.0	2.9	1.458	$1.111	$0.028
Manual Sort	1.0000	452.6	1.0	1.419	$0.111	$0.111
Move IHC	0.2673	16.0	6.4	1.458	$0.499	$0.133
Move OTRs	0.6025	16.0	6.8	1.458	$0.472	$0.284
Move OWC	0.1302	16.0	2.9	1.458	$1.111	$0.145
Bedload NMOs	0.2673	201.3	1.0	1.458	$0.256	$0.068
Load OTRs w/ loose	0.6025	11.9	6.8	1.458	$0.638	$0.385
Load Hampers/OWC	0.1302	11.9	2.9	1.458	$1.502	$0.196
Destination Delivery Unit						**$0.875**
Unload Bedload NMOs	0.2673	175.6	1.0	1.458	$0.294	$0.078
Unload loose in OTR	0.6025	23.7	6.8	1.458	$0.319	$0.192
Unload OWC	0.1302	23.7	2.9	1.458	$0.751	$0.098
Move Containers from Dock	1.0000	32.1	4.7	1.738	$0.404	$0.404
Sort Parcels	1.0000	521.7	1.0	1.510	$0.102	$0.102
				Model Cost		**$10.588**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
*Column [6]: (column [1] * column [5]).*

[1] Number of Handlings at Origin AO from Attachment C, page 5.

[2] *Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.*

RBMC Machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.177**
Move Containers to Dock	1.0000	32.1	40.1	1.738	$0.048	$0.048
Load Containers	1.0000	11.9	40.1	1.738	$0.129	$0.129
Origin SCF						**$0.303**
Unload Containers[2]	1.0000				$0.038	$0.038
Crossdock containers	1.0000	8.0	40.1	1.738	$0.191	$0.191
Bedload Sacks	0.0434	208.1	7.0	1.458	$0.035	$0.002
Bedload loose	0.0696	201.3	1	1.458	$0.256	$0.018
Load Sacks in OTRs	0.1152	11.9	112.0	1.458	$0.039	$0.004
Load Loose in OTRs	0.5108	11.9	94.5	1.458	$0.046	$0.023
Load Pallets	0.0160	15.3	106.8	1.458	$0.032	$0.001
Load Pallet Boxes	0.0090	15.3	134.7	1.458	$0.025	$0.000
Load OWCs	0.2360	11.9	40.1	1.458	$0.108	$0.026
Destination BMC						**$0.306**
Unload Bedload Sack	0.0434	213.2	7.0	1.622	$0.038	$0.002
Unload Bedload Loose	0.0696	709.8	1.0	1.622	$0.081	$0.006
Unload Sacks in OTR	0.1152	23.7	112.0	1.622	$0.022	$0.002
Unload loose in OTR	0.5108	23.7	94.5	1.622	$0.026	$0.013
Unload Pallet	0.0160	14.0	106.8	1.622	$0.038	$0.001
Unload Pallet Boxes	0.0090	14.0	134.7	1.622	$0.030	$0.000
Unload Other Wheeled Cont.	0.2360	23.7	40.1	1.622	$0.060	$0.014
Dump OTR of sacks	0.1152	7.6	112.0	1.545	$0.064	$0.007
Dump OTR of loose	0.5108	7.6	94.5	1.545	$0.076	$0.039
Dump Pallet	0.0160	7.6	106.8	1.545	$0.067	$0.001
Dump Pallet Boxes	0.0090	7.6	134.7	1.545	$0.053	$0.000
Dump Other Wheeled Cont.	0.2360	7.6	40.1	1.545	$0.179	$0.042
Sack Sorter	0.1586	419.7	7.0	2.159	$0.026	$0.004
Sack shakeout	0.1586	85.4	7.0	1.545	$0.091	$0.015
PPSM	0.9736	897.4	1.0	2.145	$0.085	$0.082
SPSM	0.2482	2005.2	1.0	5.391	$0.095	$0.024
Move Pallets	1.0000	16.0	134.7	1.545	$0.025	$0.025
Load Pallet Boxes	1.0000	15.3	134.7	1.622	$0.028	$0.028
				Model Cost		**$0.785**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Assumption that all RBMC will be entered at origin AO.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RBMC Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] *units/hr*	[3] *conversion*	[4] *piggyback*	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.859**
Move Containers to Dock	1.0000	32.1	8.3	1.738	$0.232	$0.232
Load Containers	1.0000	11.9	8.3	1.738	$0.627	$0.627
Origin SCF						**$1.388**
Unload Containers[2]	1.0000				$0.170	$0.170
Crossdock containers	1.0000	8.0	8.3	1.738	$0.927	$0.927
Bedload NMOs	0.0400	201.3	1.0	1.458	$0.256	$0.010
Load NMOs in OTRs	0.7250	11.9	19.5	1.458	$0.223	$0.162
Load NMOs in OWCs	0.2220	11.9	8.3	1.458	$0.526	$0.117
Load NMOs on Pallets	0.0130	15.3	19.2	1.458	$0.176	$0.002
Destination BMC						**$1.175**
Unload Bedloaded NMOs	0.0400	183.9	1.0	1.622	$0.312	$0.012
Unload NMOs in OTRs	0.7250	23.7	19.5	1.622	$0.124	$0.090
Unload NMOs in OWC	0.2220	23.7	8.3	1.622	$0.292	$0.065
Unload NMOs on Pallets	0.0130	14.0	19.2	1.622	$0.214	$0.003
Move IHCs (from bedload)	0.0165	16.0	15.6	1.545	$0.218	$0.004
Move OTRs	0.2988	16.0	19.5	1.545	$0.175	$0.052
Move OWC	0.0915	16.0	8.3	1.545	$0.412	$0.038
Move Pallets	0.0054	16.0	19.2	1.545	$0.177	$0.001
D. Primary NMO Sort	1.0000	82.7	1.0	1.571	$0.672	$0.672
Move Pallets	1.0000	16.0	19.2	1.545	$0.177	$0.177
Load NMOs on Pallet	0.3098	15.3	19.2	1.622	$0.196	$0.061
				Model Cost		**$3.422**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (*conversion factors*).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1]Assumption that all RBMC will be entered at origin AO.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RBMC Non-machinable Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$2.454**
Move Containers to Dock	1.0000	32.1	2.9	1.738	$0.662	$0.662
Load Containers	1.0000	11.9	2.9	1.738	$1.791	$1.791
Origin SCF						**$3.926**
Unload Containers[2]	1.0000				$0.464	$0.464
Crossdock containers	1.0000	8.0	2.9	1.738	$2.650	$2.650
Bedload NMOs	0.0400	201.3	1.0	1.458	$0.256	$0.010
Load NMOs in OTRs	0.7250	11.9	6.8	1.458	$0.638	$0.463
Load NMOs in OWCs	0.2220	11.9	2.9	1.458	$1.502	$0.333
Load NMOs on Pallets	0.0130	15.3	6.7	1.458	$0.503	$0.007
Destination BMC						**$2.683**
Unload Bedloaded to IHC	0.0400	175.6	1.0	1.622	$0.327	$0.013
Unload NMOs in OTRs	0.7250	23.7	6.8	1.622	$0.355	$0.257
Unload NMOs in OWC	0.2220	23.7	2.9	1.622	$0.836	$0.185
Unload NMOs on Pallets	0.0130	14.0	6.7	1.622	$0.611	$0.008
Move IHC	0.0400	16.0	6.4	1.545	$0.529	$0.021
Move OTR	0.7250	16.0	6.8	1.545	$0.500	$0.363
Move OWC	0.2220	16.0	2.9	1.545	$1.178	$0.261
Move Pallet	0.0130	16.0	6.7	1.545	$0.507	$0.007
D. Primary NMO Sort	1.0000	82.7	1.0	1.571	$0.672	$0.672
Move Pallet	1.0000	16.0	8.0	1.545	$0.426	$0.426
Load NMOs on Pallet	1.0000	15.3	8.0	1.622	$0.470	$0.470
				Model Cost		**$9.064**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Assumption that all RBMC will be entered at origin AO.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RDU Machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						**$0.150**
Sort by Shipper ID	1.0000	521.7	1.0	1.510	$0.102	$0.102
Move Containers to Dock	1.0000	32.1	40.1	1.738	$0.048	$0.048
Load Containers	0.0000	11.9	40.1	1.738	$0.129	$0.000
				Model Cost		**$0.150**

Sources

Column [1]: *All RDU parcels will be sorted to shipper and moved to dock (USPS-T-1, Section VII).*
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

RDU Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						**$0.334**
Sort by Shipper ID	1.0000	521.7	1.0	1.510	$0.102	$0.102
Move Containers to Dock	1.0000	32.1	8.3	1.738	$0.232	$0.232
Load Containers	*0.0000*	11.9	8.3	1.738	$0.627	$0.000
				Model Cost		**$0.334**

Column [1]: All RDU parcels will be sorted to shipper and moved to dock (USPS-T-1, Section VII).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

RDU Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						**$0.765**
Sort by Shipper ID	1.0000	521.7	1.0	1.510	$0.102	$0.102
Move Containers to Dock	1.0000	32.1	2.9	1.738	$0.662	$0.662
Load Containers	0.0000	11.9	2.9	1.738	$1.791	$0.000
				Model Cost		**$0.765**

Sources

Column [1]: All RDU parcels will be sorted to shipper *and moved to dock* (USPS-T-1, Section VII).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

Storage Cost Estimates

	Mail Category			
	Machinable	**Non-Machinable**	**Oversize**	
# of pieces in Container (Pallet Box)	134.7	19.9	6.7	1/
Total Square Feet taken up by one container	13.3	13.3	13.3	2/
Cost of Space ($/sf) - Annual	$17.470	$17.470	$17.470	3/
Space Variability	1.000	1.000	1.000	4/
Space Support Factor	1.354	1.354	1.354	5/
Cost of Space ($/sf) - Annual	$23.660	$23.660	$23.660	6/
Cost per square foot - Daily (303 days)	$0.078	$0.078	$0.078	7
Cost per Container	$1.041	$1.041	$1.041	8/
Cost per piece per day	$0.008	$0.052	$0.155	9
Storage Days Required				
RBMC	1.834	1.834	1.834	10/
RDU	5.000	5.000	5.000	11/
Cost by PRS Rate Category				
RBMC	$0.014	$0.096	$0.284	12/
RDU	$0.039	$0.262	$0.775	13/

Sources

1/: Attachment C, page 6 (Conversion factors).
2/: Calculation using dimensions of containers.
3/: Docket No. MC2003-2, USPS-T-2, Attachment D, page 1
4/: Variability assumption implicit in data filed in Docket No. R2001-1.
5/: Docket No. R94-1, LR-G-120A, Schedule 5, page 1, line 39 and Schedule 4, page 1, line 44.
6/: (3) x (4) x (5).
7/: (6) / 303 days.
8/: (2) x (7).
9/: (8) / (1).
10/: August 2005 BMC PRS Survey
11/: Assumption from Product Definition (mailers must pick up RDU parcels every 5 days).
12/: (9) x (10).
13/: (9) x (11).

Transportation Cost Estimate Summary

PRS Rate Category	Benchmark	Total Cost Impact per Cubic Foot [1]	Average Cubic Feet per Piece [2]	Total Cost Impact per Piece [3]
RBMC - Machinable	Intra-BMC	($2.212)	0.425	($0.939)
RBMC - Non-machinable	Intra-BMC	($2.212)	2.777	($6.144)
RBMC - Oversize	Intra-BMC	($2.212)	7.938	($17.560)
RDU - Machinable	Intra-BMC Local	($2.442)	0.425	($1.037)
RDU - Non-machinable	Intra-BMC Local	($2.442)	2.777	($6.784)
RDU - Oversize	Intra-BMC Local	($2.442)	7.938	($19.387)

Sources
[1]: Attachment E, page 2.
[2]: Attachment C, page 5.
[3]: [1] x [2].

Transportation Cost Difference Estimates

Assumed Legs of Transportation [1]

		Local	Intermediate	Long Distance
Intra-BMC	[1a]	1.951	1.947	0.000
RBMC	[1b]	1.000	1.000	0.000
RDU	[1c]	0.000	0.000	0.000

Benchmark Transportation Cost per Cubic Foot [2]

	Intra-BMC			
Zone	Local	Intermediate	Long Distance	Total
Local	$1.232	$1.211	N/A	$2.442
1-2	$2.122	$2.422	N/A	$4.544
3	$2.122	$2.422	N/A	$4.544
4	$2.122	$2.422	N/A	$4.544
5	$2.122	$2.422	N/A	$4.544
6	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A

PRS Transportation Cost per Cubic Foot [3]

(Benchmark)	RBMC (Intra-BMC)				RDU (Intra-BMC)			
Zone	Local	Intermediate	Long Distance	Total	Local	Intermediate	Long Distance	Total
Local	$0.631	$0.622	N/A	$1.253	$0.000	$0.000	N/A	$0.000
zone 1-2	$1.088	$1.244	N/A	$2.332	$0.000	$0.000	N/A	$0.000
3	$1.088	$1.244	N/A	$2.332	$0.000	$0.000	N/A	$0.000
4	$1.088	$1.244	N/A	$2.332	$0.000	$0.000	N/A	$0.000
5	$1.088	$1.244	N/A	$2.332	$0.000	$0.000	N/A	$0.000
6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

PRS Transportation Cost Impact per Cubic Foot [4]

(Benchmark)	RBMC (Intra-BMC)				RDU (Intra-BMC)			
Zone	Local	Intermediate	Long Distance	Total	Local	Intermediate	Long Distance	Total
Local	($0.600)	($0.589)	N/A	($1.189)	($1.232)	($1.211)	N/A	($2.442)
1-2	($1.035)	($1.178)	N/A	($2.212)	($2.122)	($2.422)	N/A	($4.544)
3	($1.035)	($1.178)	N/A	($2.212)	($2.122)	($2.422)	N/A	($4.544)
4	($1.035)	($1.178)	N/A	($2.212)	($2.122)	($2.422)	N/A	($4.544)
5	($1.035)	($1.178)	N/A	($2.212)	($2.122)	($2.422)	N/A	($4.544)
6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Sources

[1]: Assumed average number of legs of transportation.

[1a]: Docket No. R2005-1, USPS LR-K-89, Attachment B, page 9.

[1b]: RBMC will travel from origin AO to origin SCF (1 local leg) and from origin SCF to origin BMC (1 intermediate leg).

[1b]: Since mailers pick up RDU at origin AO, it will not incur any transportation legs.

[2]: Docket No. R2005-1, USPS LR-K-89, Attachment B, page 11.

[3]: Ratio of PSRS Rate Category transportation legs [1b&1c] to benchmark [1a] multiplied by benchmark cost [2].

[4]: PSRS transportation cost per cubic foot [3] minus benchmark transportation cost per cubic foot [2].

Scanning Cost Estimates

PRS Rate Category	Transaction Time (hours) [1]	Wage Rate [2]	Piggyback Factor [3]	Cost per active scan [4]	Number of active scans [5]	Scan Cost [6]
RBMC - Machinable	0.0007	$35.371	1.419	$0.034	0	$0.000
RBMC - Non-machinable	0.0007	$35.371	1.419	$0.034	0	$0.000
RBMC - Oversize	0.0007	$35.371	1.419	$0.034	0	$0.000
RDU - Machinable	0.0007	$35.371	1.419	$0.034	2	$0.069
RDU - Non-machinable	0.0007	$35.371	1.419	$0.034	2	$0.069
RDU - Oversize	0.0007	$35.371	1.419	$0.034	3	$0.103

Sources

[1]: Docket No. R2000-1, USPS-T-30, Section A, Data Sheet A-8

[2]: Attachment C, page 4. *Premium Pay Adjusted Wage Rate.*

[3]: Docket No. R2005-1, USPS-LR-K-52

[4]: [1] x [2] x [3]. *Follows methodology shown in* Docket No. R2001-1 LR-J-135.

[5]: Assumption taken from USPS product description.

[6]: [4] x [5]

Postage Due Cost Estimates

RBMC	Value	
Average Time per piece (minutes)	6.018	1/
Average Time per piece (hours)	0.100	2/
Wage Rate	$35.371	3/
Piggyback Factor	1.330	4/
Postage Due Cost (for sampled parcels)	$4.717	5/
Sampling Ratio	1.5%	6/
Postage Due Cost (for all parcels)	$0.070	7/
RDU	$0.000	8/

Sources

1/: Attachment H, page 4, column 7

2/: (1) / 60 minutes.

3/: Attachment C, page 4

4/: Docket No. R2005-1, USPS-LR-K-53, piggyback for mods 18 BUSREPLY cost pool

5/: (2) x (3) x (4).

6/: Attachment G, page 2

7/: (5) x (6).

8/: Assumed to be insignificant postage due costs since information from the scanned barcodes will generate a daily postage due manifest.

Postage Due Sampling Ratio

USPS Sample Size by Volume Range [1]

Volume		
Lower Bound	Upper Bound	Pieces
1	19	All pieces
20	99	20 % of pieces
100	199	15 % of pieces
200	299	10% of pieces
300	1,999	30 pieces
2,000	3,999	40 pieces
4,000	5,999	50 pieces
6,000	7,999	60 pieces
8,000	9,999	70 pieces
10,000	99,999	100 pieces
100,000	499,999	150 pieces
500,000	up	200 pieces

Daily Return Volume (5-day week) [2]

BMC	Pieces	Sample Size	Sampling Ratio
	[2]	[3]	[4]
Site A	2,500	40	1.6%
Site B	3,200	40	1.3%
Site C	1,100	30	2.7%
Site D	2,200	40	1.8%
Site E	4,400	50	1.1%
Total	13,400	200	1.5%

Sources

[1]: Supplied by the Business Mailer's Support HQ division.

[2]: Average returns per BMC per 5-day week.
Data collected by Marketing for existing customer
Data was collected in the Fall of 2002.

Postage Due

	Location A [1]										
USPS Return Technician	A	B	C	D	E	F	G	H	I	J	K
Pieces	30	30	30	30	30	30	30	30	30	30	30
Set Up	25	15	15	15	6	15	15	20	20	20	15
Selecting Samples	15	15	50	30	3	7	1	2	2	30	10
Weighing / Recording Samples	35	10	15	30	18	60	33	20	67	25	25
Matching Worksheet to Manifest	80	120	100	120	--	95	45	25	105	165	55
Validating Postage Statement to Manifest											
Transferring Postage Statement to Post Office											
Other		135									
(explanation)		meeting									
Post Office Tasks											
Permit System Entry of Postage Due	5	5	5	5	15	15	10	--	15	5	5
TOTAL											

Sources

[1] through [4]: Data collected directly through survey.

[5]: Only includes volume when have entered data.

[6]: Sum of each row.

[7]: [6] / [5].

Postage Due

	Location B [2]								
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Pieces	30	30	30	30	30	30	30	30	30
Set Up	2	2	5	2	3	2	2	2	2
Selecting Samples	10	6	14	6	7	8	8	8	4
Weighing / Recording Samples	20	35	9	21	20	30	20	28	16
Matching Worksheet to Manifest	25	21	30	22	27	25	28	25	18
Validating Postage Statement to Manifest	5	4	9	6	8	5	6	5	4
Transferring Postage Statement to Post Office	5	5	5	6	5	5	36	5	4
Other (explanation)									
Post Office Tasks									
Permit System Entry of Postage Due	5	8	7	15	15	10	5	5	15
TOTAL									

Sources

[1] through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

Postage Due

	Location C [3][1]							
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**H [2]**	**I**	**J**
Pieces	45	40	45	50	50	80	40	40
Set Up	5	10	15	5	20	5	10	10
Selecting Samples	10	10	10	15	10	20	5	10
Weighing / Recording Samples	35	30	30	30	25	120	35	30
Matching Worksheet to Manifest	30	30	30	30	30	30	30	30
Validating Postage Statement to Manifest								
Transferring Postage Statement to Post Office								
Other	10	5	10	10	10			
(explanation)	travel	travel	travel	travel	travel			
Post Office Tasks								
Permit System Entry of Postage Due	10	10	15	10	30			
TOTAL								

Sources

[1] through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

Postage Due

	Location D [4]												
USPS Return Technician	A	B	C	D	E	F	G	H	I	J	K	L	M
Pieces	30	30	30	30	30	30	30	30	30	30	30	30	30
Set Up	55	35	25	25	30	30	21	29	30	31	30	20	30
Selecting Samples	34	30	--	31	45	25	34	--	63	45	33	32	40
Weighing / Recording Samples	38	28	35	85	70	55	87	65	65	70	37	85	75
Matching Worksheet to Manifest	80	70	70	95	75	67	92	75	80	75	65	90	105
Validating Postage Statement to Manifest	30	40	35	35	35	18	38	50	20	20	20	35	32
Transferring Postage Statement to Post Office													
Other													
(explanation)													
Post Office Tasks													
Permit System Entry of Postage Due													
TOTAL													

Sources

[1] through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

Postage Due

	Volume	Time	
		Total	Per piece
USPS Return Technician	[5]	[6]	[7]
Pieces			
Set Up	1380	674	0 488
Selecting Samples	1320	738	0 559
Weighing / Recording Samples	1380	1667	1 208
Matching Worksheet to Manifest	1350	2410	1 785
Validating Postage Statement to Manifest	660	460	0 697
Transferring Postage Statement to Post Office	270	76	0 281
Other (explanation)	260	180	0 692
Post Office Tasks			
Permit System Entry of Postage Due	800	245	0 306
TOTAL			6.018

Sources

[1] through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

POSTAL RATE COMMISSION
DOCKET NO. MC2006-1
PARCEL RETURN SERVICE

I, Michael W. Miller, hereby declare under penalty of perjury that:

The *Direct Testimony of Michael W. Miller on Behalf of the United States Postal Service*, denominated USPS-T-2, was prepared by me or under my direction;

Were I to give this testimony orally before the Commission, it would be the same;

The interrogatory responses filed under my name, and designated for inclusion in the record of this docket, were prepared by me or under my direction; and

Were I to respond orally to the questions appearing in the interrogatories, my answers would be the same.

Michael W. Miller

1/6/06
Date

United States Postal Service

Institutional

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-1. Please review the Docket No. MC2003-2 Stipulation and Agreement, Attachment C, Section C. Please provide the "second report" for FY 2005, sections A and B. If you are unable to provide the "second report," please explain why.

RESPONSE:

The next report due is for the period 7/1/05 through 12/31/05, which has not yet ended.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-2. In Docket No. MC2003-2, witness Kiefer, on page 15 of his testimony, stated that in the developmental stages of the Parcel Return Service (PRS) products, the Postal Service had "numerous" discussions with mailers.

a. Has the Postal Service had any additional discussions with the current users of the Parcel Return Service regarding future volume projections? If so, please provide a detailed summary of any discussions related to future volume estimates. If not, please explain how the Postal Service arrived at the need for PRS beyond FY 2006.
b. Has the Postal Service had any additional discussions with the current users of the Parcel Return Service regarding operational problems – other than the return label problem – relating to PRS? If so, please provide a detailed summary of those discussions, actions taken to resolve problems and the final resolution. If no problems were identified, please so state.
c. Has the Postal Service had any PRS "staging" issues and if so, how are those issues being handled? (Docket No. MC2003-2, USPS-T-1 at 12.)
d. Has either the Postal Service or the current users of the PRS had service related issues regarding timely pick-up of the PRS packages at the RBMC or the RDU? If so, please provide a detailed summary of those discussions and the final resolution. If no problems were identified, please so state.
e. Has any participant taking part in the PRS experiment complained or taken issue with the quality of service received from the USPS? If so, please provide a detailed summary of those discussions listing all service related issues and the final resolution. If no problems were identified, please so state.

RESPONSE:

a. Yes. Detailed records were not maintained concerning these discussions, which involved information that is proprietary to the participants.

b. Formal records have not been maintained concerning PRS problem-related discussions that may have taken place between postal personnel and the participants. In general, there have been reports of missorts. Additional training and management attention has been given to the process, including service talks, new signage, and improved quality control procedures. There have been occasional issues surrounding missed pickup appointments, which have been addressed typically at the local level.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

c. Extensive staging issues do not exist at this time. When the volume during any given time appears to be abnormally excessive, local officials typically contact the participant and transportation is arranged to address the problem.

d. The timeliness of pick-up is not currently a major issue. If the transportation vendor does not pick up the mail on a given day, local officials typically contact the participant and transportation is arranged to address the problem.

e. No.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-3. Please include in your response to this interrogatory cites to all source documents used, provide copies of all source documents not previously filed in this docket, and show the derivation of all calculated values. The current PRS experiment has elicited only two third-party participants. Given the experience the Postal Service has garnered during the experiment, please respond to the following:

a. The average actual square footage used to store PRS parcels per merchant or third-party vendor per week for RBMCs and RDUs. Please include in your response cites to all source documents, provide copies of those documents not previously filed in this docket and show the derivation of all calculations.
b. Where in each RBMC and RDU does the Postal Service expect to store increased PRS returned parcel volumes if more merchants or third-party vendors participate? Please fully explain your response.
c. At what volume level of PRS return parcels destined to RBMCs will the Postal Service need to either adjust operations and/or expand facilities to accommodate the PRS parcel storage? Please fully explain your response
d. At what volume level of PRS return parcels destined to RDUs will the Postal Service need to either adjust operations and/or expand facilities to accommodate the PRS parcel storage? Please fully explain your response.

RESPONSE:

a. This information has not been collected.

b At the current time, there are only two PRS participants. Any changes in staging needs due to an increase in the number of participants will be addressed at the local level, if and when such changes occur. Field observations indicate that staging has not been a major issue during the course of this experiment.

c.d. Please see the response to b. There has been no need to attempt to determine the volume levels at RDUs and RBMCs that would result in the need for staging changes. Presumably, such levels vary locally and could best be addressed individually. To the extent that staging might need to be addressed across the board, mail processing operations and/or the requirements for frequency of pick ups could be adjusted.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-4. In Docket MC2003-2, the Postal Service restricted access to the Return Delivery Unit (RDU) to participants electing the "early bird" option. (Docket No. MC2003-2, USPS-T-1 at 16.) Does the Postal Service anticipate continuing this restriction if the PRS is offered on a permanent basis? Please fully explain your response.

RESPONSE:

No. The Postal Service will extend availability, depending on market demand.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-5. In Docket No. MC2003-2, USPS witness Keifer (USPS-T-3 at 4) indicated that the Postal Service did not have volumes for Parcel Return Service (PRS). The experimental PRS was expected to provide information to improve the data available for PRS rate design. For each year, FY 2004 and FY 2005, please provide total PRS volumes by weight category and by zone. Provide cites to all source documents and provide copies of those documents not filed in this docket.

RESPONSE:

Data are not available in Fiscal Year increments. See Witness Koroma's (USPS-T-3) workpapers at WP-PRS-3 for four quarters (July 2004 through June 2005) of PRS volumes by weight category and by zone which he used in the rate design.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-6. In Docket No. MC2003-2, USPS witness Keifer (USPS-T-3 at 17) indicated that the proposed changes "will offer merchants and their agents a faster way to take possession of their customers' returns...." Currently, what evidence does the USPS have that indicates the success of this service? Please include in your response specific data comparing the speed with which agents take possession of their customers' returns using PRS and the alternative service. Cite all source documents relied upon to respond to this query, show the derivation of all calculated values and provide copies of those documents not previously filed in this docket.

RESPONSE:

Year-over-year growth of approximately 100% and scores of end-users indicate the success of this service. The Postal Service is not able to track end-to-end transit time.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-7. Please provide a cross-walk between the statements of facts and conclusions in the USPS's Experimental Parcel Return Service's First (filed August 24, 2004), Second (filed February 28, 2005), and Third (August 22, 2005) Semiannual Data Reports A and B filed with the Commission and the usage of those facts and conclusions in each of the three testimonies filed in this docket. Please provide the department name and the individual's name and position title of those who managed the collection of data provided in the A and B reports.

RESPONSE:

Witness Miller (USPS-T-2) relied on the information contained in the data collection reports, as shown below. It should be noted, however, that some of the information contained in those reports is dated. The BMC survey was therefore conducted in order to collect data that reflected the most recent operations at the time the case was prepared.

First Report:

(1) Item A2. Total volume by BMC.

Used to develop coverage factors and average storage days.

(2) Item A3. BMC pickup frequency.

Used to develop average storage days.

(3) Item A4. Number and types of facilities used as pickup locations.

Used to develop coverage factors and average storage days.

(4) Item A5. Process flows.

Used to make adjustments to cost model as described in USPS-T-2, Section III.B.

Second Report:

(1) Item A2. Total volume by BMC.

Used to develop coverage factors and average storage days.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

(2) Item A3. BMC pickup frequency.

Used to develop average storage days.

(3) Item A4. Number and types of facilities used as pickup locations.

Used to develop coverage factors and average storage days.

(4) Item A5. Process flows.

Used to make adjustments to cost model as described in USPS-T-2, Section III.B.

(5) Item B1. Potential mail processing cost model adjustments.

Used to make adjustments to cost model as described in USPS-T-2, Section III.B.

(6) Item B4. Productivity data.

Updated productivity data were used as described in USPS-T-2, Section III.B. Those data are identical to the data relied upon in Docket No. R2005-1.

(7) Item B5 Sampling operations.

No changes have occurred to sampling procedures at this time. Consequently, the data relied upon in the experimental case were again relied upon in the instant proceeding.

(8) Item B6. Travel time estimate.

No changes have occurred to sampling procedures at this time. Consequently, the data relied upon in the experimental case were again relied upon in the instant proceeding.

(9) Item B8. Estimated storage days.

Used to develop average storage days.

(10) Item B10. Productivity data and space utilization.

The data appeared reasonable. Consequently, no changes were made to the cost model.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

Third Report:

(1) Item A2. Total volume by BMC.

Used to develop coverage factors and average storage days.

(2) Item A3. BMC pickup frequency.

Used to develop average storage days.

(3) Item A4. Number and types of facilities used as pickup locations.

Used to develop coverage factors and average storage days.

(4) Item A5. Process flows.

Used to make adjustments to cost model as described in USPS-T-2, Section III.B.

Witness Daniel (USPS-T-1) used the changes in the total volume by RDU and RBMC (A1) over the course of the experiment, as well as more current volume information, as a factor in Section III of her testimony forecasting volume for FY06. She also used the answers to A5, "Evaluation of whether the process flows match those used to estimate costs," A8, "Number of pieces addressed to an RDU but picked up at an RBMC, broken down into machinable, non-machinable, and oversized groups," and A11, "The number of shippers participating in Parcel Select PRS, broken down into shippers that participate solely in RBMC; solely in RDU; or participate in both" in Section II of her testimony. These answers support the findings from the experiment that the market has embraced the service and that the service is operationally feasible.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

Witness Koroma (USPS-T-3) relied on the following:

First Report:

Item No. A1 – Volume by RDU and RBMC, by weight and zone

Second Report:

Item No. A1 – Volume by RDU and RBMC, by weight and zone

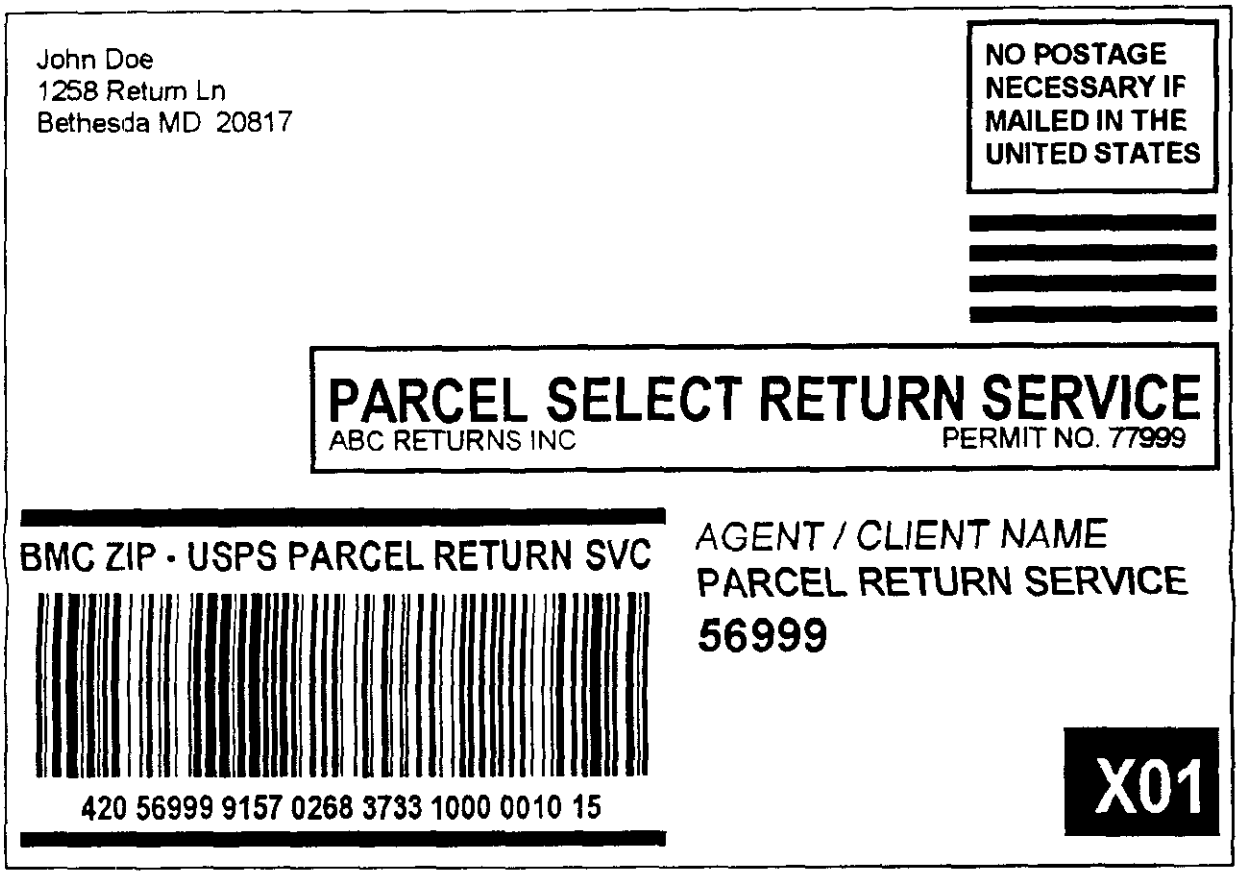
Third Report:

Item No. A1 – Volume by RDU and RBMC, by weight and zone

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

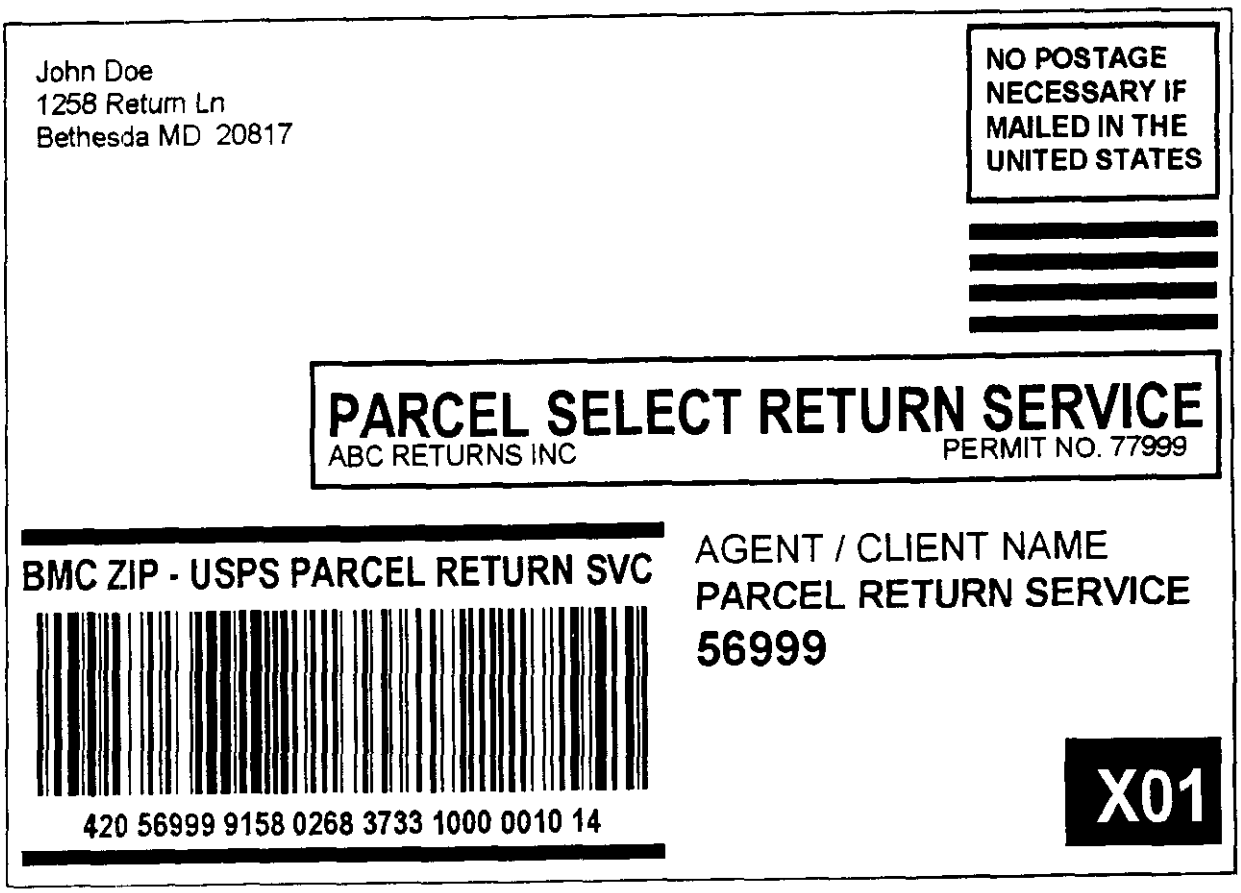
OCA/USPS-8. In Docket No. MC2003-2, transcript volume 2 at 76-77, samples of the proposed RDU and RBMC labels are provided. Please provide a current sample of an RDU and an RBMC label. Include in your response a copy of the instructions provided by vendors to their customers on how to use the parcel return service label, where to deposit the returned parcel and any other instructions.

RESPONSE:



Generic RBMC label

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE



Generic RDU label.

Examples of common instructions include

"For easy returns affix the lefthand label to your package and give to US Postal Service. Please write your name on the return address portion of the label."

"Affix the pre-paid SmartLabel below to the address side of your package. Remove any previous label or tape. Drop-off your at package at any US Mail location or give it to your local mail carrier."

"SmartLabel is the prepaid preaddressed label below. Remove or cover the original shipping label. Affix the SmartLabel to package. Repack and enclose this form. Drop your package in the US Mail. If not using this label, please resend your package back via insured mail."

"Detach SmartLabel above and tape to package. Remove any previous shipping labels from packaging. Drop return in any US Mail location - at home, work or blue drop box. The return fees below will be automatically deducted from your refund. Track your return at our website under My Account."

"Cut out Merchandise Return label. Write your return address in the space provided in the upper-left corner of the label, after the word 'FROM.' Securely pack the items to be returned in a box, and, if possible, include the original packing slip in the package. Affix label squarely onto address side of parcel, covering up any previous delivery address and barcode without overlapping any adjacent side. Take the package to your nearest post office for delivery. No postage is necessary if the package is mailed from within the United States."

REVISED RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-9. Please refer to the response to OCA/USPS-1, filed November 14, 2005. The response indicates that the next data collection report is not due until after December 31, 2005 for the period July 1, 2005 to December 31, 2005. In order to provide the most up-to-date information available for this docket, please submit an updated report, including both parts A and B, covering the period July 1, 2005 to November 1, 2005.

RESPONSE:

A1. Volume by RDU and RBMC, by weight and zone (as possible).

Due to the fact that only two Parcel Select customers are participating, these data are not provided.

A2. Weekly volume for each RDU and RBMC (identification of facility names/locations not required and data may be provided electronically in a PC-compatible format without hardcopy).

Due to the fact that only two Parcel Select customers are participating, these data are not provided.

A3. Pickup frequency by facility type.

Both participants pick up Parcel Select Return Bulk Mail Center (RBMC) product pieces at all 21 BMCs. The pickup frequency varies by mailer and facility, ranging from two days a week to five days per week. In most cases, the participants retrieve the PRS mail pieces three or five days per week.

As of September 30 2005, the Return Delivery Unit (RDU) service has been rolled out to 1,368 Delivery Units within 61 districts. On average, preliminary field observations indicate that the PRS participants retrieve the mail pieces three days per week.

A4. Number and types of facilities used as pickup locations.

See response to A3.

A5. Evaluation of whether the process flows match those used to estimate costs.

The mail processing cost estimates have been revised as described in Docket No. MC2006-1, USPS-T-2, Section III.B.

REVISED RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

A6. To the extent possible, RDU volume broken down between regular-sized and oversized parcels.

Due to the fact that only two Parcel Select customers are participating, these data are not provided.

A7. RBMC volume broken down among machinable, non-machinable and oversized parcels.

Due to the fact that only two Parcel Select customers are participating, these data are not provided.

A8. Number of pieces addressed to an RDU but picked up at an RBMC, broken down into machinable, non-machinable, and oversized groups.

Please see the report filed on August 22, 2005.

A9. To the extent possible, the number of machinable pieces addressed to an RBMC or an RDU that were transported inter-BMC.

It is estimated, on average, that 1.8 percent of the mail pieces isolated as PRS at a given BMC were actually entered as origin mail within the service area of another BMC.

A10. The number of shippers participating in BPM PRS.

Zero.

A11. The number of shippers participating in Parcel Select PRS, broken down into shippers that participate solely in RBMC; solely in RDU; or participate in both.

Both participants are now using the RBMC and RDU products.

B1. Review operations being performed and comment upon potential adjustments to the list of RBMC and RDU return service mail processing activities listed on USPS-T-2, Attachment C, at pages 10-15.

Mail processing modifications to the model filed in Docket No. MC2003-2, USPS-T-2, Attachment C, at pages 10-15 are described in Docket No. MC2006-1, USPS-T-2, Section III.B.

REVISED RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

B2. Comment upon the accuracy of the percentage estimates provided in USPS-T-2, Attachment C, page 6, i.e., that containers are as full as estimated, separately for RBMC and RDU activities.

The percentage full estimates appear reasonable. Field observations have shown that most containers being dispatched to PRS processing facilities exceed 100 percent full, if the top of the container is defined as being 100 percent.

B3. Provide a ballpark (or more precise) estimate of the capacity utilization (pieces per container) for Parcel Return Service containers and compare it to the estimate in USPS-T-2, Attachment D.

During limited sampling, there appeared to be some variation among the participants as to the number of machinable pieces per container. The range was from 50 pieces to 110 pieces.

The number of nonmachinable / oversize pieces per NMO container was found to fall between 20 pieces to 30 pieces.

B4. To the extent possible, review and comment upon whether the productivities in USPS-T-2, Attachment C, pages 2 and 3, continue to reflect best current estimates.

The productivity data relied upon in the PRS cost model have been revised as described in Docket No. MC2006-1, USPS-T-2, Section III.B.

B5. Review and comment upon the actual sampling operations for manifest review as compared to the planned operations.

The sampling methods and procedures are likely to evolve over time. At the current time, however, the sampling operations included in the cost model reflect those performed in the field.

B6. Review and comment upon the accuracy of the travel time estimate incorporated into USPS-T-2, Attachment G, page 1, based upon a sample of actual travel times to shipper locations by Postal Service Return Technicians.

As described in B5, the sampling methods currently being used reflect those performed in the field. Consequently, the travel time estimate is also reasonable.

B7. Review and comment upon the accuracy of the estimate for the average number of pieces per manifest in USPS-T-2, Attachment H.

Due to the fact that only two Parcel Select customers are participating, this response is not provided.

REVISED RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

B8. Review and comment upon whether the estimated storage days for RBMC and RDU in USPS-T-2, Attachment D are correct or need to be revised.

The storage cost estimate has been revised as described in Docket No. MC2006-1, USPS-T-2, Section III.C.

B9. Review and comment upon the extent of the need for adjustments in pick-up schedules to alleviate excessive storage time.

During field observations, several BMC managers mentioned that there were instances when either (1) PRS mail had not been picked up as scheduled, or (2) additional transportation was required due to higher than expected mail volume. In all cases, they mentioned that their efforts to work with the participants to solve the problems had, for the most part, been successful. Over time, the occurrence of such adjustments appears to have decreased.

B10. Review and comment upon the accuracy of the following estimates used in USPS-T-2, Attachments C and D.

a. The estimated units per hour for sorting parcels to mailers for RBMC machinable returns (125.4 units/hr), RBMC non-machinable returns (100 units/hr) and RBMC non-machinable oversize returns (100 units/hr).

Please see the response to B4.

b. The estimated units per hour for sorting parcels to mailers for RDU machinable mail (460.6 units/hr).

Please see the response to B4.

c. The estimated space utilization storage costs estimated for RBMC and RDU rate categories beyond what is reported in response to Part B, subpart (8).

The storage cost estimate has been revised as described in Docket No. MC2006-1, USPS-T-2, Section III.C.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-10. Please refer to the responses to interrogatories OCA/USPS-7 and OCA/USPS-9. For each of the following Report items, describe in detail the method used to collect the data reported. Include in the description: the position(s) of personnel (1) collecting the data and (2) reporting the data; the dates that data were collected; the medium used to collect the data (e.g., telephone, mail, direct observation); and how many discrete observations were made.

a. First Report, Items A2, A3, A4, and A5 (OCA/USPS-7)
b. Second Report, Items A2, A3, A4, and A5; Items B1, B4, B5, B6, B8, and B10 (OCA/USPS-7).
c. Third Report, Items A2, A3, A4, and A5 (OCA/USPS-7).
d. Reports made in response to OCA/USPS-9, Items A1, A2, A3, A4, A5, A6, A7, A8, A9, A10, and A11; B1, B2, B3, B4, B5, B6, B7, B8, B9, and B10.

RESPONSE:

(a) FIRST DATA COLLECTION REPORT

This information was reported on August 25, 2004 by the United States Postal Service. The information was collected from various parties in multiple functions and was reviewed by a cross-functional group prior to being submitted to the Commission. The following responses therefore specify positions with regard to data collection only.

Item A2: Volume data have not been reported due to the fact that only two participants have been using the PRS products. Volume data have been collected using the electronic manifest file each mailer sends to the Postal Service on a daily basis. These data collection activities are supervised by the Manager, Ground Products, Package Services, at Headquarters.

Items A3, A4, and A5: In the response to A3, it was indicated that one mailer was retrieving PRS at 17 Bulk Mail Centers. That information was obtained from a marketing specialist who maintained regular email and phone contact with representatives of both participants. As indicated in the response to Item A5, an economist conducted field observations at 13 Bulk Mail Centers. Information that was collected during these field observations was used in the responses to all three items. The dates these field observations were conducted were as follows: 3/31/04, 4/15/04, 4/16/04 (2 BMCs), 4/19/04, 4/20/04, 4/21/04, 4/22/04, 4/23/04, 4/30/04, 5/20/04, 6/17/04, and 7/19/04. The field observations generally consisted of a tour that was provided by a BMC representative familiar with PRS operations and procedures.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

(b) SECOND DATA COLLECTION REPORT

This information was reported on February 28, 2005 by the United States Postal Service. The information was collected from various parties in multiple functions and was reviewed by a cross-functional group prior to being submitted to the Commission. The following responses therefore specify positions with regard to data collection only.

Item A2: Please see the response to part (a) concerning volume data.

Item A3: Please see the response to part (a). The information concerning the Return Delivery Unit (RDU) product was obtained from a marketing specialist who maintained regular email and phone contact with representatives of both participants.

Item A4: Please see the response to part (a).

Item A5: At a given BMC, the PRS operations were fairly straightforward and did not undergo any significant changes once they had been established. Phone calls and emails were periodically exchanged between an economist and the BMC representatives to verify that no PRS operational changes had been implemented. Furthermore, periodic field observations were conducted at the Washington BMC, although no formal records were maintained. The goal of these visits was to determine whether any significant changes had been made.

Item B1: This response was based on the economist's field observations that are described above.

Item B4: Please see the responses to Docket No. R2005-1, POIR No. 4, Question 5 and Docket No. MC2006-1, OCA/USPS-T2-3.

Items B5, B6: These items were not specifically addressed in the report.

Item B8: This response was based on the economist's field observations that are described above.

Item B10: The response to part a was based on the updated PIMS data addressed in the response to B4. A response to part b was not provided, as neither mailer was using the RDU product. The response to part c was based on the economist's field observations that are described above.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

(c) THIRD DATA COLLECTION REPORT

This information was reported on August 22, 2005 by the United States Postal Service. The information was collected from various parties in multiple functions and was reviewed by a cross-functional group prior to being submitted to the Commission. The following responses therefore specify positions with regard to data collection only.

Item A2: Please see the response to part (a) concerning volume data.

Item A3: Please see the response to part (a). The information concerning the Return Delivery Unit (RDU) product was obtained from the marketing specialist that coordinated field training efforts.

Item A4: Please see the response to part (a).

Item A5: Please see the response to part (b). The issue concerning the Non Machinable Outsides (NMO) and oversize cost models was discovered when preparing the cost models for the instant filing. The comments concerning the RDU product were based on an economist's field observations conducted at delivery units on 8/4/05, 8/5/05, 8/11/05, and 8/12/05. The field observations generally consisted of a tour that was provided by a delivery unit representative familiar with PRS operations and procedures.

(d) OCA/USPS-9

This information was filed on 12/1/05 (errata were filed on 12/5/05) by the United States Postal Service. The information was collected from various parties in multiple functions and was reviewed by a cross-functional group prior to filing. The following responses therefore specify positions with regard to data collection only.

Items A1, A2: Please see the response to part (a) concerning volume data.

Item A3: Please see the response to part (a). The information concerning the Return Delivery Unit (RDU) product was obtained from the marketing specialist that coordinated field training efforts.

Item A4: Please see the response to part (a).

Item A5: Please see Docket No. MC2006-1, USPS-T-2, Section III.B.

Items A6, A7: Please see the response to part (a) concerning volume data.

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

Item A8: As stated in the third data collection report, these data are not available.

Item A9: Please see the response to part (a) concerning volume data.

Item A10: No response is required given that no participants have ever used the BPM PRS product and no request has been submitted in the instant proceeding for permanent BPM PRS rates.

Item A11: This information was obtained from the marketing specialist that coordinated PRS training efforts.

Item B1: Please see Docket No. MC2006-1, USPS-T-2, Section III.B.

Item B2: This response was based on the economist's field observations that are described above.

Item B3: This information was collected by an economist on 12-9-04, 12-17-04, and 12-23-04. A total of five machinable RBMC containers and three NMO/oversize containers were sampled.

Item B4: Please see the response to part (c).

Item B5: This information was provided by the marketing specialist that coordinated PRS training efforts.

Item B6: The costs associated with sampling were based on actual field data collected prior to Docket No. MC2003-2. Given that sampling procedures had not changed at the time Docket No. MC2006-1 was filed, the Docket No. MC2003-2 data were again used.

Item B7: No response was provided.

Item B8: Please see the response to OCA/USPS-T2-9.

Item B9: This response was based on the economist's field observations that are described above.

Item B10: For part a, please see Docket No. MC2006-1, USPS-T-2, Section III.B. For part b, the estimate appeared reasonable based on the economist's delivery unit field observations described above. For part c, please see Docket No. MC2006-1, USPS-T-2, Section III.C.

SUPPLEMENTAL RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS MILLER

OCA/USPS-T2-13. Please refer to your testimony Attachment B, pages 2 and 3 of 4. You use a variability of 56.37% in calculating the Weight/Rate and Acceptance retail transaction time, respectively, and cite for support Docket No. R2005-1. Does the variability you use conform to the variability utilized by the Commission in establishing the rates recommended in the recent opinion in Docket No. R2005-1? If not, please, explain and provide the variability figure used by the Commission. Please include a citation to the Commission's opinion or workpapers.

RESPONSE:

Please see the attached.

SUPPLEMENTAL RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE
REDIRECTED FROM WITNESS MILLER

OCA/USPS-T2-15. Please update all exhibits, attachments and tables in your testimony to reflect the costs determined by the Postal Rate Commission in the Docket No. R2005-1 Opinion and Recommended Decision.

RESPONSE:

Please see the attached.

Summary of Estimated Cost Differences Compared to Benchmark

	Acceptance [1]	Mail Processing [2]	Storage [3]	Transportation [4]	Scanning [5]	Postage Due [6]	Total [7]
RBMC							
Machinable	($0.033)	($0.616)	$0.017	($0.942)	$0.000	$0.073	($1.501)
Non-machinable	($0.033)	($1.262)	$0.114	($6.160)	$0.000	$0.073	($7.268)
Oversize	($0.033)	($2.025)	$0.338	($17.604)	$0.000	$0.073	($19.251)
RDU							
Machinable	($0.033)	($1.467)	$0.046	($1.040)	$0.077	$0.000	($2.417)
Non-machinable	($0.033)	($5.523)	$0.311	($6.802)	$0.077	$0.000	($11.970)
Oversize	($0.033)	($13.347)	$0.922	($19.440)	$0.115	$0.000	($31.783)

Sources

[1] Attachment B, page 1.
[2] Attachment C, page 1.
[3] Attachment D, page 1.
[4] Attachment E, page 1.
[5] Attachment F, page 1.
[6] Attachment G, page 1.
[7] Sum of [1] through [6].

Acceptance Cost Difference Summary (per piece)

Retail Cost Difference

	Unit Costs	
PRS	$0.231	1/
Intra-BMC (retail)	$0.662	2/
Cost Difference	($0.431)	3/

Bulk Cost Difference

	Unit Costs	
PRS	$0.231	4/
Intra-BMC (bulk)	$0.016	5/
Cost Difference	$0.215	6/

Weighted Average Cost Difference

	Distribution [1]	Cost Difference [2]	
Entered at Window (Retail)	38.5%	($0.431)	2a
Entered in Bulk (Non-retail)	61.5%	$0.215	2b
Weighted Average Cost Difference per piece		**($0.033)**	**2c**

Sources

1/ Attachment B, page 3.
2/ Attachment B, page 2.
3/ (1) -(2).
4/ Attachment B, page 3.
5/ Attachment B, page 4.
6/ (4) - (5).

[1]: Docket R2005-1, USPS-LR-K-46, page 6
[2]: Estimated cost differences
[2a]: (3).
[2b]: (6).
[2c]: Estimated costs in [2a] and [2b] weighted by percentages in [1].

Intra-BMC Retail Transactions
Cost Per "Weight/Rate" Transaction

Transaction Time (in seconds)			64.800	1/
Transaction Time (in minutes)			1.080	2/
TY 06 Wage Rate (per hour)			$36.344	3/
TY 06 Wage Rate (per minute)			$0.606	4/
Direct Cost per transaction			$0.654	5/
Misc. Volume Variable Window Costs	11.50% x	$0.654 =	$0.075	6/
		+	$0.654	
			$0.729	
Waiting Time Adjustment	20.40% x	$0.654 =	$0.133	7/
		+	$0.729	
			$0.863	
Variability	56.37% x	$0.863 =	$0.486	8/
Piggyback Factor	1.361 x	$0.486 =	$0.662	9/
Cost per minute for Retail Transaction		=	$0.662	10/

Sources

1/: Docket No. R97-1, LR-H-167 (Transaction Time Study), Table 3.1, page 160, "weight/rate" task
2/: (1) / 60.
3/: Attachment C, page 4, line (6).
4/: (3) / 60.
5/: (2) x (4).
6:/ Docket No. R2005-1, PRC-LR-3, file "CS03 - PRC.XLS", worksheet 3.2.1, cell F37 divided by cell E37 (break time, clocking in and out, moving equip.).
7/: Docket No. R2005-1, PRC-LR-3, file "CS03 - PRC.XLS", worksheet 3.2.1, cell G37 divided by cell E37
8/: Docket No. R2005-1, PRC-LR-3, file "CS03 - PRC.XLS", worksheet 3.2.1, cell N37
9/: Docket No. R2005-1, PRC-LR-6, file "PIGTY06NEW2.XLS", worksheet "summary", cell C25
10/: Product from (9).

PRS Retail Transactions
Cost Per "Acceptance" Transaction

Transaction Time (in seconds)			22.650	1/
Transaction Time (in minutes)			0.378	2/
TY 06 Wage Rate (per hour)			$36.344	3/
TY 06 Wage Rate (per minute)			$0.606	4/
Direct Cost per transaction			$0.229	5/
Misc. Volume Variable Window Costs	11.50% x	$0.229 =	$0.026	6/
		+	$0.229	
			$0.255	
Waiting Time Adjustment	20.40% x	$0.229 =	$0.047	7/
		+	$0.255	
			$0.302	
Variability	56.37% x	$0.302 =	$0.170	8/
Piggyback Factor	1.361 x	$0.170 =	$0.231	9/
Cost per minute for Retail Transaction		=	$0.231	10/

Sources

1/ Docket No. R97-1, LR-H-167 (Transaction Time Study), Table 3.1, page 160, "acceptance" task
2/ (1) / 60.
3/ Attachment C, page 4, line (6)
4/ Row (3) / 60.
5/ (2) x (4)
6/ Docket No. R2005-1, PRC-LR-3, file "CS03 - PRC.XLS", worksheet 3.2.1, cell F37 divided by cell E37 (break time, clocking in and out, moving equip.).
7/ Docket No. R2005-1, PRC-LR-3, file "CS03 - PRC.XLS", worksheet 3.2.1, cell G37 divided by cell E37
8/ Docket No. R2005-1, PRC-LR-3, file "CS03 - PRC.XLS", worksheet 3.2.1, cell N37
9/ Docket No. R2005-1, PRC-LR-6, file "PIGTY06NEW2.XLS", worksheet "summary", cell C25
10/ Product from (9)

Intra-BMC Bulk Acceptance/Verification Cost Methodology

Docket No. MC2003-2 Unit Cost Estimate	1/	$0.014
TY 2003 Window Service Wage Rate	2/	$32.306
TY 2006 Window Service Wage Rate	3/	$36.344
Cost Escalation Factor	4/	1.125
TY 2006 Unit Cost Estimate	5/	$0.016

Sources
1/ Docket No. MC2003-2, USPS-T-2, Attachment B, page 4
2/ Docket No. MC2003-2, USPS-T-2, Attachment C, page 4
3/ Docket No. MC2006-1, USPS-T-2, Attachment C, page 4
4/ (3) / (2)

Mail Processing Cost Estimate Summary Page

Estimated Mail Processing Costs

	Modeled Costs [1]	CRA Adjustment Factors Proportional [2]	CRA Adjustment Factors Fixed [3]	Adjusted Costs [4]	
Intra-BMC Machinable	$1.424	1.188	$0.133	$1.825	4a
Intra-BMC Non Machinable	$5.050	1.188	$0.133	$6.134	4b
Intra-BMC Oversize	$12.132	1.188	$0.133	$14.550	4c
RBMC Machinable	$0.905	1.188	$0.133	$1.209	4d
RBMC Nonmachinable	$3.988	1.188	$0.133	$4.872	4e
RBMC Oversize	$10.428	1.188	$0.133	$12.525	4f
RDU Machinable	$0.189	1.188	$0.133	$0.358	4g
RDU Nonmachinable	$0.402	1.188	$0.133	$0.611	4h
RDU Oversize	$0.901	1.188	$0.133	$1.204	4i

Estimated Mail Processing Cost Differences

Rate Category	Benchmark	Cost Difference [5]	
RBMC Machinable	Intra-BMC mach	($0.616)	5a
RBMC Nonmachinable	Intra-BMC nmo	($1.262)	5b
RBMC Oversize	Intra-BMC over	($2.025)	5c
RDU Machinable	Intra-BMC mach	($1.467)	5d
RDU Nonmachinable	Intra-BMC nmo	($5.523)	5e
RDU Oversize	Intra-BMC over	($13.347)	5f

Sources

[1] Modeled costs from Attachment C, pages 7-15

[2] Docket No. R2005-1, PRC-LR-9

[3] Docket No. R2005-1, PRC-LR-9

[4] [1] * [2] + [3].

[5] Difference between Cost Category and Benchmark.

[5a]: (4a)-(4d).

[5b]: (4b)-(4e)

[5c]: (4c)-(4f).

[5d]: (4a)-(4g)

[5e]: (4b)-(4h).

[5f]: (4c)-(4i).

Productivities and Variabilities for Direct Labor Operations

	Productivities (Units per Wkhr)	
UNLOADING		
Unload sacked machinable parcels to extended conveyor	194.8	1/
Unload machinable parcels to extended conveyor	648.5	1/
Unload non-machinable parcels	168.0	1/
Unload non-machinable parcels to IHC only (proxy for sacks)	160.5	1/
Unload wheeled containers	21.7	1/
Unload Pallets/Postal Paks/Pallet Box	12.8	1/
DUMPING & SACK HANDLING		
Dump Containers	6.5	1/
Sack shake out	72.3	1/
Manually dump sacks at Non-BMC	107.4	2/
Sack sorter (PIRS 98)	348.3	3/
PARCEL SORTING MACHINE DISTRIBUTION		
PPSM	744.9	3/
SPSM	1664.3	3/
SPSM (Before the SSIU)	1224.0	4/
100 percent Key Rate	806.0	5/
NONMACHINABLE OUTSIDES DISTRIBUTION		
NMO Distribution	68.7	3/
NMO Distribution at SCFs	356.7	6/
Parcel Sort at AO	444.1	8/
OTHER OPERATIONS		
Tend container loader/sweep runouts	5.4	1/
Crossdock containers	7.3	1/
Sack and Tie	125.4	1/
LOADING		
Bedload NMOs to van from IHCs (proxy for machinables)	183.9	1/
Bedload Sacked Machinables	190.1	1/
Load wheeled containers	10.8	1/
Load Pallets/Postal Paks/Pallet Boxes	13.9	1/
Variabilities		
BMC Platform	0.91	7/
BMC Other	0.98	7/
PSM	1.00	7/
SSM	1.00	7/
SPBS	1.00	7/
NMO Distribution at BMCs	1.00	7/
Platform Non-BMC	0.93	7/
NMO Distribution at Non-BMCs	0.99	7/
LDC43	0.97	7/

Sources

1/: Docket No. R97-1, LR-H-132, page 329.
2/: Proxy based on Planning Guidelines (PGLs)
3/: GFY 2003 PIMS
4/: National Database, PIRS average 1995 - 2000.
5/: National Database, PIRS FY93, (pure keying, no prebarcode).
6/: Docket No. R2005-1, USPS-LR-K-56
7/: Docket No. R2005-1, PRC-LR-9
8/: Docket No. R2001-1, LR-J-64, Attachment D, page 2 (sorting 5-digit to carrier-route).

Arrival and Dispatch Profiles

	Arrival and Dispatch Percentages	
Mail Flow Arrival Profile at Originating BMCs		
Machinable Parcels Arriving in Bedloaded Sacks at BMC	4.3%	1/
Machinable Parcels Arriving Bedloaded at BMC	7.0%	1/
Machinable Parcels Arriving sacked in OTRs at BMC	11.5%	1/
Machinable Parcels Arriving loose in OTRs at BMC	51.1%	1/
Machinable Parcels Arriving Palletized at BMC	1.6%	1/
Machinable Parcels Arriving in Pallet Boxes at BMC	0.9%	1/
Machinable Parcels Arriving in Hampers/APC/OWC (OWC) at BMC	23.6%	1/
Non-Machinable Parcels Arriving Bedloaded at BMC	4.0%	1/
Non-Machinable Parcels Arriving Palletized at BMC	1.3%	1/
Non-Machinable Parcels Arriving in OTR Containers at BMC	72.5%	1/
Non-Machinable Parcels Arriving in Hampers/APC/OWC (OWC) at BMC	22.2%	1/
Mail Flow Arrival Profile from Origin BMCs to Destination BMCs		
Machinable Parcels Arriving in Postal Paks at Destination BMC (from Origin BMC)	100.0%	2/
NMOs Arriving Palletized at Destination BMC (from Origin BMC)	100.0%	2/
Mail Flow Arrival at Destinating BMCs for *DBMC parcels*		
Machinable Parcel Arriving Bedloaded at DBMC	96.2%	3/
Machinable Parcels Arriving on Pallets at DBMC	0.3%	3/
Machinable Parcels Arriving in OTRs at BMC	0.8%	3/
Machinable Parcels Arriving in Gaylords at DBMC	2.6%	3/
Machinable Parcels arriving in OWC at DBMC	0.1%	3/
Non-Machinable Parcels Arriving Bedloaded at DBMCs	98.5%	3/
Non-Machinable Parcels Arriving in Pallet Boxes at DBMC	0.7%	3/
Non-Machinable Parcels Arriving on Pallets at DBMC	0.8%	3/
Mail Flow Dispatch Profiles From *BMCs to Service Area*		
Machinable Parcels Dispatched in Bedloaded Sacks to Service Area	23.8%	4/
Machinable Parcels Dispatched loose in OTRs to Service Area	60.3%	4/
Machinable Parcels Dispatched sacked in OTRs to Service Area	2.9%	4/
Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Service Area	13.0%	4/
Non-Machinable Parcels Dispatched Bedloaded to Service Area	12.9%	5/
Non-Machinable Parcels Dispatched on Pallets to Service Area	31.0%	5/
Non-Machinable Parcels Dispatched in OTRs to Service Area	53.6%	5/
Non-Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Service Area	2.5%	5/
Mail Flow Dispatch Profiles to *Delivery Unit*		
Machinable Parcels Dispatched in Bedloaded Sacks ot Delivery Unit	26.7%	6/
Machinable Parcels Dispatched loose in OTRs to Service Area to Delivery Unit	60.3%	6/
Machinable Parcels Dispatched in OWC to Delivery Unit	13.0%	6/
Non-Machinable Parcels Dispatched Bedloaded to Delivery Unit	26.7%	7/
Non-Machinable Parcels Dispatched in OTRs to Delivery Unit	60.3%	7/
Non-Machinable Parcels Dispatched in Hampers/APC/OWC (OWC) to Delivery Unit	13.0%	7/

Sources

1/ Docket No. R97-1 USPS LR-H-131, Table 1. Assume 61.6 of bedloaded is loose and 38.4 is sacked
Assume 81.6 percent of mail in OTRs is loose and 18.4 percent is sacked (*Docket No. R97-1, LR-H-132, page 277*)

2/ Assumptions that 100 percent of parcels going from BMC to BMC will be in Postal Paks

3/ Unload Profile and # of handlings are from Docket No. R97-1 USPS-LR-H-131, Table 2

4/ Docket No. R97-1 USPS LR-H-132, Attachment 1, page 274

5/ Docket No. R97-1 USPS LR-H-132, Attachment 3, page 278

6/ *Assume same as dispatch profile* as BMC, but sacks in OTRs get bedloaded.

7/ Use Dispatch profile of machinables as a proxy, use bedloaded sacks for bedloaded NMOs.

Piggyback Factors, Wages, Mail Flow Operating Assumptions

Wage Rate with Premium Pay Factor Applied	$35.371	1/
Premium Pay Factor	0.989	2/
TY Other mail processing wage rate	$35.772	3/
Window Service Adjustment Factor	1.075	4/
Window Service Base year wage rate	33.804	5/
Window Service Test year wage rate	36.344	6/
Mail Processing Operation Specific Piggyback Factors		
NMO Sorting at BMC	1.633	7/
Other Operations at BMCs	1.567	7/
Platform BMC	1.664	7/
Primary Parcel Sorting Machine	2.068	7/
Secondary Parcel Sorting Machine	4.923	7/
Sack Sorting Machine - BMC	2.346	7/
NMO Sorting at SCF	1.359	7/
Platform Non-BMC	1.495	7/
NonMODS Allied	1.839	7/
NonMODSMANP	1.684	7/
Window Service Piggyback factor (Parcel Post)	1.129	8/
Mail Flow Operating Assumptions		
Percent with direct transportation to destinating delivery unit from BMC	12.3%	9/
Percent Sorted to 5-Digits by Primary Parcel Sorting Machine	20.1%	10/
Destinating BMCs will feed barcoded destinating mail unfiltered to secondary	20.8%	11/
Probability that mail fed directly to nonspecific secondary will receive more than one sort	50.0%	12/
Probability that barcode on secondary will not be readable	3.0%	13/
Proportion of parcel singulators (SSIU) being at secondary	100.0%	14/
Proportion sent from secondary to primary due to SSIU	3.0%	15/
Probability of Inter-BMC parcel going to primary psm at destination BMC	85.7%	16/
Probability of Inter-BMC parcel being handled by SSIU in destination BMC	94.5%	17/
Probability of Intra-BMC and DBMC parcels going to primary psm (or get keyed)	100.00%	18/
Probability of Intra-BMC and DBMC on secondary psm	79.9%	19/
Probability that NMOs will NOT be inducted on the conveyor system (not used for NMOs over 10	41.2%	20/
Probability that NMOs will be NOT be moved using towveyor (not used for pallets)	31.4%	20/
Probability that PRS machinable mail pieces are processed on the PPSM	97.4%	21/
Probability that PRS machinable mail pieces are processed on the SPSM	24.8%	21/

Sources

1/: (2) x (3)
2/: Docket No. R2005-1, USPS-LR-K-55
3/: Docket No. R2005-1, USPS-LR-K-55
4/: (6) / (5).
5/: Docket No. R2005-1, USPS-LR-K-55
6/: Docket No. R2005-1, USPS-LR-K-55
7/: Docket No. R2005-1, PRC-LR-9
8/: Docket No. R2005-1, PRC-LR-9
9/: USPS LR-PCR-40, page 64.
10/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [10]
11/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [9]
12/: Assumption that mail going to secondary PSM will be evenly split between scheme 1 and scheme 2.
13/: Assumption used by Operations.
14/: Assumption used by Operations.
15/: (14) x (15).
16/: [1 - (12)] + [(16) x (12)]+{[(1) - (12)] x [(1) - (11)] x (16)}+{(11) x (12) x [(1) - (16)]}.
17/: (12) + [(11) x (13)] + [1-(12)] x [(1-(11)].
18/: 1 + [1-(11)] * (16).
19/: 1 - (11).
20/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [11].

Other Inputs

FY 2004 Volumes

	Percents			NMO		
	% mach	% over	machinable	(non oversize)	Oversize	Total
	[1]	[2]	[3]	[4]	[5]	[6]
Inter-BMC	94.5%	0.063%	73,627,919	4,217,546	48,858	77,894,322
Intra-BMC	94.3%	0.099%	29,007,959	1,710,042	30,331	30,748,332
DBMC	93.4%	0.094%	81,164,769	5,617,204	81,739	86,863,713
DSCF	93.4%	0.094%	2,787,960	192,948	2,808	2,983,715
DDU	93.4%	0.094%	160,094,387	11,079,720	161,227	171,335,334
Total			346,682,994	22,817,459	324,963	369,825,416

Calculation of Percent of Inter and Intra entered at origin AO

Percent of inter-BMC that is retail	25.6%	1/
Percent of intra-BMC that is retail	38.5%	2/

Average Cubic Feet of Parcel Post

	[7]
Machinable	0.425
Non-machinable	2.777
Oversize	7.938

Sources

Rows (1&2): Docket R2001-1, LR-J-64, Attachment A, page 6

Column [1]: Docket R2001-1, LR-J-67, Attachment A, page 6 Machinable volume / total volume.
Column [2]: Docket R2001-1, LR-J-67 Attachment A, page 6 Nonmachinable volume / total nonmachinable volume.
Column [3]: Column [1] * column [6]
Column [4]: Column [6] - column [3] - column [5]
Column [5]: Column [2] * column [6]
Column [6]: GFY2004 RPW volumes
Column [7]: Docket No. R2005-1, USPS-LR-K-47

Conversion Factor Calculations

Container Type	Outside Dim. Per Container (Inches) [1]	Inside Dim. Per Container (Inches) [2]	Cubic Feet Per Container [3]	Effective Parcel Capacity (# of Parcels) [4]	Capacity at Average Fullness (# of Parcels) [5]	Average % FULL [6]
Machinable						
Pallet	48x40x48	48x40x48	53.3	125.6	106.8	85%
Postal Pak	48x40x69	46.5x38.5x69	71.5	153.1	130.1	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	153.1	134.7	88%
Pallet Box (for space)	48x40x70	46.5x38.5x70	71.5	153.1	114.8	75%
Sacks on In-house Container	65x41.5x36	65x41.5x36	56.2	120.3	102.3	85%
NMOs						
Pallet	48x40x48	48x40x48	53.3	19.2	19.2	100%
Pallet Box	48x40x69	46.5x38.5x69	71.5	23.4	19.9	85%
In-house Container	65x41.5x36	65x41.5x36	56.2	18.4	15.6	85%
Oversize NMOs						
108"-130" on Pallet	48x40x48	48x40x48	53.3	6.7	6.7	100%
108"-130" in IHC	65x41.5x36	65x41.5x36	56.2	6.4	6.4	100%

Pieces Per Container	Machinable R2000-1 (FY98) [7]	Machinable R2005-1 (FY04) [8]	Nonmachinable R2000-1 (FY98) [9]	Nonmachinable R2005-1 (FY04) [10]	108"-130" R2005-1 (FY04) [11]
Sack	5.1	7.0	n/a	n/a	n/a
Sack in OTR	81.8	112.0	n/a	n/a	n/a
OTR	69.0	94.5	27.1	19.5	6.8
APC	35.7	48.8	14.0	10.1	3.5
Hamper	23.0	31.5	9.0	6.5	2.3

	Cubic Feet Per Parcel Post: Machinable [12]	Cubic Feet Per Parcel Post: NMO [13]	Cubic Feet Per Parcel Post: 108"-130" [14]	No. of Sacks on *IHC* [15]	No. of Sacks on *Postal Pak* [16]
R2005-1 (BY04)	0.425	2.777	7.94	14.61	18.59
R2000 (BY98)	0.581	1.992			

Sources

Columns [1 & 2]: Container Methods Handbook PO-502 (September 1992); USPS (R-84-1).

Column [3]: ((Length * width * height) / 12*12*12.

Column [4]: ((Column [3]) / ((column [13]) * air factor), to account for "effective cube" and ((column [1]) / ((column [14]) * air factor) and ((column [3]) / ((column [16]) * air factor)

Air factor = 1 for pallets and 1.1 for all else

Column [5]: Effective cubic capacity (column [4]) * average % fullness (column [6]).

Column [6]: Pallets, postal paks and IHCs should be as full as practicable before dispatch so it is reasonable to assume these containers will be at least 85% full.

The majority of pallet boxes come from mailers who must have 75 percent full boxes and tend to fill them to maximize capacity.

Therefore 88 percent, the average of 75 and 100 percent was used.

Column [7]: Docket No. R84-1, Exhibit USPS-14.

Column [8]: Pieces per container in Docket No. R84-1 (column [7]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14]).

Column [9]: Docket No. R84-1, Exhibit USPS-14.

Column [10]: Pieces per container in Docket No. R84-1 (column [9]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14]).

Column [11]: Column [10] * column [13] / column [15].

Column [12]: Attachment C, page 5, column [7], machinable parcels.

Column [13]: Attachment C, page 5, column [7], non-machinable parcels.

Column [14]: Attachment C, page 5, column [7], oversize parcels.

Column [15]: No. of parcels on IHC (column 5) divided by no. of parcels in a sack (column 4).

Column [16]: No. of parcels on a parcel (column5) divided by no. of parcels in a sack (column 4).

Intra-BMC Machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.079**
Move Containers to Dock	0.3849	29.3	40.1	1.839	$0.055	$0.021
Load Containers	0.3849	10.8	40.1	1.839	$0.150	$0.058
Origin SCF						**$0.346**
Unload Containers[2]	1.0000				$0.043	$0.043
Crossdock containers	1.0000	7.3	40.1	1.839	$0.221	$0.221
Bedload Sacks	0.0434	190.1	7.0	1.495	$0.040	$0.002
Bedload loose	0.0696	183.9	1.0	1.495	$0.287	$0.020
Load Sacks in OTRs	0.1152	10.8	112.0	1.495	$0.044	$0.005
Load Loose in OTRs	0.5108	10.8	94.5	1.495	$0.052	$0.026
Load Pallets	0.0160	13.9	106.8	1.495	$0.036	$0.001
Load Pallet Boxes	0.0090	13.9	134.7	1.495	$0.028	$0.000
Load OWCs	0.2360	10.8	40.1	1.495	$0.122	$0.029
Destination BMC						**$0.616**
Unload Bedload Sack	0.0434	194.8	7.0	1.664	$0.043	$0.002
Unload Bedload Loose	0.0696	648.5	1.0	1.664	$0.091	$0.006
Unload Sacks in OTR	0.1152	21.7	112.0	1.664	$0.024	$0.003
Unload loose in OTR	0.5108	21.7	94.5	1.664	$0.029	$0.015
Unload Pallet	0.0160	12.8	106.8	1.664	$0.043	$0.001
Unload Pallet Boxes	0.0090	12.8	134.7	1.664	$0.034	$0.000
Unload Other Wheeled Cont	0.2360	21.7	40.1	1.664	$0.068	$0.016
Dump OTR of sacks	0.1152	6.5	112.0	1.567	$0.077	$0.009
Dump OTR of loose	0.5108	6.5	94.5	1.567	$0.091	$0.046
Dump Pallet	0.0160	6.5	106.8	1.567	$0.080	$0.001
Dump Pallet Boxes	0.0090	6.5	134.7	1.567	$0.064	$0.001
Dump Other Wheeled Cont	0.2360	6.5	40.1	1.567	$0.214	$0.050
Sack Sorter	0.1586	348.3	7.0	2.346	$0.034	$0.005
Sack shakeout	0.1586	72.3	7.0	1.567	$0.110	$0.017
PPSM	1.0000	744.9	1.0	2.068	$0.098	$0.098
SPSM	0.7991	1664.3	1.0	4.923	$0.105	$0.084
Sweep Runouts OTR	0.7327	5.4	94.5	1.567	$0.108	$0.079
Sack and Tie	0.2673	125.4	1.0	1.567	$0.442	$0.118
Bedload Sacks	0.2384	190.1	7.0	1.664	$0.044	$0.011
Load OTRs w/ sacks	0.0289	10.8	112.0	1.664	$0.048	$0.001
Load OTRs w/ loose	0.6025	10.8	94.5	1.664	$0.057	$0.035
Load Hampers/OWC	0.1302	10.8	40.1	1.664	$0.135	$0.018
Destination SCF						**$0.159**
Unload Bedload Sacks	0.2091	160.5	7.0	1.495	$0.047	$0.010
Unload Sacks in OTR	0.0253	21.7	112.0	1.495	$0.022	$0.001
Unload loose in OTR	0.5284	21.7	94.5	1.495	$0.026	$0.014
Unload OWC	0.1142	21.7	40.1	1.495	$0.061	$0.007
Crossdock IHC (Bedload Sack	0.2091	7.3	102.3	1.495	$0.071	$0.015
Crossdock Sacks in OTR	0.0253	7.3	112.0	1.495	$0.064	$0.002
Crossdock loose in OTR	0.5284	7.3	94.5	1.495	$0.076	$0.040
Crossdock OWC	0.1142	7.3	40.1	1.495	$0.180	$0.021
Bedload Sacks	0.2344	190.1	7.0	1.495	$0.040	$0.009
Load OTRs w/ loose	0.5284	10.8	94.5	1.495	$0.052	$0.027
Load Hampers/OWC	0.1142	10.8	40.1	1.495	$0.122	$0.014
Destination Delivery Unit						**$0.224**
Unload Bedload Sacks	0.2673	160.5	7.0	1.495	$0.047	$0.013
Unload loose in OTR	0.6025	21.7	94.5	1.495	$0.026	$0.016
Unload OWC	0.1302	21.7	40.1	1.495	$0.061	$0.008
Dump Sacks	0.2673	107.4	7.0	1.495	$0.070	$0.019
Move Containers from Dock	1.0000	29.3	64.0	1.839	$0.035	$0.035
Sort Parcels	1.0000	444.1	1.0	1.684	$0.134	$0.134
				Model Cost		**$1.424**

Sources

Column [1] Attachment C, page 3 (arrival and dispatch profiles)
Column [2] Attachment C, page 2 (*units per workhour*)
Column [3] Attachment C, page 6 (conversion factors)
Column [4] Attachment C, page 4 (piggyback factors)
Column [5] (TY wage rate * column [4]) / (column [2] * column [3])
Column [6] (column [1] * column [5])

[1] Number of Handlings at Origin AO from Attachment C, page 5

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

Intra-BMC Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.383**
Move Containers to Dock	0.3849	29.3	8.3	1.839	$0.268	$0.103
Load Containers	0.3849	10.8	8.3	1.839	$0.726	$0.279
Origin SCF						**$1.591**
Unload Containers[2]	1.0000				$0.191	$0.191
Crossdock containers	1.0000	7.3	8.3	1.839	$1.073	$1.073
Bedload NMOs	0.0400	183.9	1.0	1.495	$0.287	$0.011
Load NMOs in OTRs	0.7250	10.8	19.5	1.495	$0.251	$0.182
Load NMOs in OWCs	0.2220	10.8	8.3	1.495	$0.590	$0.131
Load NMOs on Pallets	0.0130	13.9	19.2	1.495	$0.197	$0.003
Destination BMC						**$1.519**
Unload Bedloaded NMOs	0.0400	168.0	1.0	1.664	$0.350	$0.014
Unload NMOs in OTRs	0.7250	21.7	19.5	1.664	$0.139	$0.101
Unload NMOs in OWC	0.2220	21.7	8.3	1.664	$0.328	$0.073
Unload NMOs on Pallets	0.0130	12.8	19.2	1.664	$0.240	$0.003
Move IHCs (from bedload)	0.0165	14.7	15.6	1.567	$0.242	$0.004
Move OTRs	0.2988	14.7	19.5	1.567	$0.194	$0.058
Move OWC	0.0915	14.7	8.3	1.567	$0.457	$0.042
Move Pallets	0.0054	14.7	19.2	1.567	$0.197	$0.001
D Primary NMO Sort	1.0000	68.7	1.0	1.633	$0.842	$0.842
Move IHCs	0.0405	14.7	18.4	1.567	$0.206	$0.008
Move OTRs	0.1681	14.7	19.5	1.567	$0.194	$0.033
Move OWC	0.0078	14.7	8.3	1.567	$0.457	$0.004
Move Pallets	0.3098	14.7	19.2	1.567	$0.197	$0.061
Bedload from IHC	0.1291	183.9	1.0	1.664	$0.320	$0.041
Load NMOs in OTRs	0.5363	10.8	19.5	1.664	$0.279	$0.150
Load NMOs in OWC	0.0248	10.8	8.3	1.664	$0.657	$0.016
Load NMOs on Pallet	0.3098	13.9	19.2	1.664	$0.220	$0.068
Destination SCF						**$1.052**
Unload Bedload to IHC	0.1291	160.5	1.0	1.495	$0.329	$0.043
Unload OTRs	0.5363	21.7	19.5	1.495	$0.125	$0.067
Unload OWC	0.0248	21.7	8.3	1.495	$0.295	$0.007
Unload Pallet	0.3098	12.8	19.2	1.495	$0.216	$0.067
Move IHC	0.1291	14.7	15.6	1.495	$0.231	$0.030
Move OTRs	0.5363	14.7	19.5	1.495	$0.185	$0.099
Move OWC	0.0248	14.7	8.3	1.495	$0.436	$0.011
Move Pallet	0.3098	14.7	19.2	1.495	$0.188	$0.058
Manual Sort	1.0000	356.7	1.0	1.359	$0.135	$0.135
Move IHC	0.2673	14.7	15.6	1.495	$0.231	$0.062
Move OTRs	0.6025	14.7	19.5	1.495	$0.185	$0.112
Move OWC	0.1302	14.7	8.3	1.495	$0.436	$0.057
Bedload NMOs	0.2673	183.9	1.0	1.495	$0.287	$0.077
Load OTRs w/ loose	0.6025	10.8	19.5	1.495	$0.251	$0.151
Load Hampers/OWC	0.1302	10.8	8.3	1.495	$0.590	$0.077
Destination Delivery Unit						**$0.506**
Unload Bedload NMOs	0.2673	160.5	1.0	1.495	$0.329	$0.088
Unload loose in OTR	0.6025	21.7	19.5	1.495	$0.125	$0.075
Unload OWC	0.1302	21.7	8.3	1.495	$0.295	$0.038
Move Containers from Dock	1.0000	29.3	13.1	1.839	$0.170	$0.170
Sort Parcels	1.0000	444.1	1.0	1.684	$0.134	$0.134
				Model Cost		**$5.050**

Column [1]: Attachment C, page 3 (arrival and dispatch profiles)
Column [2]: Attachment C, page 2 (units per workhour)
Column [3]: Attachment C, page 6 (conversion factors)
Column [4]: Attachment C, page 4 (piggyback factors)
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Number of Handlings at Origin AO from Attachment C, page 5.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

Intra-BMC Non-machinable Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$1.093**
Move Containers to Dock	0.3849	29.3	2.9	1.839	$0.767	$0.295
Load Containers	0.3849	10.8	2.9	1.839	$2.074	$0.798
Origin SCF						**$4.501**
Unload Containers[2]	1.0000				$0.521	$0.521
Crossdock containers	1.0000	7.3	2.9	1.839	$3.067	$3.067
Bedload NMOs	0.0400	183.9	1.0	1.495	$0.287	$0.011
Load NMOs in OTRs	0.7250	10.8	6.8	1.495	$0.716	$0.519
Load NMOs in OWCs	0.2220	10.8	2.9	1.495	$1.686	$0.374
Load NMOs on Pallets	0.0130	13.9	6.7	1.495	$0.564	$0.007
Destination BMC						***$3.028***
Unload Bedloaded to IHC	0.0400	160.5	1.0	1.664	$0.367	$0.015
Unload NMOs in OTRs	0.7250	21.7	6.8	1.664	$0.399	$0.289
Unload NMOs in OWC	0.2220	21.7	2.9	1.664	$0.938	$0.208
Unload NMOs on Pallets	0.0130	12.8	6.7	1.664	$0.686	$0.009
Move IHC	0.0400	14.7	6.4	1.567	$0.587	$0.023
Move OTR	0.7250	14.7	6.8	1.567	$0.556	$0.403
Move OWC	0.2220	14.7	2.9	1.567	$1.307	$0.290
Move Pallet	0.0130	14.7	6.7	1.567	$0.563	$0.007
D Primary NMO Sort	1.0000	68.7	1.0	1.633	$0.842	$0.842
Move IHC	0.0125	14.7	6.4	1.567	$0.587	$0.007
Move OTR	0.2273	14.7	6.8	1.567	$0.556	$0.126
Move OWC	0.0696	14.7	2.9	1.567	$1.307	$0.091
Move Pallet	0.0130	14.7	6.7	1.567	$0.563	$0.007
Bedload from IHC	0.1291	183.9	1.0	1.664	$0.320	$0.041
Load NMOs in OTRs	0.5363	10.8	6.8	1.664	$0.798	$0.428
Load NMOs on Pallet	0.3098	13.9	6.7	1.664	$0.628	$0.195
Load NMOs in OWC	0.0248	10.8	2.9	1.664	$1.877	$0.047
Destination SCF						**$2.494**
Unload Bedload to IHC	0.1291	160.5	1.0	1.495	$0.329	$0.043
Unload OTRs	0.5363	21.7	6.8	1.495	$0.358	$0.192
Unload Pallet	0.3098	12.8	6.7	1.495	$0.616	$0.191
Unload OWC	0.0248	21.7	2.9	1.495	$0.843	$0.021
Move IHC	0.1291	14.7	6.4	1.495	$0.560	$0.072
Move OTRs	0.5363	14.7	6.8	1.495	$0.530	$0.284
Move Pallet	0.3098	14.7	6.7	1.495	$0.537	$0.166
Move OWC	0.0248	14.7	2.9	1.495	$1.247	$0.031
Manual Sort	1.0000	356.7	1.0	1.359	$0.135	$0.135
Move IHC	0.2673	14.7	6.4	1.495	$0.560	$0.150
Move OTRs	0.6025	14.7	6.8	1.495	$0.530	$0.319
Move OWC	0.1302	14.7	2.9	1.495	$1.247	$0.162
Bedload NMOs	0.2673	183.9	1.0	1.495	$0.287	$0.077
Load OTRs w/ loose	0.6025	10.8	6.8	1.495	$0.716	$0.432
Load Hampers/OWC	0.1302	10.8	2.9	1.495	$1.686	$0.219
Destination Delivery Unit						***$1.015***
Unload Bedload NMOs	0.2673	160.5	1.0	1.495	$0.329	$0.088
Unload loose in OTR	0.6025	21.7	6.8	1.495	$0.358	$0.216
Unload OWC	0.1302	21.7	2.9	1.495	$0.843	$0.110
Move Containers from Dock	1.0000	29.3	4.7	1.839	$0.468	$0.468
Sort Parcels	1.0000	444.1	1.0	1.684	$0.134	$0.134
				Model Cost		**$12.132**

Sources

Column [1] Attachment C, page 3 (arrival and dispatch profiles)
Column [2] Attachment C, page 2 (units per workhour)
Column [3] Attachment C, page 6 (conversion factors)
Column [4] Attachment C, page 4 (*piggyback factors*)
Column [5] (TY wage rate * column [4]) / (column [2] * column [3])
Column [6] (column [1] * column [5])

[1] Number of Handlings at Origin AO from Attachment C, page 5

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RBMC Machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.205**
Move Containers to Dock	1.0000	29.3	40.1	1.839	$0.055	$0.055
Load Containers	1.0000	10.8	40.1	1.839	$0.150	$0.150
Origin SCF						**$0.346**
Unload Containers[2]	1.0000				$0.043	$0.043
Crossdock containers	1.0000	7.3	40.1	1.839	$0.221	$0.221
Bedload Sacks	0.0434	190.1	7.0	1.495	$0.040	$0.002
Bedload loose	0.0696	183.9	1	1.495	$0.287	$0.020
Load Sacks in OTRs	0.1152	10.8	112.0	1.495	$0.044	$0.005
Load Loose in OTRs	0.5108	10.8	94.5	1.495	$0.052	$0.026
Load Pallets	0.0160	13.9	106.8	1.495	$0.036	$0.001
Load Pallet Boxes	0.0090	13.9	134.7	1.495	$0.028	$0.000
Load OWCs	0.2360	10.8	40.1	1.495	$0.122	$0.029
Destination BMC						**$0.354**
Unload Bedload Sack	0.0434	194.8	7.0	1.664	$0.043	$0.002
Unload Bedload Loose	0.0696	648.5	1.0	1.664	$0.091	$0.006
Unload Sacks in OTR	0.1152	21.7	112.0	1.664	$0.024	$0.003
Unload loose in OTR	0.5108	21.7	94.5	1.664	$0.029	$0.015
Unload Pallet	0.0160	12.8	106.8	1.664	$0.043	$0.001
Unload Pallet Boxes	0.0090	12.8	134.7	1.664	$0.034	$0.000
Unload Other Wheeled Cont	0.2360	21.7	40.1	1.664	$0.068	$0.016
Dump OTR of sacks	0.1152	6.5	112.0	1.567	$0.077	$0.009
Dump OTR of loose	0.5108	6.5	94.5	1.567	$0.091	$0.046
Dump Pallet	0.0160	6.5	106.8	1.567	$0.080	$0.001
Dump Pallet Boxes	0.0090	6.5	134.7	1.567	$0.064	$0.001
Dump Other Wheeled Cont	0.2360	6.5	40.1	1.567	$0.214	$0.050
Sack Sorter	0.1586	348.3	7.0	2.346	$0.034	$0.005
Sack shakeout	0.1586	72.3	7.0	1.567	$0.110	$0.017
PPSM	0.9736	744.9	1.0	2.068	$0.098	$0.096
SPSM	0.2482	1664.3	1.0	4.923	$0.105	$0.026
Move Pallets	1.0000	14.7	134.7	1.567	$0.028	$0.028
Load Pallet Boxes	1.0000	13.9	134.7	1.664	$0.031	$0.031
				Model Cost		**$0.905**

Sources

Column [1]: Attachment C, page 3 (*arrival and dispatch profiles*).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (*conversion factors*).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1]Assumption that all RBMC will be entered at origin AO.

[2] *Unload Containers cost at* OSCF uses the average cost of unloading containers at origin BMC as proxy.

RBMC Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$0.994**
Move Containers to Dock	1.0000	29.3	8.3	1.839	$0.268	$0.268
Load Containers	1.0000	10.8	8.3	1.839	$0.726	$0.726
Origin SCF						**$1.591**
Unload Containers[2]	1.0000				$0.191	$0.191
Crossdock containers	1.0000	7.3	8.3	1.839	$1.073	$1.073
Bedload NMOs	0.0400	183.9	1.0	1.495	$0.287	$0.011
Load NMOs in OTRs	0.7250	10.8	19.5	1.495	$0.251	$0.182
Load NMOs in OWCs	0.2220	10.8	8.3	1.495	$0.590	$0.131
Load NMOs on Pallets	0.0130	13.9	19.2	1.495	$0.197	$0.003
Destination BMC						**$1.403**
Unload Bedloaded NMOs	0.0400	168.0	1.0	1.664	$0.350	$0.014
Unload NMOs in OTRs	0.7250	21.7	19.5	1.664	$0.139	$0.101
Unload NMOs in OWC	0.2220	21.7	8.3	1.664	$0.328	$0.073
Unload NMOs on Pallets	0.0130	12.8	19.2	1.664	$0.240	$0.003
Move IHCs (from bedload)	0.0165	14.7	15.6	1.567	$0.242	$0.004
Move OTRs	0.2988	14.7	19.5	1.567	$0.194	$0.058
Move OWC	0.0915	14.7	8.3	1.567	$0.457	$0.042
Move Pallets	0.0054	14.7	19.2	1.567	$0.197	$0.001
D Primary NMO Sort	1.0000	68.7	1.0	1.633	$0.842	$0.842
Move Pallets	1.0000	14.7	19.2	1.567	$0.197	$0.197
Load NMOs on Pallet	0.3098	13.9	19.2	1.664	$0.220	$0.068
				Model Cost		**$3.988**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

[1] Assumption that all RBMC will be entered at origin AO.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RBMC Non-machinable Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO[1]						**$2.841**
Move Containers to Dock	1.0000	29.3	2.9	1.839	$0.767	$0.767
Load Containers	1.0000	10.8	2.9	1.839	$2.074	$2.074
Origin SCF						**$4.501**
Unload Containers[2]	1.0000				$0.521	$0.521
Crossdock containers	1.0000	7.3	2.9	1.839	$3.067	$3.067
Bedload NMOs	0.0400	183.9	1.0	1.495	$0.287	$0.011
Load NMOs in OTRs	0.7250	10.8	6.8	1.495	$0.716	$0.519
Load NMOs in OWCs	0.2220	10.8	2.9	1.495	$1.686	$0.374
Load NMOs on Pallets	0.0130	13.9	6.7	1.495	$0.564	$0.007
Destination BMC						**$3.086**
Unload Bedloaded to IHC	0.0400	160.5	1.0	1.664	$0.367	$0.015
Unload NMOs in OTRs	0.7250	21.7	6.8	1.664	$0.399	$0.289
Unload NMOs in OWC	0.2220	21.7	2.9	1.664	$0.938	$0.208
Unload NMOs on Pallets	0.0130	12.8	6.7	1.664	$0.686	$0.009
Move IHC	0.0400	14.7	6.4	1.567	$0.587	$0.023
Move OTR	0.7250	14.7	6.8	1.567	$0.556	$0.403
Move OWC	0.2220	14.7	2.9	1.567	$1.307	$0.290
Move Pallet	0.0130	14.7	6.7	1.567	$0.563	$0.007
D. Primary NMO Sort	1.0000	68.7	1.0	1.633	$0.842	$0.842
Move Pallet	1.0000	14.7	8.0	1.567	$0.473	$0.473
Load NMOs on Pallet	1.0000	13.9	8.0	1.664	$0.528	$0.528
				Model Cost		**$10.428**

Sources

Column [1]: Attachment C, page 3 (arrival and dispatch profiles).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors)
Column [4]: Attachment C, page 4 (piggyback factors)
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5])

[1] Assumption that all RBMC will be entered at origin AO.

[2] Unload Containers cost at OSCF uses the average cost of unloading containers at origin BMC as proxy.

RDU Machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						**$0.189**
Sort by Shipper ID	1.0000	444.1	1.0	1.684	$0.134	$0.134
Move Containers to Dock	1.0000	29.3	40.1	1.839	$0.055	$0.055
Load Containers	0.0000	10.8	40.1	1.839	$0.150	$0.000
				Model Cost		**$0.189**

Sources

Column [1]: All RDU parcels will be sorted to shipper and moved to dock (USPS-T-1, Section VII).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

RDU Non-machinable Mail Processing Cost Model

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						**$0.402**
Sort by Shipper ID	1.0000	444.1	1.0	1.684	$0.134	$0.134
Move Containers to Dock	1.0000	29.3	8.3	1.839	$0.268	$0.268
Load Containers	0.0000	10.8	8.3	1.839	$0.726	$0.000
				Model Cost		**$0.402**

Column [1]: All RDU parcels will be sorted to shipper and moved to dock (USPS-T-1, Section VII).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

RDU Oversize Mail Processing Cost Model

Length plus Girth Between 108" and 130"

	[1] # handlings	[2] units/hr	[3] conversion	[4] piggyback	[5] $ per oper.	[6] $ per facility
Origin AO						**$0.901**
Sort by Shipper ID	1.0000	444.1	1.0	1.684	$0.134	$0.134
Move Containers to Dock	1.0000	29.3	2.9	1.839	$0.767	$0.767
Load Containers	0.0000	10.8	2.9	1.839	$2.074	$0.000
				Model Cost		**$0.901**

Sources

Column [1]: All RDU parcels will be sorted to shipper and moved to dock (USPS-T-1, Section VII).
Column [2]: Attachment C, page 2 (units per workhour).
Column [3]: Attachment C, page 6 (conversion factors).
Column [4]: Attachment C, page 4 (piggyback factors).
Column [5]: (TY wage rate * column [4]) / (column [2] * column [3]).
Column [6]: (column [1] * column [5]).

Storage Cost Estimates

	Mail Category			
	Machinable	**Non-Machinable**	**Oversize**	
# of pieces in Container (Pallet Box)	134.7	19.9	6.7	1/
Total Square Feet taken up by one container	13.3	13.3	13.3	2/
Cost of Space ($/sf) - Annual	$20.788	$20.788	$20.788	3/
Space Variability	1.000	1.000	1.000	4/
Space Support Factor	1.354	1.354	1.354	5/
Cost of Space ($/sf) - Annual	$28.153	$28.153	$28.153	6/
Cost per square foot - Daily (303 days)	$0.093	$0.093	$0.093	7
Cost per Container	$1.239	$1.239	$1.239	8/
Cost per piece per day	$0.009	$0.062	$0.184	9
Storage Days Required				
RBMC	1.834	1.834	1.834	10/
RDU	5.000	5.000	5.000	11/
Cost by PRS Rate Category				
RBMC	$0.017	$0.114	$0.338	12/
RDU	$0.046	$0.311	$0.922	13/

Sources

1/: Attachment C, page 6 (Conversion factors).
2/: Calculation using dimensions of containers.
3/: Docket No. R2005-1, PRC-LR-6, file "PRC MPPG TY06.XLS", worksheet G2, cell E43.
Note. This value appears to be incorrect. The calculation should include building and leasehold depreciation (as well as rents, utilities, and other facilities space-related costs). The PRC calculation on sheet G2 has erroneously included equipment depreciation, rather than building and leasehold depreciation. When this error is corrected, the value becomes $17.277.
4/: Variability assumption implicit in data filed in Docket No. R2001-1.
5/: Docket No. R94-1, LR-G-120A, Schedule 5, page 1, line 39 and Schedule 4, page 1, line 44.
6/: (3) x (4) x (5)
7/: (6) / 303 days.
8/: (2) x (7).
9/: (8) / (1)
10/: August 2005 BMC PRS Survey
11/: Assumption from Product Definition (mailers must pick up RDU parcels every 5 days).
12/: (9) x (10).
13/: (9) x (11).

Transportation Cost Estimate Summary

PRS Rate Category	Benchmark	Total Cost Impact per Cubic Foot [1]	Average Cubic Feet per Piece [2]	Total Cost Impact per Piece [3]
RBMC - Machinable	Intra-BMC	($2.218)	0.425	($0.942)
RBMC - Non-machinable	Intra-BMC	($2.218)	2.777	($6.160)
RBMC - Oversize	Intra-BMC	($2.218)	7.938	($17.604)
RDU - Machinable	Intra-BMC Local	($2.449)	0.425	($1.040)
RDU - Non-machinable	Intra-BMC Local	($2.449)	2.777	($6.802)
RDU - Oversize	Intra-BMC Local	($2.449)	7.938	($19.440)

Sources

[1] Attachment E, page 2.
[2] Attachment C, page 5.
[3] [1] x [2].

Transportation Cost Difference Estimates

Assumed Legs of Transportation [1]

		Local	Intermediate	Long Distance
Intra-BMC	[1a]	1.951	1.947	0.000
RBMC	[1b]	1.000	1.000	0.000
RDU	[1c]	0.000	0.000	0.000

Benchmark Transportation Cost per Cubic Foot [2]

	Intra-BMC			
Zone	Local	Intermediate	Long Distance	Total
Local	$1.238	$1.211	N/A	$2.449
1-2	$2.134	$2.422	N/A	$4.555
3	$2.134	$2.422	N/A	$4.555
4	$2.134	$2.422	N/A	$4.555
5	$2.134	$2.422	N/A	$4.555
6	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A

PRS Transportation Cost per Cubic Foot [3]

(Benchmark)	RBMC (Intra-BMC)				RDU (Intra-BMC)			
Zone	Local	Intermediate	Long Distance	Total	Local	Intermediate	Long Distance	Total
Local	$0.635	$0.622	N/A	$1.257	$0.000	$0.000	N/A	$0.000
zone 1-2	$1.094	$1.244	N/A	$2.338	$0.000	$0.000	N/A	$0.000
3	$1.094	$1.244	N/A	$2.338	$0.000	$0.000	N/A	$0.000
4	$1.094	$1.244	N/A	$2.338	$0.000	$0.000	N/A	$0.000
5	$1.094	$1.244	N/A	$2.338	$0.000	$0.000	N/A	$0.000
6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

PRS Transportation Cost Impact per Cubic Foot [4]

(Benchmark)	RBMC (Intra-BMC)				RDU (Intra-BMC)			
Zone	Local	Intermediate	Long Distance	Total	Local	Intermediate	Long Distance	Total
Local	($0.604)	($0.589)	N/A	($1.192)	($1.238)	($1.211)	N/A	($2.449)
1-2	($1.040)	($1.178)	N/A	($2.218)	($2.134)	($2.422)	N/A	($4.555)
3	($1.040)	($1.178)	N/A	($2.218)	($2.134)	($2.422)	N/A	($4.555)
4	($1.040)	($1.178)	N/A	($2.218)	($2.134)	($2.422)	N/A	($4.555)
5	($1.040)	($1.178)	N/A	($2.218)	($2.134)	($2.422)	N/A	($4.555)
6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Sources

[1]: Assumed average number of legs of transportation

[1a] Docket No. R2005-1, USPS LR-K-113, Attachment B, page 9

[1b] RBMC will travel from origin AO to origin SCF (1 local leg) and from origin SCF to origin BMC (1 intermediate leg).

[1b]: Since mailers pick up RDU at origin AO, it will not incur any transportation legs.

[2]: Docket No. R2005-1, USPS LR-K-113, Attachment B, page 11

[3] Ratio of PSRS Rate Category transportation legs [1b&1c] to benchmark [1a] multiplied by benchmark cost [2].

[4]: PSRS transportation cost per cubic foot [3] minus benchmark transportation cost per cubic foot [2].

Scanning Cost Estimates

PRS Rate Category	Transaction Time (hours) [1]	Wage Rate [2]	Piggyback Factor [3]	Cost per active scan [4]	Number of active scans [5]	Scan Cost [6]
RBMC - Machinable	0.0007	$35.371	1.592	$0.038	0	$0.000
RBMC - Non-machinable	0.0007	$35.371	1.592	$0.038	0	$0.000
RBMC - Oversize	0.0007	$35.371	1.592	$0.038	0	$0.000
RDU - Machinable	0.0007	$35.371	1.592	$0.038	2	$0.077
RDU - Non-machinable	0.0007	$35.371	1.592	$0.038	2	$0.077
RDU - Oversize	0.0007	$35.371	1.592	$0.038	3	$0.115

Sources

[1]: Docket No. R2000-1, USPS-T-30, Section A, Data Sheet A-8

[2]: Attachment C, page 4. Premium Pay Adjusted Wage Rate.

[3]: Docket No. R2005-1, PRC-LR-6, file "PRC MPPG TY06.XLS", worksheet A, cell M49

[4]: [1] x [2] x [3]. Follows methodology shown in Docket No. R2001-1 LR-J-135.

[5]: Assumption taken from USPS product description.

[6]: [4] x [5].

Postage Due Cost Estimates

RBMC	Value	
Average Time per piece (minutes)	6.018	1/
Average Time per piece (hours)	0.100	2/
Wage Rate	$35.371	3/
Piggyback Factor	1.378	4/
Postage Due Cost (for sampled parcels)	$4.890	5/
Sampling Ratio	1.5%	6/
Postage Due Cost (for all parcels)	$0.073	7/
RDU	$0.000	8/

Sources

1/: Attachment H, page 4, column 7

2/: (1) / 60 minutes.

3/: Attachment C, page 4

4/: Docket No. R2005-1, PRC-LR-6, file "PRC MPPG TY06.XLS", worksheet A, cell M37

5/ (2) x (3) x (4)

6/ Attachment G, page 2

7/ (5) x (6)

8/ Assumed to be insignificant postage due costs since information from the scanned barcodes will generate a daily postage due manifest.

Postage Due Sampling Ratio

USPS Sample Size by Volume Range [1]

Volume		
Lower Bound	Upper Bound	Pieces
1	19	All pieces
20	99	20 % of pieces
100	199	15 % of pieces
200	299	10% of pieces
300	1,999	30 pieces
2,000	3,999	40 pieces
4,000	5,999	50 pieces
6,000	7,999	60 pieces
8,000	9,999	70 pieces
10,000	99,999	100 pieces
100,000	499,999	150 pieces
500,000	up	200 pieces

Daily Return Volume (5-day week) [2]

BMC	Pieces	Sample Size	Sampling Ratio
	[2]	[3]	[4]
Site A	2,500	40	1.6%
Site B	3,200	40	1.3%
Site C	1,100	30	2.7%
Site D	2,200	40	1.8%
Site E	4,400	50	1.1%
Total	13,400	200	1.5%

Sources

[1]. Supplied by the Business Mailer's Support HQ division.

[2]. Average returns per BMC per 5-day week.
Data collected by Marketing for existing customer
Data was collected in the Fall of 2002.

Postage Due

	Location A [1]										
USPS Return Technician	A	B	C	D	E	F	G	H	I	J	K
Pieces	30	30	30	30	30	30	30	30	30	30	30
Set Up	25	15	15	15	6	15	15	20	20	20	15
Selecting Samples	15	15	50	30	3	7	1	2	2	30	10
Weighing / Recording Samples	35	10	15	30	18	60	33	20	67	25	25
Matching Worksheet to Manifest	80	120	100	120	--	95	45	25	105	165	55
Validating Postage Statement to Manifest											
Transferring Postage Statement to Post Office											
Other		135									
(explanation)		meeting									
Post Office Tasks											
Permit System Entry of Postage Due	5	5	5	5	15	15	10	--	15	5	5
TOTAL											

Sources

[1] through [4]. Data collected directly through survey.
[5]: Only includes volume when have entered data.
[6]: Sum of each row.
[7]: [6] / [5].

Postage Due

	Location B [2]								
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Pieces	30	30	30	30	30	30	30	30	30
Set Up	2	2	5	2	3	2	2	2	2
Selecting Samples	10	6	14	6	7	8	8	8	4
Weighing / Recording Samples	20	35	9	21	20	30	20	28	16
Matching Worksheet to Manifest	25	21	30	22	27	25	28	25	18
Validating Postage Statement to Manifest	5	4	9	6	8	5	6	5	4
Transferring Postage Statement to Post Office	5	5	5	6	5	5	36	5	4
Other (explanation)									
Post Office Tasks									
Permit System Entry of Postage Due	5	8	7	15	15	10	5	5	15
TOTAL									

Sources

[1] through [4] Data collected directly through s
[5]. Only includes volume when have entered d
[6]. Sum of each row.
[7] [6] / [5].

Postage Due

	Location C [3][1]							
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**H [2]**	**I**	**J**
Pieces	45	40	45	50	50	80	40	40
Set Up	5	10	15	5	20	5	10	10
Selecting Samples	10	10	10	15	10	20	5	10
Weighing / Recording Samples	35	30	30	30	25	120	35	30
Matching Worksheet to Manifest	30	30	30	30	30	30	30	30
Validating Postage Statement to Manifest								
Transferring Postage Statement to Post Office								
Other	10	5	10	10	10			
(explanation)	travel	travel	travel	travel	travel			
Post Office Tasks								
Permit System Entry of Postage Due	10	10	15	10	30			
TOTAL								

Sources

[1] through [4] Data collected directly through s
[5] Only includes volume when have entered d
[6] Sum of each row.
[7] [6] / [5].

Postage Due

	Location D [4]												
USPS Return Technician	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**
Pieces	30	30	30	30	30	30	30	30	30	30	30	30	30
Set Up	55	35	25	25	30	30	21	29	30	31	30	20	30
Selecting Samples	34	30	--	31	45	25	34	--	63	45	33	32	40
Weighing / Recording Samples	38	28	35	85	70	55	87	65	65	70	37	85	75
Matching Worksheet to Manifest	80	70	70	95	75	67	92	75	80	75	65	90	105
Validating Postage Statement to Manifest	30	40	35	35	35	18	38	50	20	20	20	35	32
Transferring Postage Statement to Post Office													
Other (explanation)													
Post Office Tasks													
Permit System Entry of Postage Due													
TOTAL													

Sources

[1] through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

Postage Due

	Volume	Time	
		Total	Per piece
USPS Return Technician	[5]	[6]	[7]
Pieces			
Set Up	1380	674	0.488
Selecting Samples	1320	738	0.559
Weighing / Recording Samples	1380	1667	1.208
Matching Worksheet to Manifest	1350	2410	1.785
Validating Postage Statement to Manifest	660	460	0.697
Transferring Postage Statement to Post Office	270	76	0.281
Other	260	180	0.692
(explanation)			
Post Office Tasks			
Permit System Entry of Postage Due	800	245	0.306
TOTAL			6.018

Sources

[1] through [4]: Data collected directly through s
[5]: Only includes volume when have entered d
[6]: Sum of each row.
[7]: [6] / [5].

RESPONSE OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

7. Please refer to the cost sheets that were supplied with the supplemental response to OCA/USPS-13 and 15, attachment C, page 4. The value listed in cell C34 for the "Proportion sent from secondary to primary due to SSIU" is 3.0%. (SSIU = parcel singulators.) This percentage is calculated by taking the product of two assumptions, which are listed directly above it ("Probability that barcode on secondary will not be readable," and, "Proportion of parcel singulators (SSIU) being at secondary"). However, according to PRC-LR-9, "PPfinaladj.xls", sheet "Other Inputs", the proportion sent from the secondary to primary due to SSIU is 0.0%. Since these sheets are supposed to reflect PRC methodology, please confirm that 0.0% should have been used and revise the sheets accordingly. If not confirmed, please explain why the value found in PRC-LR-9 should not be used.

RESPONSE:

Confirmed. It should be noted that the cost results do not change when the value of cell C34 in attachment C, page 4 is changed to 0.0%.

Attachment to response to POIR No. 1, question 7

Piggyback Factors, Wages, Mail Flow Operating Assumptions

Wage Rate with Premium Pay Factor Applied	$35.371	1/
Premium Pay Factor	0.989	2/
TY Other mail processing wage rate	$35.772	3/
Window Service Adjustment Factor	1.075	4/
Window Service Base year wage rate	33.804	5/
Window Service Test year wage rate	36.344	6/
Mail Processing Operation Specific Piggyback Factors		
NMO Sorting at BMC	1.633	7/
Other Operations at BMCs	1.567	7/
Platform BMC	1.664	7/
Primary Parcel Sorting Machine	2.068	7/
Secondary Parcel Sorting Machine	4.923	7/
Sack Sorting Machine - BMC	2.346	7/
NMO Sorting at SCF	1.359	7/
Platform Non-BMC	1.495	7/
NonMODS Allied	1.839	7/
NonMODSMANP	1.684	7/
Window Service Piggyback factor (Parcel Post)	1.129	8/
Mail Flow Operating Assumptions		
Percent with direct transportation to destinating delivery unit from BMC	12.3%	9/
Percent Sorted to 5-Digits by Primary Parcel Sorting Machine	20.1%	10/
Destinating BMCs will feed barcoded destinating mail unfiltered to secondary	20.8%	11/
Probability that mail fed directly to nonspecific secondary will receive more than one sort	50.0%	12/
Probability that barcode on secondary will not be readable	3.0%	13/
Proportion of parcel singulators (SSIU) being at secondary	100.0%	14/
Proportion sent from secondary to primary due to SSIU	0.0%	15/
Probability of Inter-BMC parcel going to primary psm at destination BMC	83.4%	16/
Probability of Inter-BMC parcel being handled by SSIU in destination BMC	94.5%	17/
Probability of Intra BMC and DBMC parcels going to primary psm (or get keyed)	100.00%	18/
Probability of Intra BMC and DBMC on secondary psm	79.9%	19/
Probability that NMOs will NOT be inducted on the conveyor system (not used for NMOs over 10(	41.2%	20/
Probability that NMOs will be NOT be moved using towveyor (not used for pallets)	31.4%	20/
Probability that PRS machinable mail pieces are processed on the PPSM	97.4%	21/
Probability that PRS machinable mail pieces are processed on the SPSM	24.8%	21/

Sources

1/ (2) x (3)
2/ Docket No. R2005-1, USPS-LR-K-55
3/ Docket No. R2005-1, USPS-LR-K-55
4/ (6) / (5)
5/ Docket No. R2005-1, USPS-LR-K-55
6/ Docket No. R2005-1, USPS-LR-K-55
7/ Docket No. R2005-1, PRC-LR-9
8/ Docket No. R2005-1, PRC-LR-9
9/ USPS LR-PCR-40, page 64
10/ Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [10]
11/ Docket R2001-1, USPS LR-J-64, Attachment J, page 1 [9]
12/ Assumption that mail going to secondary PSM will be evenly split between scheme 1 and scheme 2.
13/ Assumption used by Operations
14/ Assumption used by Operations
15/ (14) x (15)
16/ [1 - (12)] + [(16) x (12)]+{[(1) - (12)] x [(1) - (11)] x (16)}+{(11) x (12) x [(1) - (16)]}
17/ (12) + [(11) x (13)] + [1-(12)] x [(1-(11)]
18/ 1 + [1-(11)] * (16)
19/ 1 - (11)
20/ Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [11]