

USPS-T-11

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

Postal Rate and Fee Changes	Docket No. R2006-1
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DIRECT TESTIMONY
OF
ELIANE VAN-TY-SMITH
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

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USPS LR-L-55

AUTOBIOGRAPHICAL SKETCH

My name is Eliane Van-Ty-Smith. I am a Mathematical Statistician at the Postal Service. My education includes a B.A. in Philosophy and Languages, and a M.Sc. in Mathematical Statistics from Ohio State University. I have also taken course work in Administration and Economics. I have been with the Postal Service since the end of 1989.

Much of my work at the Postal Service has been in support of the CRA and rate cases, particularly for Mail Processing and IOCS-based analyses. During the Docket No. R97-1 rate case, I provided support to witness Degen's testimony and interrogatories. I also produced LR-H-146 in that docket. In Dockets No. R2000-1, No. R2001-1 and No. 2005-1, I gave direct testimony on the mail processing costing procedures and Base Year Inputs presented in USPS LR-I-106, USPS LR-J-55 and USPS LR-L-55.

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

2 The purpose of my testimony is to summarize USPS LR-L-55, which is an
3 updated version of USPS LR-K-55 in Docket No. R2005-1. LR-L-55 fulfills the
4 same role in this docket as LR-K-55 did in Docket No. R2005-1. It documents
5 the mechanics of the procedures by which the Postal Service proposes to create
6 cost pools for mail processing operations, and to distribute the costs in such
7 pools across mail classes, subclasses and rate categories. It also documents
8 additional analyses of IOCS data that were the sources of inputs for the Base
9 Year CRA and for other cost studies.

10 The main inputs into the development of mail processing volume-variable
11 costs are the econometric volume-variability factors derived by witness Bozzo
12 (USPS-T-12, USPS-LR-L-56) and the IOCS SAS data file appearing as part of
13 USPS-LR-L-9. The In Office Cost System (IOCS), the data system that
14 generates the IOCS SAS data file, is described in the testimony of witness
15 Czigler (USPS-T-1). Other inputs include the productive hourly rates for the
16 Base Year and the Test Year from witness Loutsch (USPS-T-6, USPS-LR-L-50).

17 Outputs described in LR-L-55 are used in a number of other analyses
18 described by other witnesses. The mail processing volume-variable costs by
19 cost pool provided in LR-L-55 are the starting points for witness Pifer's
20 development of incremental costs (USPS-T-18). Aggregated at the CRA level,
21 the mail processing volume-variable costs and the subclass distribution keys
22 based on such costs are integrated into witness Milanovic's Base Year costs
23 (USPS-T-9) which are rolled forward into the Test Year by witness Waterbury
24 (USPS-T-10). Disaggregated by shape and rate categories for selected
25 subclasses, the mail processing volume-variable costs are rolled forward into the
26 Test Year by witness Smith (USPS-T-13). LR-L-55 also updates other types of
27 information coming out of the methodology for mail processing costs which are
28 used by witnesses Smith (USPS-T-13), and Waterbury (USPS-T-10), and by the
29 cost study witnesses, such as witnesses Mayes (USPS-T-25), Miller (USPS-T-
30 20,21), and Page (USPS-T-23), as the source of inputs for some of their cost
31 studies. Details on how the cost study witnesses use my outputs can be found in
32 their testimonies and supporting documentation.

1 LR-L-55 is subdivided into eight parts. The purpose associated with each
2 part is summarized below. The bulk of the library reference is concentrated in
3 Parts I to III, which address the development of mail processing subclass and
4 rate category volume-variable costs. Parts IV to VII focus on the development of
5 special inputs for the Base Year and Test Year, which represent outcomes from
6 the application of the mail processing methodology described in Parts I-III. Part
7 VIII uses relevant Base Year inputs to produce disaggregated Test Year wage
8 rates for clerks and mailhandlers.

9 Methods representing an update or change from the Postal Service
10 proposed methodology in Docket No. R2005-1 are also itemized below.
11 Additional information on how these updates or changes are specifically
12 implemented can be obtained from the detailed description of the SAS program
13 objectives in each section of LR-L-55. Since most of the mail processing
14 methodology in this docket is an updated and reconfigured version of the one
15 proposed in Docket No. R2005-1, many of the descriptions of the procedures
16 which follow reiterate sections of my testimony in Docket No. R2005-1,
17 USPS-T-11.

18 **B DEVELOPMENT OF MAIL PROCESSING SUBCLASS VOLUME-** 19 **VARIABLE COSTS.**

20 The derivation of the mail processing volume-variable costs is largely
21 based on the Postal Service mail processing method presented in R97-1, and
22 subsequently in the testimonies of witnesses Degen (rebuttal) and Bozzo in
23 Docket No. R2000-1 (USPS-T-16 and USPS-T-15). Discussion of the rationale
24 for the method can be found in their testimonies and in their responses to
25 interrogatories submitted in that case, in witness Bozzo's testimonies in the last
26 two cases (USPS-T-14 in Docket No. R2001-1, and USPS-T-12 in Docket No.
27 R2005-1), and in witness Bozzo's testimony in this case, USPS-T-12.

28 **B.1 DISAGGREGATION OF COST SEGMENT 3 (C/S 3) COSTS INTO COST** 29 **POOLS. (PART I OF LR-L-55)**

30 Part I of LR-L-55 documents the procedure used to partition C/S 3 clerk
31 and mailhandler accrued costs within each of three facility types: BMCs; Plants;
32 and Post-Offices, Stations and Branches (PO/STA/BRs).

1 The cost partitioning method is an updated version of the one proposed by
2 the Postal Service and recommended by the Commission in Dockets No. R97-1,
3 No. R2000-1, and No. R2001-1. The method uses data where C/S 3 clerk and
4 mailhandler expenses are reported by finance number and LDC (Labor
5 Distribution Code), and where the labor hours for the employees at MODS 1&2
6 facilities are clocked into MODS operations which are then mapped into LDCs.
7 The starting point for the cost partitioning method involves the following steps:

8 Step 1 --C/S 3 costs are first separated into costs for the BMCs, the
9 MODS, and non-MODS offices based on finance numbers.

10 Step 2 --The aggregated costs for the MODS finance numbers are further
11 subdivided into LDC costs. Each LDC is identified with one of four
12 functions: mail processing, window services, claims and inquiries, and
13 other administrative and support services. For the mail processing
14 function,¹ most of the LDC costs are further partitioned into operation
15 groupings or cost pools, using the shares of MODS operation hours by
16 LDC from the MODS file.

17 Step 3 --For the BMCs and the non-MODS finance numbers, the
18 aggregated costs for the finance numbers in each facility group, obtained
19 from C/S 3 labor expenses, are further partitioned into functions and
20 operations, based on *tallies*² associated with the sampled employees'
21 assigned operations reported through IOCS.

22 Step 4 --As proposed by the Postal Service in Docket No. R2005-1, mail
23 processing activities for post-offices, stations, and branches at both

¹ In Docket No. 2001-1, the LDCs for the mail processing function were defined as follows: 11-14 (automated, mechanized and manual distributions at mail processing facilities); 15 (RBCS); 17-18 (allied and other at mail processing facilities); 41-43 (automated, mechanized and manual distributions at Customer Service Facilities); 44 (Post Office Box Distribution); 48 (Administrative or Miscellaneous activities at stations, branches and associate offices); 49 (Computerized Forwarding System); and 79 (Mailing Requirements and Business Mail Entry).

² Throughout this document, the term *tally* refers to the IOCS dollar weight adjusted 1) to the cost pool accrued cost for MODS offices, and 2) to the aggregate facility accrued cost for BMCs and non-MODS offices. The tally IOCS dollar weight is stored in IOCS field F9250 (see USPS LR-L-9, section VII).

1 MODS and non-MODS facilities are consolidated into one group
2 (PO/STA/BRs) by combining the costs for LDC 41-44 and 48³ at MODS
3 finance numbers with the costs of non-MODS offices. The IOCS-based
4 cost pool approach, used for the non-MODS group, is then applied to the
5 LDC 41-44, and 48 tallies from the MODS offices to partition the LDC41-
6 44, and 48 costs into functions⁴ and operations. This approach provides
7 a better characterization of mail processing operations than MODS for the
8 LDC 41-44 and 48, since MODS operation definitions for post-offices,
9 stations, and branches do not distinguish manual sorting operations by
10 shape or sorting labor from allied labor. At the same time, it preserves the
11 'plant'⁵ mail processing activities at MODS offices in one group (PLANTS)
12 where MODS operation definitions are more detailed than IOCS.

13 For the framework described above, the following are updates and
14 changes to the Docket No. R2005-1 procedures:

- 15 1. In this docket, there is no longer a separate mail processing PMPC
16 (Priority Mail Processing Center) cost pool in the PLANTS group.
17 Previously, the PMPC finance numbers were identified separately from the
18 other MODS finance numbers in the PLANTS group to reflect the 2001
19 conversion of contract-operated PMPCs into postal-operated PMPCs. In
20 2005, the PMPCs were transformed into L&DCs (Logistic and Distribution
21 Centers) since their function was expanded to process other classes of

³ In Docket No. 2001-1, each of the MODS LDC 41-44 was an individual cost pool while MODS LDC 48 was further partitioned into cost pools using the shares of MODS operation hours by LDC from the MODS file. In this docket, each of MODS LDC 41-44 and 48 represents an individual pool cost to which the tally IOCS dollar weights are adjusted. Since ISCs rarely report hours to LDC 41-44 and 48, they are excluded from these cost pools.

⁴ Some portion of the MODS LDC41-44 and 48 costs are associated with non-mail processing based on the IOCS assigned operations. One effect of the application of the IOCS-based definition to MODS 41-44 and 48 is that total Function 4 mail processing costs for both USPS and PRC versions are more comparable (see Table 5.2).

⁵ Plant activities refer predominantly to the Function 1 operations (LDC11-15, 17, 18) at MODS facilities.

1 mail and was no longer dedicated to Priority Mail (see USPS-T-42,
2 sections C.1 and C.1.b).

3 With the transformation of PMPCs into L&DCs, the BY (Base Year) 2005
4 costs for the L&DCs are aggregated with the BY 2005 costs for other non-
5 ISC MODS facilities, and the cost partitioning method used for MODS
6 facilities (see Step 2 above) is applied to the resulting aggregated costs.

7 2. The ISC (International Service Centers) cost pool now includes the mail
8 processing operations for a finance number formerly associated with a
9 particular BMC facility to capture predominantly international mail
10 operations from that BMC, and grouped with the BMCs until this docket.
11 Since employees at all BMCs now clock into MODS operations⁶, the costs
12 for that finance number can be aggregated with those of the ISCs, and the
13 aggregated costs can be partitioned into LDC costs, based on MODS
14 operations. The ISC resulting costs for the mail processing LDCs are then
15 combined to obtain the mail processing cost for the ISC cost pool. The
16 ISC costs for non-mail processing LDCs are added to non-ISC costs for
17 non-mail processing LDC from MODS offices.

18 3. Updates to the individual mail processing cost pools at the plants are
19 summarized below.

20 The BCS, DBCS and CSBCS operations at the plant are consolidated into
21 one single cost pool (D/BCS). Previously, they were grouped into two cost
22 pools, one for the MPBCS (BCS/) and another for the DBCS/CSBCS
23 (BCS/DBCS). This consolidation reflects the transitioning from an older
24 machine, MPBCS, near the end of its useful life to the next generation
25 machine, DBCS, for outgoing and incoming automated operations (see
26 USPS-T-42, section A.2 and USPS-T-12, section IV.B).

27 Only two cost pools remain in the LDC 12 operations: the FSM/1000 and
28 the AFSM100. The FSM 881 cost pool (FSM/) was eliminated by the
29 phase out of the FSM 881s. The LDC 15 VCR flat keying operations have
30 been largely transferred from the Plants to the Remote Encoding Centers

⁶ Hours reporting for BMC operations have been gradually converted to using MODS within the last two years.

1 (RECs), eliminating them from the AFSM100 cost pool. They are now
2 included in the LDC 15 cost pool (LD15) with the RBCS operations. For
3 the purpose of deriving subclass distribution keys, the VCR flat keying
4 operations and the RBCS operations remain as separate entities.

- 5 4. The BMC and PO/STA/BR cost pools in this docket are similar to those
6 from Docket No. R2005-1, but they now reflect the redesigned IOCS (in-
7 Office Cost System) questions⁷ on operations to which sampled
8 employees are assigned (see witness Czigler's testimony, USPS-T-1,
9 section VI). The redesigned IOCS questions allow better identification of
10 sorting versus allied labor operations. The use of that information results
11 in shifts of costs from allied labor pools to sorting operation pools in the
12 BMC and PO/STA/BR groups, as discussed in the testimony of witness
13 Bozzo (USPS-T-46, sections II.C.1 and IV.B).

14 One modification in the composition of the PO/STA/BRs cost pools was
15 made. As a result of the redesigned IOCS survey instrument, the Bulk
16 Mail Acceptance activities, which were included in the ALLIED cost pool in
17 Docket No. 2005-1 as part of the Platform activities, can be now identified
18 separately as an operation and moved to the Miscellaneous (MISC) cost
19 pool.

20 A list of all the pools and their costs is provided in Table 1 in the
21 Attachment. The derived pool costs in Part I of LR-L-55 are the starting points
22 for the development of other costs in subsequent sections of the library
23 reference.

24 **B.2 VOLUME-VARIABLE COSTS AND SUBCLASS DISTRIBUTION KEYS** 25 **FOR THE MAIL PROCESSING COST POOLS. (PART II OF LR-L-55).**

26 Part II of LR-L-55 describes the method used to distribute the mail
27 processing pool costs, obtained in Part I, to the CRA subclasses.⁸ The subclass

⁷ Tallies for IOCS Questions Q18B, Q18B01 and Q18A07 (which identify the operational area the sampled employee is assigned to) are used to partition costs for the BMCs and PO/STA/BRs into mail processing and non-mail processing functions. Additional tallies for follow-up questions to Q18B and Q18B01 are used to further partition the mail processing costs into cost pools.

1 volume-variable costs derived in Part II are subsequently adjusted in Part V of
 2 LR-L-55 to reflect the redistribution of the volume-variable premium pay costs to
 3 the pref mail.

4 The basic foundation for the methodology used in Docket No. R2005-1
 5 remains as follows. The total cost for each of the mail processing pools from
 6 Part I is multiplied by a volume-variability factor to obtain the volume-variable
 7 cost for each cost pool (see Table 1 in the Attachment). A pool-specific
 8 distribution key is then applied to the volume-variable cost to obtain costs in that
 9 pool for each subclass. The resulting subclass costs are summed over all the
 10 cost pools to obtain subclass volume-variable mail processing costs, unadjusted
 11 for premium pay.

12 The method used to derive mail processing volume-variable costs by
 13 subclass can be expressed by the following formula (for more details, see
 14 USPS-T-12, section III and Appendix A):

15
$$\text{Mail Processing Subclass Volume-Variable Cost} =$$

 16
$$\sum_{pool} \text{Cost}_{pool} \times \text{Volume-Variability Factor}_{pool} \times \text{Subclass Distribution Key Factor}_{pool}$$

17 The first term in the formula comes from the pool costs in Part I of LR-L-55,
 18 which, for the plants, are generated independently of IOCS, from labor expenses
 19 and MODS operational data. The second term in the formula comes from two
 20 sources: for most of the cost pools, the volume-variability factors are based on
 21 the results from witness Bozzo's econometric studies (USPS-T-12), or on the
 22 cost-weighted average of the econometric volume-variability factors; for a few
 23 cost pools, they are computed from IOCS activity data or extracted from a
 24 previous study. The third term in the formula relies totally on IOCS data: neither
 25 the MODS system nor any other system has subclass information for these cost
 26 pools. By sampling employees' activities at random times and collecting data on
 27 the characteristics of the mail they process, the IOCS provides information to
 28 measure proportions of handlings by subclasses, rate categories, and cost pools.

29 The process used to generate the non-econometric volume-variability
 30 factors and the distribution keys for the cost pools is based on the procedures

⁸ The term "subclasses", throughout this testimony, refers to the mail classes, subclasses and rate categories exhibited in the B Workpapers and the "Cost Segments and Components" report.

1 described in LR-L-55 and is summarized below. The process differs from the
2 one proposed in Docket No. 2005-1 to the extent that it incorporates the updated
3 and reconfigured cost pools described in section B.1, the application in section
4 B.2.1 of volume-variability factors derived by witness Bozzo's econometric
5 studies and described in his testimony (USPS-T-12), and the adaptation of the
6 redesigned IOCS survey instrument to the derivation of distribution keys
7 identified in section B.2.3.

8 The costs resulting from this process are shown in Table 3 in the
9 attachment. Table 3 lists the subclass volume-variable costs (*Vol-Var Costs*) and
10 distribution factors (*Col Pct*) by cost pool for each of the three mail processing
11 groups, BMCs, Plants, Post-offices, stations, and branches.⁹

12 **B.2.1. Cost Pool Volume Variability Factors.**

13 The volume-variability factors determine the portions of the pool costs that
14 vary with the mail volume, and therefore are to be distributed to the subclasses.

15 The econometric volume-variability factors are updates of those presented
16 by Dr. Bozzo in Docket No. 2005-1. For the BCS, DBCS, and CSBCS cost pool
17 (D/BCS) at the plants, the volume-variability factor is the cost-weighted average
18 of the volume-variabilities for the outgoing and incoming operations in that cost
19 pool¹⁰ (see USPS-T-12, see sections I.B, IV.B, and VI.B for further discussion).
20 For the LD15 cost pool, a 100% volume-variability is used for both the RBCS and
21 the VCR flat keying components of the pool. As in Dockets No. R2001-1 and
22 No. R2005-1, Dr. Bozzo recommends the continued use of the RBCS volume-
23 variability factor derived in Docket No. R97-1. He also recommends a 100%
24 volume-variability factor for the LDC 15 VCR flat keying operations in this docket.
25 (see USPS-T-12, section VI. B.6).

⁹ The 'total' subclass volume-variable costs for each mail processing group are inputs to W/S 3.1.1.a of the B Workpapers (USPS LR-L-5).

¹⁰ Volume-variability factors are derived separately for outgoing and incoming operations within the cost pool, and applied separately to the outgoing and incoming shares of the pool cost. Outgoing and Incoming volume-variable costs thus derived are then added to obtain the volume-variable cost for the D/BCS pool.

1 The econometric volume-variability factors apply to twelve cost pools¹¹ at
2 the plants. With two changes, the twelve cost pools correspond to the fourteen
3 cost pools cited in Docket No. R2005-1. In this docket, one of the fourteen cost
4 pools (FSM/) is eliminated and two others (BCS and DBCS/CBCS) are
5 combined— see Table 1. These twelve cost pools, for which the volume-
6 variability factors are derived econometrically by witness Bozzo, represent about
7 50 percent of the mail processing costs at the plants and 34 percent of the total
8 C/S 3 mail processing costs.

9 Except for three cost pools, identified below, the cost-weighted average of
10 the updated econometric volume-variability factors is applied to the remaining
11 pools, as in Docket No. R2005-1. The cost-weighted average of the econometric
12 volume-variability factors is derived by taking the ratio of the aggregate volume-
13 variable pool costs to the aggregate total pool costs, using the cost pools for
14 which Dr. Bozzo has derived the econometric volume-variability factors. The
15 rationale for this application can be found in witness Bozzo's testimony
16 (USPS-T-12, section VI.B.7).

17 The exceptions to the application of the cost-weighted average of the
18 econometric volume-variability factors consist of the two Registry cost pools at
19 the non-BMC facilities and the out-of-office activities in the Express Mail cost
20 pool at post offices, stations, and branches. For the two Registry cost pools, the
21 volume-variability factors are derived as they were in Docket No. R2005-1, on the
22 basis of the IOCS tally activities.¹² For the out-of-office portion of the Express

¹¹ The detailed cost pools for which the econometric volume-variability factors are updated in this docket consist of the following: automated (D/BCS, OCR); mechanical flat (AFSM 100, FSM/1000); manual distributions for letter, flat, parcel and priority mail (MANF, MANL, MANP, PRIORITY); priority and non-priority SPBS (SPBSPRIO, SPBS OTH); and the collection mail preparation (1CANCEL). The econometric volume-variability for the LDC 15 RBCS was derived in R97-1.

¹² This procedure is based on the Postal Service's pre-Docket No. R97-1 method, but is applied by cost pool. This method first assigns tallies to cost pools. Then it separates non-overhead tally activities into those that are non-volume-variable and those that are 100 percent volume-variable (see LR-L-1 for a list of these activity codes). The percent of the pool volume-variable cost is determined by the percent of tallies associated with the activities in the cost pool which are classified as volume-variable. Costs associated with 'overhead' activities are considered volume-variable to the same degree as non-overhead

1 Mail cost pool, the volume-variability factor pertaining to Component 3.4 in
2 Docket No. 2001-1 is used.

3 The volume-variability factors and the volume-variable costs for the mail
4 processing cost pools are listed in Table 1 in the attachment. The asterisks flag
5 the volume-variability factors derived from Dr. Bozzo's econometric analyses
6 (USPS-T-12). The volume-variability factors in C/S 3 are reflected in the volume-
7 variable costs for the CRA cost components and costing studies which are based
8 on C/S 3 mail processing volume-variable costs, such as mail processing
9 supervision in C/S 2, equipment maintenance, parts and supplies, and
10 depreciation in C/S 11, C/S 16, and C/S 20. These factors are also applied to
11 the Rollforward model.

12 **B.2.2. Cost Pool Assignment for IOCS Tallies.**

13 A first step in generating the IOCS-based distribution keys is to assign the
14 IOCS tallies to the cost pools, using a procedure that parallels that outlined for
15 Part I of USPS LR-L-55 (see section B.1 above).

16 --The IOCS tallies are separated into tallies for BMCs, MODS, and non-
17 MODS facilities, based on the finance numbers sampled in IOCS. Tallies
18 for the one finance number previously associated with BMCs are now
19 included with tallies for the MODS facilities.

20 --For MODS facilities, the tally contains information on the MODS
21 operation code in which the sampled employee is clocked at the time of
22 the IOCS reading.¹³ The MODS operation code recorded with each IOCS
23 tally is then used to assign the tally to the appropriate MODS cost pools,¹⁴

activities. 'Overhead' activities correspond to IOCS activity codes 6521-6523, i.e., breaks/personal needs, clocking in/out, and empty equipment-related work. The handling portion of the IOCS empty equipment activity, however, is not included as 'overhead' here since the tallies are treated as mixed-mail tallies.

¹³ The MODS operation codes are stored in Field Q18A03 in the IOCS file.

¹⁴ About 1.2 percent of the tallies from the sampled MODS offices in IOCS either do not have MODS code, have "invalid" MODS codes which are not listed in the MODS manual, or have MODS codes which are not applicable to C/S 3 LDCs. These tallies are then remapped into cost pools, based on the responses to IOCS questions on the operations to which the observed sampled employees

1 using the mapping of MODS operation codes to cost pools from Part I of
2 LR-L-55. Each cost pool is assigned to an LDC. The LDCs are grouped
3 into the four C/S 3 functions: mail processing, window services, claims
4 and inquiries, and other administrative/support services. The tallies for
5 MODS LDC 41-44, and 48 are aggregated with tallies for the non-MODS
6 sampled finance numbers to form the PO/STA/BR group.

7 --For the BMCs and PO/STA/BRs, the cost pool tally mapping, which
8 relies on the observed employees' assigned operations reported through
9 the redesigned IOCS questionnaire, is the basis for partitioning the total
10 BMC and PO/STA/BR costs into cost pools.

11 Since most LDC 15 costs are incurred in remote encoding centers, which
12 are not sampled in IOCS, the tallies in the LDC 15 cost pool cannot be used to
13 distribute the volume-variable cost in that cost pool to subclasses. Instead, the
14 procedure described in footnote 15 is used.

15 **B.2.3. Cost Pool Distribution Keys.**

16 The mail processing subclass distribution factors indicate the proportions
17 of the volume-variable costs associated with each cost pool to be assigned to
18 each subclass or rate category. The individual subclass percentages sum to one
19 for any cost pool distribution key. The distribution key for a cost pool represents
20 the percentages of tallies by subclass for that pool. These percentages are
21 derived through successive steps described in my testimony in Docket
22 No. R2005-1. These same steps are described below, and where relevant, are
23 incorporated and annotated to reflect the redesigned IOCS survey instrument.
24 Aspects of the new questionnaire relevant to this section include:

25 -- replacing terms such as 'piece', 'item', and 'container' with the categories
26 listed in the redesigned Q20. It can be noted that, among such categories,
27 each type of non-wheeled container would still correspond to an 'item' and
28 each type of wheeled container to a 'container.' However, the definition of the
29 'bundles' category is revised to refer only to prepared mail pieces that are

are assigned. The remapping also uses a value stored in F1 which identifies if
the finance number is a mail processing or customer service facility: this
information is used to assign the IOCS responses to either a Function 1 or a
Function 4 cost pool.

1 strapped, banded or shrinkwrapped and to exclude multiple loose pieces of
2 mail in the hand of the sampled employee.

3 -- adjusting the derivation of the cost pool distribution keys for the kinds of
4 information collected for different types of pallets or pallet boxes.

5 More specific details on the redesigned IOCS survey instrument can be found in
6 the testimonies of witnesses Czigler (USPS-T-1, Section VI.D) and Bozzo
7 (USPS-T-46, Sections II.B, II.B.1, II.B.2)

8 Apart from the plant support cost pools (see section B.2.3.c), the LDC 15
9 cost pool,¹⁵ and the out-of-office activities for the Express Mail cost pool¹⁶ at
10 post-offices, stations, and branches, all distribution keys are based on the
11 combined direct tallies, distributed mixed-mail tallies, and distributed not-handling
12 tallies in the cost pools.

13 All tallies in a cost pool are classified into direct, mixed, and not-handling
14 based on the type of information observed and reported by the data collector
15 when conducting a reading. The level of detail of the collected information varies
16 with the observed activity. When an IOCS data collector is asked to sample an
17 employee at a specific time, the employee may or may not be handling mail.
18 When handling mail, the employee may be observed to handle one or many
19 pieces of mail or USPS forms, a bundle, a pallet (including pallet box), a
20 container (wheeled or non-wheeled), or a combination of all of these.¹⁷ A bundle,

¹⁵ The subclass volume-variable costs for the LDC 15 pool is a composite of the subclass volume-variable costs for the VCR flat keying operations and the RBCS operations. The distribution key for the VCR flat keying operations is based on the direct tallies processed through the AFSM100 machine with no Postnet Barcode present (Q18c08=Y in combination with Q23k01-4=N). The distribution key for the RBCS cost pool is based on direct tallies in the BCS-OSS operations 971-978, 271-278, 925-926, 295-296, 916-917, 311,313, 315, 317.

¹⁶ The distribution key for the out-of-offices activities for the Express Mail cost pool in the PO/STA/BR group is based on the volume-variable costs for C/S 3.4 in Docket No. R2001-1.

¹⁷ The handling categories are those listed in IOCS Q20. 'Non-wheeled containers' refers to the categories listed in Q21B01 and Q21B02: letter trays, flat trays, small parcel trays, con-cons, or sacks/pouches of various colors (white sacks #2 and #3 are combined). 'Wheeled containers' refers to the categories listed in Q21C01: BMC-OTRs, ERM/C/GPC/APC/GMPCs, hampers, nutting trucks/dollies/pipes, utility carts/buggies/bass carts/U-Carts, wiretainers, flat mail

1 a pallet or a container may have identical mail, may have many kinds of mail in it,
 2 or may not contain of mail at the instant of observation. When not handling mail,
 3 the employee may be observed to be between handlings at the instant of
 4 observation, monitoring the operation of the equipment, on the way to obtain
 5 empty equipment, on break, or performing incidental administrative duties, to cite
 6 a few examples. (See Table 2 in the attachment for the proportion of tallies
 7 between handling categories and not-handling).

8 The 'direct' tallies are piece, bundle, pallet, or container readings with
 9 recorded subclass or mail class information.¹⁸ The 'mixed' tallies are bundle,
 10 pallet, or container handling tallies with no recorded subclass or mail class
 11 information. Mixed tallies contain information, such as mail shapes or container
 12 types,¹⁹ that impart some degree of subclass association. Not-handling tallies
 13 convey no such information. Mixed tallies and not-handling tallies are

or ERGO or AFSM or USFM carts. 'Pallets' refers to the categories listed in Q21C02: USPS Westpak, short pallet boxes (no USPS logo), USPS Postal Paks, tall pallet boxes (no USPS logo) and other pallets.

¹⁸ A single subclass (and its shape) is recorded when the sampled employee is observed handling: a single piece of mail; a pallet or container with identical pieces of mail; or a bundle, a letter tray or flat tray where the mail piece selection rules apply. A subclass is also recorded when mail is processed at letter and flat piece-sorting equipment. Many subclasses are recorded for sacks, small parcel trays, concons, other non-wheeled containers, or pallets where the piece contents can be counted by subclass and shape. In subsequent processing of the IOCS data, each tally for counted containers or pallets is subdivided into as many tallies as there are recorded subclasses by shape. The dollar weight for the tally is then prorated over the subdivided tallies on the basis of the piece counts.

¹⁹ More specifically, these include tallies for: 1) bundles, letter trays and flat trays without subclass information; 2) uncounted and empty non-wheeled containers; and 3) 'identified,' 'unidentified,' and empty pallets and wheeled containers. The contents of a mixed-mail pallet or wheeled container are 'identified' by the percentages of volume occupied by shapes of loose mail pieces, bundles, pallets and non-wheeled containers. A mixed-mail pallet or wheeled container is 'unidentified' if the volume contents are unknown or partially recorded. For subclass distribution purposes, uncounted non-wheeled containers are grouped with empty non-wheeled containers of the same types, unidentified pallets, short pallet boxes, and wheeled containers are grouped with empty pallets, pallet boxes, and non-wheeled containers of the same types: only the type of containerization is known for these tallies.

1 subsequently distributed to subclasses or mail classes, using all available tally
2 information associated with the characteristics of the mail handled. Such
3 information includes the cost pool operations where the mail is handled and the
4 recorded piece shapes, and container types²⁰ of mail processed in those cost
5 pool operations.

6 For certain cost pools, such as the allied cost pools, container data
7 collected for the handling tallies is congruent with the IOCS mixed mail activity
8 codes assigned to the handling tallies on the basis of the IOCS operations
9 reported for sampled employees (i.e. 5610-letter, 5620-flat, 5700-parcel, 5750-all
10 shapes). The data also provides additional information recorded by the data
11 collector on mail shapes and types of containerization that can be used to
12 distribute the 5750-tallies to subclasses (see Table 1²¹, rebuttal testimony of
13 witness Degen in Docket No. R2000-1). Attachment Table 4 updates witness
14 Degen's Table 1 by incorporating the Base Year 2005 IOCS data. The results in
15 Table 4 are consistent with those obtained in Dockets No. R2000-1, No.
16 R2001-1, and No. R2005-1: the shape activity codes (5610, 5620, 5700)
17 assigned based on shape-related IOCS operations from Question 18 provides
18 shape/class information for 11 percent of the handling mixed mail costs in allied
19 operations, but the container data provide additional shape/class information for
20 another 83 percent of mixed mail costs assigned to activity code 5750. This
21 information is used in distributing handling allied costs to subclasses.²²

22 Within the framework described above, the distribution key procedures
23 introduced in this docket vary from those used in Docket No. R2005-1 to the

²⁰ It should be noted that in Docket No. R97-1, both witnesses Cohen and Sellick compiled tables, based on IOCS direct tallies, which show sack type and mail class associations. We find comparable associations for the Base Year 2005: about 84 percent of the mail processing direct tallies for blue and orange sacks are associated with Express Mail; 84 percent of those for brown sacks with Periodicals; 71 percent of those for green sacks with First Class; 86 percent of those for international sacks with International Mail; 81 percent of those for orange and yellow sacks with Priority; and 66 percent of those for white sacks with Standard Mail.

²¹ Docket No. R2000-1, Tr. 38/17324 (Aug. 23, 2000).

²² This approach uses more detailed information than the mixed mail codes used by the Commission in Dockets No. R2005-1, R2001-1, R2000-1 and R97-1.

1 extent that they evolve from the updating/restructuring of the cost pools, from the
2 application of the econometric volume-variability factors to the cost pools, and
3 from incorporating the redesigned IOCS survey instrument (see sections B.2.1
4 and B.2.2 above). The following sections B.2.3 a-b describe how all relevant
5 IOCS information is used to distribute mixed tallies and not-handling tallies to
6 subclasses. Section B.2.3.c summarizes the procedures used to distribute the
7 costs of support cost pools to subclasses. Section B.2.3.d provides details on
8 the assignment of special service costs to pieces of mail.

9 B.2.3.a. Distribution of Mixed Tallies to Subclasses.

10 With a few variations, the distribution of mixed tallies to subclasses in this
11 docket is based on the method proposed by the Postal Service in Docket No.
12 R2005-1.

13 Mixed tallies are distributed to subclasses by first partitioning the direct
14 and mixed tallies into the same categories of piece shapes, bundles, pallet types
15 and container types as recorded by the data collector. Mixed non-wheeled
16 container tallies are partitioned into non-wheeled container types. Mixed
17 identified wheeled container tallies are further partitioned into piece shapes,
18 bundles, and non-wheeled container types, using information based on the data
19 collector's recorded percentage of the container's volume (cube) occupied by
20 shapes of loose mail pieces, bundles, and non-wheeled container types. Mixed
21 unidentified and empty wheeled container tallies are partitioned into wheeled
22 container types. Mixed pallet tallies are separated into three types: pallets, short
23 pallet boxes and tall pallet boxes.²³ Mixed tallies for non-empty pallets and short
24 pallet boxes are partitioned similarly to wheeled containers.

25 Mixed tallies for single bundles, and for single uncounted and empty non-
26 wheeled containers are then distributed to subclasses in proportion to the direct
27 tally subclass distribution for bundles and non-wheeled containers of the same

²³ For pallets and short pallet boxes, if contents can be counted, subclass information by shape are determined as they are for sacks, through IOCS Q24. However, if the contents cannot be counted, the data collector is asked to identify the pallet contents occupied by shapes of loose mail, bundles, and non-wheeled containers through IOCS Q21G01. No information on the contents of tall pallet boxes is collected.

1 types. Mixed tallies for piece shapes, bundles and non-wheeled containers
2 identified on pallets, in short pallet boxes and in wheeled containers are then
3 distributed to subclasses in proportion to the direct tally subclass distribution for
4 bundles, pieces of the same shapes, and non-wheeled containers of the same
5 types.²⁴ Mixed tallies for unidentified and empty pallets, short pallet boxes and
6 wheeled containers are distributed to subclasses in proportion to the subclass
7 distribution of the direct and distributed mixed tallies for pallets, pallet boxes and
8 wheeled containers of the same types. No subclass information nor contents are
9 identified for tall pallet boxes. Consequently, tallies for tall pallet boxes with or
10 without mail are distributed based on the direct and distributed mixed tallies for
11 the combined pallets, short pallet boxes, and wheeled containers in a cost pool.

12 Except for the platform cost pools at the plants and BMCs, the manual
13 transport cost pool at the plants, and the 'Allied' cost pool at post offices,
14 stations, and branches, mixed tallies are distributed to subclasses based on
15 direct tally subclasses from the same cost pool. If there are no direct tallies to
16 distribute a given category of mixed tallies, the distribution uses the direct tallies
17 from all cost pools within a mail processing grouping; four mail processing
18 groupings are used for this second level distribution: BMCs, ISCs, plants, and
19 post-offices, stations, and branches.²⁵

20 For the plant platform and manual transport pools, the identified bundle,
21 piece shape, and non-wheeled container contents for pallet, short pallet box and
22 wheeled container tallies are distributed in proportion to the subclass distribution
23 of direct tallies for bundles, pieces of the same shapes, and non-wheeled

²⁴ The same direct non-wheeled container distribution keys are used, by type, for uncounted and empty single non-wheeled containers, and for non-wheeled containers on pallets, in short pallet boxes and in wheeled containers. In the same cost pool, for example, mail subclasses identified with direct yellow sack tallies are used to distribute the tally portions of non-empty containers occupied by yellow sacks, as well as the tallies for yellow sacks not in containers.

²⁵ The percent of dollar-weighted bundle and non-wheeled container tallies distributed across all cost pools within a facility grouping is: 2.9 percent for BMCs, 1.7 percent for plants, 1.9 percent for post-offices, stations, and branches. For ISCs, if there is no distribution key for the second level, all subclasses within a cost pool are augmented proportionately by the undistributed amount.

1 containers of the same types from all plant allied labor pools.²⁶ For the BMC
2 platform pool, mixed tallies for single bundle and non-wheeled containers are
3 distributed in proportion to the direct tally subclass distribution for bundles and
4 non-wheeled containers of the same types at all BMC cost pools; the identified
5 bundle, piece shape, and non-wheeled container contents for pallet, short pallet
6 box and wheeled container tallies are distributed in proportion to the subclass
7 distribution of direct tallies for bundles, pieces of the same shapes, and non-
8 wheeled containers of the same types from all BMC cost pools. For the 'Allied'
9 cost pool at post-offices, stations and branches, the identified bundle, piece
10 shape, and non-wheeled container contents for pallet, short pallet box and
11 wheeled container tallies are distributed in proportion to the subclasses of direct
12 tallies for bundles, pieces of the same shapes, and non-wheeled containers of
13 the same types from all cost pools in this group, excluding the 'Registry' and the
14 'Miscellaneous' pools.

15 B.2.3.b Distribution of Not-Handling Tallies to Subclasses.

16 The distribution of not-handling tallies to subclasses is based on the
17 procedure proposed by the Postal Service in Docket No. R2005-1. Except for
18 the plant and BMC platforms, the plant Empty Equipment and PO/STA/BR
19 Miscellaneous cost pools, the not-handling tallies are distributed to subclasses
20 using the direct and distributed mixed tallies within the same cost pool.
21 Consequently, for non-miscellaneous and non-platform cost pools, it is not
22 necessary to include the not-handling tallies in the pool-specific distribution key.
23 The same volume-variable costs could be obtained by multiplying the volume-
24 variable cost fraction of the pool by a distribution key based simply on handling
25 tallies. In Dockets No. R97-1, No. R2000-1, and No. R2001-1, the Commission
26 adopted the Postal Service distribution method for non-allied, non-support cost
27 pools for its version of mail processing volume-variable costs. The Commission's
28 volume-variable costs consist of the Postal Service accrued pool costs excluding
29 the portions represented by the 'migrated' and 'fixed' tallies (as defined by the
30 IOCS activity codes).

²⁶ Not all pallets, pallet boxes or wheeled containers are 'worked' on the platform. Some are moved or rolled directly to other allied operations where they are 'worked'. Therefore, the direct piece, bundle and non-wheeled container tally subclasses used to distribute non-empty pallets, pallet boxes, and wheeled containers on the platform are extended to those in all allied operations.

1 The not-handling tallies for the platform cost pools are distributed using
2 the same procedure implemented in Docket No. R2005-1. For plant and BMC
3 platforms, the not-handling tallies are distributed to subclasses, on the basis of
4 the aggregated handling tallies in all distribution and allied operations in each of
5 the BMC and plant groups. For the plants (ISCs excluded), the basis for the
6 platform cost pool distribution key consists of all handling tallies for the LDC 79
7 “Bulk Mail Acceptance” unit and the Function 1 (LDC 11-18) operations,
8 excluding the Registry and Business Reply Units. For the BMCs, the basis for
9 the platform cost pool distribution key consists of all BMC mail processing
10 handling tallies.

11 For the Empty Equipment cost pool at the plants, the distribution key for
12 the not-handling tallies is based on all mail processing handling tallies at the
13 plants, excluding those from the Registry and the Business Reply cost pools. For
14 the Miscellaneous cost pool at post-offices, stations, and branches, the
15 distribution key for the not-handling tallies is based on all mail processing
16 handling tallies at post-offices, stations, and branches.

17 B.2.3.c Distribution Of Volume-Variable Costs To Subclasses For The Support
18 And Miscellaneous Cost Pools.

19 As was proposed by the Postal Service in Docket No. R2005-1, the two
20 support cost pools at the plants are consolidated into one “piggyback” cost pool
21 (see discussion in USPS-T-12, section III E, Docket No. R2005-1). The two plant
22 support cost pools are quasi-administrative pools characterized by a high
23 percentage of not-handling-mail activities.²⁷ The volume-variable costs for the
24 “piggyback” cost pool are distributed to subclasses in proportion to the
25 distribution of volume-variable costs of subclasses in the cost pools they support.
26 The supported cost pools do not include the ISC mail processing cost pool, since
27 these facilities have their own support operations.

28 More specifically, the “Mail Processing Support” and “Miscellaneous” cost
29 pools (1SUPPORT and 1MISC) are combined into a Function 1 support cost pool.

²⁷ For the Base Year 2005, the percentage of not-handling-mail activities ranges from 92 percent for the Function 1 “Mail Processing Support” cost pool (1SUPPORT) to 73 percent for the Function 1 “Miscellaneous” cost pool.

1 The volume-variability factor for the pool is the cost-weighted average of the
 2 econometric volume-variable factors (see B.2.1 above). The handling tallies in
 3 these pools are not used in the distribution keys, following the rationale in
 4 witness Degen's testimony in Docket No. R2000-1. Instead, the distribution key
 5 shares for the Function 1 support cost pool are the subclass shares of volume-
 6 variable costs in the supported operations. Thus, the volume-variable cost for
 7 the Function 1 support pool is distributed in proportion to all Function 1 and LDC
 8 79 volume-variable costs.

9 B.2.3.d Distribution of Volume-Variable Costs to Special Services.

10 The same method as the one proposed by the Postal Service in Docket
 11 No. R2005-1 is used to examine the mail processing cost pool and the mail
 12 subclass to determine when it is appropriate to assign a Special Service cost to
 13 the piece of mail being processed. The method incorporates the special service
 14 information collected in FY 05 through the redesigned IOCS survey instrument.
 15 In particular, the IOCS special service activity codes refer only to special services
 16 provided for non-USPS mail, since the data collector is not asked to report
 17 special services when handling USPS mail.

18 Special Service costs are assigned when the mail pieces with paid special
 19 services are processed by employees clocked into the Special Service-related
 20 cost pools.²⁸ In the distribution and allied operations, with certain exceptions, the
 21 same mail pieces are processed as ordinary mail pieces of the same subclasses;
 22 therefore they are assigned the underlying subclass costs rather than the Special
 23 Service costs.

24 The exceptions are when the mail pieces are themselves detached Postal
 25 Service forms used in the provision of special services.²⁹ With those forms,

²⁸ The special service-related cost pools for the plants are the special service cost pools in LDC 18 and 49. For post-offices, stations, and branches, they consist of the Registry and Miscellaneous cost pools.

²⁹ The detached forms are:

- Form 3811 (Return Receipt),
- Form 3547 (Notice to Mailer of Correction in Address) in conjunction with Form 3579 (Undeliverable 2nd, 3rd or 4th Class Matter),
- Form 3804 (Merchandise Return),
- Form 3849d (Undeliverable COD),

1 Special Service costs are incurred in any cost pool in which the forms are
 2 processed. Another exception is the Special Handling service cost which is
 3 incurred in any cost pool, provided the underlying subclass is eligible to receive
 4 the service, i.e. the subclass must be First Class, Priority or Package Services.

5 With this method, the Special Service handling tallies are treated like any
 6 other subclass handling tallies. They are included in the distribution keys for
 7 mixed-mail and not-handling tallies in all cost pools where Special Service costs
 8 are incurred, the majority of which occurred, by definition, in the Special Service
 9 cost pools.

10 **B.3. DEVELOPMENT OF SUBCLASS VOLUME-VARIABLE COSTS BY**
 11 **COST POOL AND BY SHAPE (PART III OF LR-L-55)**

12 In Part II of LR-L-55, the mail-processing volume-variable costs are
 13 generated at the IOCS class activity code level, but aggregated at the CRA
 14 subclass level. In Part III of LR-L-55, details by shape are provided for specified
 15 CRA subclasses in each cost pool. The specified subclasses are those
 16 associated with First-Class, Periodicals, Standard Mail, and Package Services
 17 The shapes are letter/card, flat, and IPP/parcel. The disaggregated subclass
 18 volume-variable costs thus obtained are used by Witness Smith (USPS-T-13) to
 19 develop Test Year costs by shape (see USPS LR-L-53). These costs are then
 20 used by other witnesses to reconcile model costs to the Base Year CRA.³⁰
 21 Volume-variable costs for letter-shaped First Class Single Piece metered mail
 22 and for automation and non-automation rate categories are not developed in this
 23 docket as they were in Docket No. R2005-1. (See the testimony of witness
 24 Abdirahman, USPS-T-22 for a discussion of automation and non-automation rate
 25 categories and for a discussion of BMM (Bulk Metered Mail)

- Form 2865 (International Return Receipt).

³⁰ Other disaggregated categories include those for special services:
 i) consistent with the caller service treatment at the Window Services, costs for
 caller service at the platform are identified separately and rolled into the mail
 processing costs for the 'P.O. Box / Caller Service' CRA category; and ii)
 although not shown separately from the 'Other Services' CRA category, costs for
 the delivery confirmation at the Window Services are identified in this library
 reference as a component cost for this category.

1 **C DEVELOPMENT OF SPECIAL INPUTS FOR THE BASE YEAR AND THE**
2 **TEST YEAR.**

3 **C.1 SPECIAL INPUTS INTO THE CRA COSTS BY SEGMENT AND**
4 **COMPONENT (PARTS IV-VI OF LR-L-55).**

5 Parts IV and V of LR-L-55 provide various Base Year inputs to complete
6 the development of the subclass volume-variable costs by cost segment and
7 component.

8 **C.1.1 Inputs Into Cost Segment 3.**

9 C.1.1.a. Base Year Administrative And Window Service Cost Inputs into B
10 Workpapers (PART IV OF LR-L-55).

11 Part IV of LR-L-55 partitions the Administrative³¹ and Window Service
12 costs into activities based on IOCS data. These costs are inputs into W/S 3.2
13 and W/S 3.3 of witness Milanovic's B Workpapers, and subsequently, to the
14 "Cost Segments and Components" Report which generates Administrative and
15 Window Service volume-variable costs by subclasses.

16 In W/S 3.2, the inputs enable the Window Service activities to be classified
17 into various pools where respective volume-variability factors and distribution
18 keys are applied to the costs to obtain subclass volume-variable costs.

19 In W/S 3.3, the inputs enable the Administrative Service activities to be
20 classified with those directly associated with subclasses, or with other not-
21 handling-mail activities, some of which are determined to be non-volume
22 variable. The Administrative costs are thus partitioned into components in
23 W/S 3.3 and uploaded to the CRA Base Year model where they are applied to
24 component-specific distribution keys to obtain volume-variable subclass costs by
25 cost segment and component.

26 As in Docket No. R2005-1, the mail processing cost pools for BMCs, and
27 post-offices, stations and branches include their shares of 'on breaks' and

³¹ ISC administrative costs are combined with non-ISC administrative costs, although the mixed mail distribution for tallies with activity codes 5610, 5620, 5700, and 5750 is done separately for the ISCs from the remaining administrative costs.

1 'clocking in and out' costs.³² The amounts for non-mail processing 'on breaks'
 2 and 'clocking in and out' are entered in the input costs of witness Milanovic's B
 3 Workpapers. The 'clocking in and out' amounts are all included in the
 4 Administrative Service costs and are subsequently distributed to Window
 5 Services, Claims and Inquiries and Other Administrative costs in W/S 3.0.1 of
 6 witness Milanovic's B Workpapers(see USPS LR-L-5).

7 C.1.1.b. Premium Pay Adjustment for Mail Processing Cost Component 035
 8 (PART V OF LR-L-55).

9 The Premium Pay adjustment procedure is used to back out the premium
 10 costs from the mail processing volume-variable costs for non-preferred mail and
 11 attribute them to the preferred mail. The procedure involves the development of
 12 the Sunday and Night Differential pay factors and distribution keys to adjust the
 13 mail processing subclass volume-variable costs for premium pay. The Premium
 14 Pay factors are applied to the National Payroll Premium Costs to obtain non-
 15 BMC mail processing premium costs for Platform and Non-Platform operations
 16 (see W/S 3.0.13 of Witness Milanovic's B Workpapers, USPS-LR-L-5).

17 Except for incorporating updates implemented in Parts I and II of LR-L-55,
 18 the methodology used in this docket is the same one introduced in Docket No.
 19 R2001-1.³³ The following steps are involved in this procedure (see the premium
 20 pay adjustment worksheet in Part V of LR-L-55)

21 i. Night Differential and Sunday Premium pay accrued costs are first
 22 partitioned into BMC/non-BMC categories using factors derived from all
 23 premium pay tallies (i.e., direct, mixed-mail, and not-handling tallies).
 24 Non-BMC premium pay costs are multiplied by the average volume-
 25 variability factor for non-BMC facilities to obtain the non-BMC premium
 26 pay volume-variable costs. Non-BMC premium pay volume-variable costs

³² These are the costs associated with activity codes 6521 and 6522.

³³ The method reflected the technical modifications intended to more accurately implement the Commission's recommended procedure from Docket No. R87-1. The intent of the R87-1 Postal Rate Commission opinion is for the premium pay adjustment to apply to non-BMC mail processing costs. The IOCS tally data base, and thus the proportions of non-direct premium tallies, were not available to the Commission in Docket No. R87-1 when the original procedure was established. See PRC Op, R87-1, Vol.1 at 193.

- 1 are further partitioned into platform/non-platform using factors derived
2 from premium pay tallies adjusted to the volume-variable pool costs.
- 3 ii. The total non-BMC premium pay volume-variable costs are then backed
4 out from the non-BMC mail processing volume-variable costs for each
5 subclass in proportion to the subclass volume-variable cost.
- 6 iii. The Night Differential and Sunday premium pay costs for non-BMC
7 facilities are distributed to the corresponding premium pref mail
8 subclasses for non-platform and to all premium subclasses for platform
9 using volume-variable costs for premium pay direct tallies.
- 10 iv. The subclass mail processing volume-variable costs without premium
11 costs from step ii are combined with the corresponding subclass
12 distributed premium pay volume-variable costs from step iii. The
13 combined costs are then added to the BMC volume-variable costs to form
14 the premium pay adjusted volume-variable costs for mail processing.
15 These costs are entered as component 35 into the CRA Base Year model
16 that produces the “Cost Segments and Components” report.

17 **C.1.2 Inputs Into Other Cost Segments.**

18 C.1.2.a. Computer Forwarding System and Central Mail Mark-Up Distribution 19 Key and Volume-Variability (Part V of LR-L-55).

20 This distribution key is used to distribute Cost Segment 2 supervisor and
21 technician costs associated with the ‘Central Mail Mark-Up and Computer
22 Forwarding System’ operations. The procedure is unchanged from the one used
23 in Docket No. R2005-1. The distribution key is based on the combined subclass
24 volume-variable costs for the LDC 49 cost pool at the plants and for the IOCS
25 tallies at post-offices, stations and branches that are associated with the
26 CMU/CFS operations to which sampled employees are assigned.³⁴ The volume-
27 variability factor applied to these operations is the cost weighted average of the
28 econometric volume-variability factors.

29

³⁴ These operations are associated with IOCS Q18E04='F' or Q18B01='B' or Q18E05='I' in the redesigned IOCS questionnaire.

1 C.1.2.b. Facility Space Distribution Keys (Part V of LR-L-55).

2 The subclass mail processing distribution keys by cost pool in Table 3 (*Col*
3 *Pct*) in the attachment are used to distribute the facility space costs in Cost
4 Segment 15 to subclass (see witness Smith, USPS-T-13). Except for a few cost
5 pools, each mail processing cost pool or group of cost pools in Table 3 is
6 associated with a facility space cost component in Cost Segment 15 (see
7 Table 3, *facility space component*).³⁵ The same subclass distribution keys used
8 for C/S 15 are also applicable to C/S 11, 16, 18, and 20.

9 C.1.2.c Equipment Volume-Variabilities (Part VI of LR-L-55).

10 The accrued and volume-variable costs from Table 1 are combined into
11 relevant pools to obtain the volume-variabilities for the applicable equipment
12 groupings that are used into C/S 11, 16, 18, and 20 (see witness Smith's
13 testimony, USPS-T-13)

14 **C.2 SPECIAL INPUTS FOR COSTING STUDIES AND THE**
15 **ROLLFORWARD (PARTS VII AND VIII OF LR-L-55).**

16 **C.2.1 Premium Pay Factors for Cost Avoidance Studies (Part VII of**
17 **LR-L-55).**

18 The premium pay adjustment worksheet in Part V of LR-L-55 is also used
19 to develop the premium pay factors by subclass for the cost avoidance studies.
20 Two types of premium pay factors are needed for these studies, one for non-
21 BMC facilities, and one for all facilities. The first type consists of the subclass
22 ratio of volume-variable costs with premium to volume-variable costs without
23 premium for non-BMC facilities. The second type consists of the same subclass
24 ratio but with the BMC subclass volume variable costs added to the numerator
25 and to the denominator of the ratio. The computation is based on the one used
26 in LR-J-52 in Docket No. R2001-1.

³⁵ The application of Table 3 subclass distribution keys to the facility space categories was made possible as a result of an updated facility survey conducted since Docket No. 2001-1 which is described in witness Smith's testimony in Docket No. R2005-1. The updated survey partitioned the facility space into the same MODS operation space categories that are used for the labor cost pools in Cost Segment 3.

1 **C.2.2 Operation-Specific Crosswalk Matrix (Part VII of LR-L-55).**

2 Part VII of LR-L-55 generates a matrix that distributes clerk and
3 mailhandler mail processing volume-variable costs for each of the MODS-based
4 cost pools to selected IOCS-based equipment categories. The information is
5 used to develop the MODS-based cost pools' piggyback factors for the Base
6 Year and the Test Year, but only for equipment costs (see Witness Smith's
7 testimony, USPS-T-13, LR-L-52).

8 **C.2.3 Cost Pool Overhead Factors For Modeled Costs (Part VII of LR-L-55).**

9 Part VII of LR-L-55 develops pool-specific overhead factors to be applied
10 to modeled costs. The basic methodology is unchanged from the one used in
11 Docket No. R2005-1, and incorporates the updated and reconfigured cost pools
12 introduced in this docket.

13 **C.2.4 Inputs Into the Rollforward Model (Part VII of LR-L-55).**

14 The subclass volume-variable costs derived in Parts II and III of LR-L-55
15 form the basis for selected distribution keys which are used to derive cost
16 savings or cost increases by subclass in the Rollforward model (see the
17 testimony of witness Waterbury). The distribution keys are derived either for
18 selected individual cost pools (such as the letter-shaped subclasses for the LDC
19 49 cost pool) or selected combination of cost pools (such as LDC 17 operations
20 and the Function 4 activities). For the Function 1 distribution key for BPI
21 (Breakthrough Productivity Initiative) savings, cost pools are aggregated into the
22 six groups for which opportunity hours are estimated, which are described in
23 Section II E of witness McCrery's testimony (USPS-T-42). A subclass
24 distribution key is derived for each group and is weighted in proportion to the
25 opportunity hours in the group. The aggregate of the weighted distribution keys
26 constitutes the distribution key for the Function 1 BPI savings.

27 **C.2.5 C/S 3 Disaggregated Wage Rates (Part VIII of LR-L-55).**

28 Part VIII of LR-L-55 provides disaggregated Base Year and Test Year
29 wage rates for Cost Segment 3. The wage rates and corresponding hours from
30 Part I of LR-L-55 are reconciled to the clerk and mailhandler wage rates and GFY
31 hours for the base year and the Test Year from USPS LR-L-50.

32

1 **D. PROPOSED CHANGES RELATIVE TO PRC METHODOLOGY.**

2 The methodological differences between this testimony, USPS-LR-L-55,
3 *MODS-Based Costing Description*, and USPS-LR-L-100, the PRC version of
4 *MODS-based Costing Description*, are listed below.

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

11
12 The comparison required by this exercise cannot be equated
13 with sponsoring the preexisting methodology. It merely
14 identifies and gives context to the proposed change, serving
15 as a benchmark so that the impact can be assessed. ...
16 [W]itnesses submitting testimony under Rule 53(c) sponsor
17 the proposed methodological changes, not the preexisting
18 methodology. That they may be compelled to reference the
19 preexisting methodology does not mean that they are
20 sponsoring it. Order No. 1380 (August 7, 2003) at 7.

21
22 Therefore, although I may be compelled to refer to the PRC methodologies and
23 versions corresponding to the Postal Service proposals which are the subject of
24 my testimony, my testimony does not sponsor those PRC materials.

25 The differences are grouped and addressed as follows: 1) Reconfigu-
26 ration of MODS and non-MODS mail processing cost pools; 2) Mail processing
27 costs, accrued and volume-variable; 3) Distribution of mixed mail costs in the
28 Allied Operations; 4) Assignment of Special Service costs; and 5) Support cost
29 pools at the Plants. With the exception of difference 1), which was introduced in
30 the USPS version in Docket No. R2005-1, the other differences are long-standing
31 differences that date back to Docket No. R97-1. The impact of those differences,
32 individually and collectively, on mail processing subclass volume-variable costs is
33 shown in Tables 5 and 5.1-5.3 in the Attachment.

34

35

1 1. Reconfiguration of MODS and non-MODS mail processing cost pools.

2 The PRC version, as was done in the USPS version of LR-K-55 in Docket
3 No. R2005-1, partitions Cost Segment 3 (C/S 3) into three major types of
4 facilities: the BMCs, the MODS, and non-MODS offices. The USPS version in
5 this docket reconfigures mail processing activities at MODS and no-MODS
6 offices as discussed in the next paragraph. This reconfiguration is not present in
7 the PRC version.

8 While leaving intact the costs for administrative and window services
9 derived for the BMCs, the MODS and non-MODS facilities, the USPS version
10 reconfigures the mail processing cost pools into three groups: the BMCs; the
11 Plants; and the Post-Offices, Stations, and Branches (PO/STA/BR). The mail
12 processing cost pools for the BMCs remain unchanged between the two
13 versions. However, the mail processing activities for post-offices, stations, and
14 branches at MODS and non-MODS facilities are consolidated into one group
15 (PO/STA/BR) by combining the MODS LDC 41-44 and 48 cost pools with the
16 non-MODS facilities. This consolidation leaves the MODS offices with essentially
17 'plant' activities defined in great detail by MODS operations. In conjunction with
18 this consolidation, the USPS version employs the IOCS-based cost pool
19 approach, previously used for the non-MODS group, to provide a better
20 characterization of operations than MODS for the LDC 41-44 and 48 cost pools.
21 The IOCS-based approach provides more details since MODS operation
22 definitions for post-offices, stations and branches do not distinguish either
23 manual sorting operations by shape or sorting labor from allied labor. In addition,
24 IOCS data allow in-office activities to be distinguished from out-of-office activities
25 for the Express Mail cost pool in the PO/STA/BR group.

26 Tables 5, 5.1, 5.2, and 5.3 in the attachment reflect the impact of these
27 methodological differences for each of the three major mail processing groups
28 described above: Plants; Post-Offices, Stations, and Branches; and the BMCs.
29 Tables 5.1, 5.2, and 5.3 further disaggregate the subclass volume-variable costs
30 into comparable subgroups which display the several areas of methodological
31 differences described below.

32 2. Mail Processing Costs, Accrued and Volume-Variable.

33 To obtain the mail processing volume-variable cost for a cost pool, the
34 PRC version relies on IOCS-based *classification* of sampled employees' activities

1 into mail processing versus non-mail processing costs and into volume-variable
2 versus 'fixed' costs. For the BMCs and the non-MODS offices, the accrued mail
3 processing cost for a pool is the same as the total pool cost (the SAS programs
4 in the PRC version produce the pool cost but without the clocking in/out cost
5 which is distributed in the PRC B Workpapers, since clocking in/out is reported
6 under 'administrative' services in IOCS). For MODS-based labor cost pools, the
7 PRC version reduces the total pool accrued cost by an amount based on the pool
8 'migrated' tallies (i.e. IOCS-defined administrative or window service activities
9 excluding clocking in/out) to obtain the accrued mail processing cost. For all
10 three groups, the pool accrued mail processing cost is further reduced by an
11 amount based on the IOCS-defined 'fixed' tallies.

12 The PRC version then distributes the pool cost for the remaining tallies to
13 subclasses to obtain the volume-variable costs for all subclasses. It should be
14 noted that: 1) the 'on-break' and clocking in/out costs for MODS are all included
15 in the volume-variable portion of the pool costs generated by the SAS programs,
16 but for the BMCs and the non-MODS facilities, only the volume-variable portion
17 of the breaks is included in the pool costs – the volume-variable portion of the
18 clocking in/out costs is added to the subclass volume-variable costs as shown in
19 the B Workpapers; 2) the Registry costs generated by the SAS programs contain
20 fixed costs that are deducted in the B Workpapers before the clocking in/out
21 costs are apportioned; and 3) additionally, a small portion of the final Registry
22 volume-variable cost is reallocated to First Class Single Piece and Priority
23 through the 'normal feature' adjustment as shown in the B Workpapers,. It
24 should be noted that in this docket there is no reallocation to USPS mail based
25 on RPW (Revenue, Pieces and Weight) data since the Registry cost includes
26 only the non-USPS mail: no special services were collected for USPS mail in
27 2005.

28 To obtain the USPS version of the mail processing volume-variable cost
29 for a cost pool, witness Bozzo (USPS-T-12) *measures* for a given cost pool how
30 total labor hours vary with volume, and LR-L-55 applies the econometrically
31 derived volume-variability factor to the total pool cost (the SAS programs include
32 the clocking in/out costs for the BMCs and the PO/STA/BRs in the pool total
33 cost). Volume-variability factors are econometrically derived for twelve
34 distribution cost pools at the Plants, and the ensuing cost-weighted average of
35 the econometric volume-variability factors is used for nearly all other cost pools.

1 The exceptions are 1) the Registry cost pools which use the IOCS-based 'fixed'
2 activities and 2) the out-of-office activities for the Express Mail Unit which rely on
3 the volume-variability for Component 3.4 from Docket No. R2001-1. The volume-
4 variable costs are then distributed to subclasses based on the IOCS tally
5 distribution key for the cost pool.

6 Table 5 shows the PRC version of accrued mail processing and volume-
7 variable costs by cost pool and can be compared to Table 1.

8 3. Distribution of Mixed Mail Costs in the Allied Operations.

9 In allied operations, unlike non-allied operations, the PRC version does
10 not use IOCS tally information on the types of containerization handled (item type
11 and container type) to allocate mixed mail and not-handling costs to subclass.
12 Instead, the PRC version relies on the mixed mail and not-handling tallies with
13 IOCS activity codes 5610 (letter), 5620 (flat), 5700 (ipp/parcel), and 5750 (all
14 shapes). Since these IOCS codes are assigned based on the shape-related
15 distribution operations of IOCS Question 18, the great majority of mixed mail and
16 not-handling tallies in the allied cost pools would not be in a shape-related
17 distribution operation. Consequently, they would not be assigned a specific
18 shape code but rather would be assigned the activity code 5750 which does not
19 identify a specific shape. To distribute the mixed mail tallies by shape, the PRC
20 version then uses the proportion of direct tallies of the same shape in all mail
21 processing cost pools within a group of facilities. As a result, the same
22 distribution key is applied to the great majority of the mixed mail costs in any
23 allied cost pool, irrespective of the nature of the operations and unadjusted to the
24 proportion of the types of containerization processed in the allied operations.

25 The USPS version uses IOCS item and container information consistently
26 in all cost pools. IOCS item and container information provides additional shape
27 and class association for mixed mail tallies with activity code 5750 in the allied
28 operations (see Table 4). Thus, the direct tallies by piece shape, item type, and
29 container type for the mail processed within an allied cost pool are used to
30 distribute the mixed mail costs to the same piece shape and item type and
31 container type within that cost pool. The direct and distributed mixed mail
32 operations within a cost pool are then used to distribute the not-handling costs
33 within that cost pool. A broader distribution key based on all allied direct tallies
34 by piece shape and item type is used to distribute the costs for the piece shapes

1 and item types in the mixed mail containers for the platform cost pools at both the
2 Plants and the BMCs and for the manual transport operations at the Plants. The
3 not-handling costs for the platform cost pools at the BMCs and the Plants are
4 then distributed to the subclasses, based on all handling tallies in the mail
5 processing cost pools within each group.

6 4. Assignment of Special Service Costs.

7 The main difference between the PRC and the USPS version is that the
8 USPS version assigns the Special Services when the mail pieces with paid
9 special services are processed by employees clocked into the Special Service-
10 related cost pools at the Plants or by employees assigned to Special Service
11 operations at Post-Offices, Stations, and Branches (see section B.2.3.d).
12 Elsewhere, as in the automated, mechanized, manual distribution, and the allied
13 operations, the same mail pieces are processed as ordinary mail pieces of the
14 same subclasses; therefore, they are assigned the underlying subclass costs
15 rather than the Special Service costs. The exceptions occur when the mail
16 pieces are themselves detached Postal Service forms used in the provision of
17 special services or when Special Handling is involved (see section B.2.3.d for
18 more details). For the Registry special service, the Postal Service assigns the
19 Registry handling tally to USPS mail if IOCS determines that the underlying
20 subclass is USPS mail. With this method, all Special Service handling tallies are
21 treated like other subclass handling tallies: Special Services get their shares of
22 the mixed mail and not-handling costs in the cost pools where Special Service
23 costs are incurred, and the cost pool volume-variability factors apply to the
24 Special Service costs as they would for any other subclasses in these cost pools.
25 The SAS programs generate these costs and no additional adjustment is needed
26 through the B Workpapers.

27 5. Support Cost Pools at the Plants.

28 In the PRC version, the IOCS-based approach results in 22 percent of the
29 'miscellaneous' pool cost and 73 percent of the 'support' pool cost to be
30 reallocated to non-mail processing functions (see Table 5). The remaining mail
31 processing handling tallies for these cost pools are treated as for any other
32 distribution cost pools: the mixed handling tallies are distributed to the direct
33 handling tallies by piece shape, item type, and container type. The not-handling

1 volume-variable tallies however are distributed to all handling tallies in the
2 Function 1 cost pools.

3 In the USPS version, the 'miscellaneous' and 'support' cost pools are
4 considered to be support activities for the plant mail processing operations (other
5 LDCs and MODS operation codes apply to the administrative and window
6 functions). They are therefore combined into a "piggyback" Function 1 support
7 cost pool, the cost-weighted average of the econometric volume-variability
8 factors is applied to the total pool cost, and the volume-variable cost is distributed
9 in proportion to the subclass volume-variable costs in the operations being
10 supported. The tallies in the Function 1 support cost pool are not used.

Table 1: BY 05 Cost Segment 3 Clerk and Mailhandler Cost Pools

A. MAIL PROCESSING - PLANTS GROUP 1/				
SAS name	Cost Pool Title	Pool Total Costs	Pool Volume-Variable Factor	Pool Volume-Variable Cost
Automated Equipment				
D/BCS	1 MPBCS, DBCS, CSBCS * 3/	1,482,016	0.88	1,309,246
OCR/	2 OCR *	201,547	0.78	157,207
Mechanized, Letters & Flats				
AFSM100	3 AFSM100 - LDC 12 *	538,794	0.99	533,406
FSM/1000	4 FSM 1000 *	218,122	0.72	157,048
Mechanized, Other				
MECPARC	5 Mechanized Parcels	5,031	85%	4,276
SPBS OTH	6 SPBS - Non Priority *	410,170	0.87	356,848
SPBSPRIO	7 SPBS - Priority *	145,691	0.87	126,751
1SACKS_M	8 Mechanical Sort - Sack Outside	24,665	85%	20,965
1TRAYSRT	9 Mechanical Tray Sorter	159,847	85%	135,870
Manual Operations				
MANF	10 Manual Flats *	239,251	0.94	224,896
MANL	11 Manual Letters *	917,249	0.89	816,352
MANP	12 Manual Parcels *	83,115	0.80	66,492
PRIORITY	13 Manual Priority *	317,740	0.75	238,305
LD15	14 LDC 15 - RBCS * (incl LDC 15 VCS Flat Keying)	220,604	1.00	220,604
Allied Operations				
1CANCEL	15 Cancellation *	307,118	0.50	153,559
1DSPATCH	16 Dispatch	224,124	85%	190,505
1FLATPRP	17 Flats Preparation	298,948	85%	254,106
1MTRPREP	18 Mail Preparation - metered	29,801	85%	25,331
1OPBULK	19 Opening Unit - BBM	227,546	85%	193,414
1OPPREF	20 Opening Unit - Preferred Mail	531,924	85%	452,135
1OPTRANS	21 Opening - Manual transport	127,912	85%	108,725
1PLATFRM	22 Platform	1,523,716	85%	1,295,159
1POUCHNG	23 Pouching Operations	130,584	85%	110,996
1PRESORT	24 Presort	34,057	85%	28,948
1SACKS_H	25 Manual Sort - Sack Outside	119,738	85%	101,777
1SCAN	26 Air Contract DCS and Incoming/SWYB	82,031	85%	69,726
Other Operations				
BUSREPLY	27 Business Reply / Postage Due	35,472	85%	30,151
EXPRESS	28 Express Mail	102,549	85%	87,167
MAILGRAM	29 Mailgram	2,884	85%	2,451
REGISTRY	30 Registry **	153,160	0.41	62,796
REWRAP	31 Damaged Parcel Rewrap	27,472	85%	23,351
1EEQMT	32 Empty Equipment	30,517	85%	25,939
1MISC	33 Miscellaneous Activity 2/	259,932	85%	220,942
1SUPPORT	34 Mail Processing Support 2/	274,221	85%	233,088
LD49	35 LDC 49 - Computerized Forwarding Syst.	276,158	85%	234,734
LD79	36 LDC 79 - Mailing Req' & Bus. Mail Entry	193,114	85%	164,147
INTL ISC	37 ISCs (International Service Centers, incl NJ intl)	223,021	85%	189,568
MAIL PROCESSING TOTAL FOR PLANTS		10,179,841	0.85	8,626,984

Footnotes

- * Economically derived volume-variability factors from witness Bozzo (USPS-T-12)
- ** Volume-variable fraction is based on IOCS classification of 'fixed' activities in the cost pool
- 1/ This group includes ISCs, LDC 11-15, 17-18, 49,79 for MODS 1&2 Facilities
- 2/ These support cost pools are combined into the piggyback cost pool 1SUPP_F1
- 3/ The volume-variability factor (rounded) is the cost-weighted average of the econometric volume-variability factors for outgoing and incoming operations

	Pool total Costs	Volume-Variability	Volume-Variable Costs
D/BCS Incoming *	1,090,377	0.82	894,109
D/BCS Outgoing *	391,639	1.06	415,137
Total D/BCS	1,482,016	0.88	1,309,246

Table 1: BY 05 Cost Segment 3 Clerk and Mailhandler Cost Pools

SAS name	Cost Pool Title	Pool Total Costs	Pool Volume-Variable Factor	Pool Volume-Variable Cost
B. MAIL PROCESSING - POST-OFFICES, STATIONS & BRANCHES GROUP 1/				
ALLIED	38 Allied	515,552	85%	438,219
AUTO/MECH	39 Automated/Mechanized	223,018	85%	189,565
EXPRESS	40 Express Mail			
EXPRS IN	Express - In-Office Activities	53,398	85%	45,388
EXPRS OUT	Express - Out-Of-Office Activities 3/	61,903	0.43	26,618
MANF	41 Manual Flat	789,997	85%	671,497
MANL	42 Manual Letter	1,072,077	85%	911,265
MANP	43 Manual Parcel	447,705	85%	380,549
MISC	44 Miscellaneous	801,121	85%	680,953
REGISTRY	45 Registry 4/	151,208	0.41	61,995
MAIL PROC.TOTAL FOR P.O. STA/BRs 2/		4,115,979	0.83	3,406,051
C. MAIL PROCESSING - BMCs GROUP				
NMO	46 Non-Machinable Outside (NMO)	39,763	85%	33,799
OTHR	47 Allied Labor & all other Mail Processing	225,428	85%	191,614
PLA	48 Platform	303,276	85%	257,785
PSM	49 Parcel Sorting Machine	124,054	85%	105,446
SPBS	40 SPBS	56,223	85%	47,790
SSM	51 Sack Sorting Machine	40,480	85%	34,408
MAIL PROCESSING TOTAL FOR BMCs 2/		789,224	0.85	670,840
TOTAL MAIL PROCESSING FOR COST SEGMENT 3		15,085,044	0.84	12,703,875
D. ADMINISTRATIVE AND WINDOW SERVICES				
MODS 1&2 Facilities				
	LDC 45 - Window Service	885,481		
	Claims & Inquiries	16,717		
	Administrative Services	459,741		
		1,361,939		
Post-Offices, Stations & Branches				
	Window Service	1,766,819		
	Claims & Inquiries	19,375		
	Administrative Services 5/	572,294		
		2,358,488		
BMCs				
	Window Service	285		
	Claims & Inquiries	1,979		
	Administrative Services 5/	53,290		
		55,554		
TOTAL ADMINISTRATIVE & WINDOW SERVICES FOR C/S 3		3,775,981		
TOTAL CLERK AND MAILHANDLER COSTS FOR COST SEGMENT 3		18,861,025		

Footnotes

1/ This group includes NONMODS Facilities plus MODS LDC41-44,48 as follows:

LDC 41 - Unit Distribution - Automated	21,741
LDC 42 - Unit Distribution - Mechanized	883
LDC 43 - Unit Distribution - Manual	710,757
LDC 44 - Post-Office Box Distribution	155,120
LDC 48 - Customer Service / Express	609,043
Subtotal MODS 1&2 LDC 41-44, 48	1,497,544
NON-MODS Facilities	4,976,918
POST-OFFICES, STATIONS AND BRANCHES TOTAL	6,474,462

2/ The mail processing cost pools include their portion of the clocking in/out (actv=6522) costs

3/ The volume-variability factor is the factor from what used to be C/S 3.4

4/ The volume-variable fraction is based on IOCS classification of 'fixed' activities

5/ The non-mail processing portion of the clocking in/out costs are included in the Administrative Services

Table 2: BY 05 Proportion of Dollar-Weighted Tallies (Adjusted to the Cost Pool) by Handling ("direct" and "mixed") and Not-Handling Categories for Mail Processing at Plants, Post-Offices, Stations, and Branches, and BMCs

Tally Category	Percentage of Dollar-Weighted Tallies			
	BMCs	Plants ^{1/}	Po/Sta/Br ^{2/}	Total
Direct Tallies				
Pieces	20.67%	32.89%	47.49%	36.24%
Bundles & Non-Wheeled Containers	6.17%	10.00%	8.06%	9.27%
Wheeled Containers, Pallets & Short Pallet Boxes	7.73%	2.21%	0.97%	2.16%
Total Direct	34.57%	45.10%	56.52%	47.67%
Mixed Tallies				
Bundles and Non-Wheeled Containers				
Non-Empty	0.28%	0.20%	0.15%	0.19%
Empty	1.10%	2.06%	1.39%	1.83%
Total Bundles & Non-Wheeled Containers	1.38%	2.26%	1.54%	2.01%
Wheeled Containers, Pallets & Short Pallet Boxes				
Identified Contents				
Loose Pieces	4.37%	2.45%	2.15%	2.47%
Bundles & Non-Wheeled Containers	3.34%	5.04%	2.75%	4.32%
Subtotal	7.70%	7.49%	4.90%	6.79%
Unidentified Contents	0.65%	0.25%	0.09%	0.23%
Empty	5.93%	4.65%	4.07%	4.56%
Total Wheeled Containers, Pallets & Short Pallet Boxes	14.28%	12.39%	9.06%	11.58%
Tall Pallet Boxes	3.60%	0.25%	0.13%	0.40%
Total Mixed	19.26%	14.90%	10.73%	13.99%
Not-Handling Tallies^{3/}	46.17%	40.00%	32.75%	38.34%
TOTAL	100.00%	100.00%	100.00%	100.00%

^{1/} Not included is the LD15 cost pool since Remote Encoding Centers (RECs) are not sampled in IOCS.

^{2/} Not included is the Express Mail Cost Pool - Out of Office Activities since IOCS tallies are not used for the distribution key.

^{3/} For the BMCs and Po/Sta/Brs, not-handling tallies include the mail processing shares of the clocking in/out costs.

ATTACHMENT

TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 11 D/BCS 901	MODS 11 OCR/ 903	MODS 12 AFSM100 906	MODS 12 FSM/1000 905	MODS 13 MECPARC 909	MODS 13 SPBS 910	MODS 13 SPBSPRIO 910	MODS 13 1SACKS_M 908
1--Letters - Single Piece								
<i>Vol-Var Costs</i>	552268	93430	188495	59697	492.79	72450	21720	2636.7
<i>Col. Pct</i>	42.18	59.43	35.34	38.01	11.52	20.3	17.14	12.58
2--Letters - Presort								
<i>Vol-Var Costs</i>	337398	22175	30086	8785.7	115.78	7055.3	624.71	2250.6
<i>Col. Pct</i>	25.77	14.11	5.64	5.59	2.71	1.98	0.49	10.74
3--Cards - Single Piece								
<i>Vol-Var Costs</i>	22335	5021.3	327.58	240.95	1.6542	0	43.646	0.1287
<i>Col. Pct</i>	1.71	3.19	0.06	0.15	0.04	0	0.03	0
4--Cards - Presort								
<i>Vol-Var Costs</i>	13379	1034	96.51	0.0595	0.3183	82.174	0	17.873
<i>Col. Pct</i>	1.02	0.66	0.02	0	0.01	0.02	0	0.09
5--Priority Mail								
<i>Vol-Var Costs</i>	966.07	373.09	5726.7	5803	1806.8	19043	86375	3103.6
<i>Col. Pct</i>	0.07	0.24	1.07	3.7	42.25	5.34	68.15	14.8
6--Express Mail								
<i>Vol-Var Costs</i>	558.33	7.4296	102.26	247.99	1.4588	23.876	393.71	20.84
<i>Col. Pct</i>	0.04	0	0.02	0.16	0.03	0.01	0.31	0.1
7--Mailgram								
<i>Vol-Var Costs</i>	413.58	0	0	0	0.0015	0	0	0
<i>Col. Pct</i>	0.03	0	0	0	0	0	0	0
8-1 Periodicals-InCounty								
<i>Vol-Var Costs</i>	12.848	0.6557	200.83	328.29	1.0715	279.47	4.5516	12.331
<i>Col. Pct</i>	0	0	0.04	0.21	0.03	0.08	0	0.06
8-2 Periodicals-OutsideC								
<i>Vol-Var Costs</i>	2297.9	461.35	61741	25984	152.48	71633	2583.3	3985.4
<i>Col. Pct</i>	0.18	0.29	11.57	16.55	3.57	20.07	2.04	19.01
10--Standard - ECR								
<i>Vol-Var Costs</i>	25301	2003.7	8968.6	2787.7	94.778	38059	985.94	513.67
<i>Col. Pct</i>	1.93	1.27	1.68	1.78	2.22	10.67	0.78	2.45
11--Standard - Regular								
<i>Vol-Var Costs</i>	337560	29388	223088	46583	598.88	122087	3821.3	5366.5
<i>Col. Pct</i>	25.78	18.69	41.82	29.66	14	34.21	3.01	25.6
14--Packg S - Parcels								
<i>Vol-Var Costs</i>	8.4291	75.221	1949.4	799.97	835.96	5411.6	2241.7	1854.4
<i>Col. Pct</i>	0	0.05	0.37	0.51	19.55	1.52	1.77	8.84
15--Packg S-Bound Print								
<i>Vol-Var Costs</i>	184.84	0	4108.3	1011.4	84.136	8584.6	951.21	13.08
<i>Col. Pct</i>	0.01	0	0.77	0.64	1.97	2.41	0.75	0.06
16--Packg S-Media Mail								
<i>Vol-Var Costs</i>	193.15	74.286	914.6	916.96	2.792	3316.2	781.42	0.6096
<i>Col. Pct</i>	0.01	0.05	0.17	0.58	0.07	0.93	0.62	0
18--USPS								
<i>Vol-Var Costs</i>	8503.9	1004.1	5619.5	1504.3	59.084	2830.3	2011.1	139.13
<i>Col. Pct</i>	0.65	0.64	1.05	0.96	1.38	0.79	1.59	0.66
19--Free Mail								
<i>Vol-Var Costs</i>	562.12	285.71	414.53	206.41	0.49	3440.3	580.28	295.85
<i>Col. Pct</i>	0.04	0.18	0.08	0.13	0.01	0.96	0.46	1.41

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TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 11 D/BCS 901	MODS 11 OCR/ 903	MODS 12 AFSM100 906	MODS 12 FSM/1000 905	MODS 13 MECPARC 909	MODS 13 SPBS 910	MODS 13 SPBSPRIO 910	MODS 13 1SACKS_M 908
20--International Mail								
<i>Vol-Var Costs</i>	4569.8	1241.2	1120.8	1679.2	3.23	2426	3385	722.54
<i>Col. Pct</i>	0.35	0.79	0.21	1.07	0.08	0.68	2.67	3.45
21--Registered Mail								
<i>Vol-Var Costs</i>	15.866	2.4178	7.0737	12.782	24.267	126.69	12.629	32.028
<i>Col. Pct</i>	0	0	0	0.01	0.57	0.04	0.01	0.15
22--Certified Mail								
<i>Vol-Var Costs</i>	1.47E-05	0	0	0	0.048	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0	0
23--Insured Mail								
<i>Vol-Var Costs</i>	0	0	0	0	0.006	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0	0
24--COD								
<i>Vol-Var Costs</i>	0	0	0	0	0	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0	0
25--Special Handling								
<i>Vol-Var Costs</i>	875.18	77.376	345.32	189.98	0.085	0	236.03	0.0427
<i>Col. Pct</i>	0.07	0.05	0.06	0.12	0	0	0.19	0
26--P.O Box/Caller Srvc								
<i>Vol-Var Costs</i>	0.0023	0	0	0.0009	0.0077	0	0	0.0025
<i>Col. Pct</i>	0	0	0	0	0	0	0	0
27--Other Spec. Services								
<i>Vol-Var Costs</i>	1842.6	552.15	93.352	268.42	0.1366	0	0	0.0218
<i>Col. Pct</i>	0.14	0.35	0.02	0.17	0	0	0	0
Total	1309246	157207	533406	157048	4276.26	356848	126751	20965.3

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TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

Mail class	MODS 13 1TRAYSRT 971	MODS 14 MANF 911	MODS 14 MANL 912	MODS 14 MANP 913	MODS 14 PRIORITY 914	MODS 15 LD15 915	MODS 17 1CANCEL 918	MODS 17 1DSPATCH 973
1--Letters - Single Piece								
<i>Vol-Var Costs</i>	38334	87262	488429	11219	21651	165908	126502	76888
<i>Col. Pct</i>	28.21	38.8	59.83	16.87	9.09	75.21	82.38	40.36
2--Letters - Presort								
<i>Vol-Var Costs</i>	35258	13983	107219	1933	1562.6	24710	3833	28301
<i>Col. Pct</i>	25.95	6.22	13.13	2.91	0.66	11.2	2.5	14.86
3--Cards - Single Piece								
<i>Vol-Var Costs</i>	796.74	621.98	49539	93.24	223.15	5359.2	4252.2	1382.8
<i>Col. Pct</i>	0.59	0.28	6.07	0.14	0.09	2.43	2.77	0.73
4--Cards - Presort								
<i>Vol-Var Costs</i>	711.95	115.52	9449.3	0.5219	120.84	1286.2	78.403	1187.6
<i>Col. Pct</i>	0.52	0.05	1.16	0	0.05	0.58	0.05	0.62
5--Priority Mail								
<i>Vol-Var Costs</i>	1162.1	8173	3251.8	22487	193513	302.16	5130.3	12049
<i>Col. Pct</i>	0.86	3.63	0.4	33.82	81.2	0.14	3.34	6.32
6--Express Mail								
<i>Vol-Var Costs</i>	147.93	684.22	2121.4	130.41	1702.6	183.94	125.78	929.2
<i>Col. Pct</i>	0.11	0.3	0.26	0.2	0.71	0.08	0.08	0.49
7--Mailgram								
<i>Vol-Var Costs</i>	0.0292	0	179.61	0.002	0	0	0	0
<i>Col. Pct</i>	0	0	0.02	0	0	0	0	0
8-1 Periodicals-InCounty								
<i>Vol-Var Costs</i>	20.427	1879.6	652.61	8.3962	115.7	0	62.934	38.709
<i>Col. Pct</i>	0.02	0.84	0.08	0.01	0.05	0	0.04	0.02
8-2 Periodicals-OutsideC								
<i>Vol-Var Costs</i>	4087.1	49399	8388	3052.6	2053.6	1586.1	1622.5	17161
<i>Col. Pct</i>	3.01	21.97	1.03	4.59	0.86	0.72	1.06	9.01
10--Standard - ECR								
<i>Vol-Var Costs</i>	7027.3	3822.9	6664.1	868.89	390.6	509.29	1220.8	5616.9
<i>Col. Pct</i>	5.17	1.7	0.82	1.31	0.16	0.23	0.8	2.95
11--Standard - Regular								
<i>Vol-Var Costs</i>	43322	50408	108476	9599.3	4394	14372	5653.6	37372
<i>Col. Pct</i>	31.89	22.41	13.29	14.44	1.84	6.51	3.68	19.62
14--Packg S - Parcels								
<i>Vol-Var Costs</i>	1810.9	330.48	655.88	8627.9	3010.2	169.93	1384.5	2712.1
<i>Col. Pct</i>	1.33	0.15	0.08	12.98	1.26	0.08	0.9	1.42
15--Packg S-Bound Print								
<i>Vol-Var Costs</i>	429.1	1086	532.96	2677.9	1252.1	251.62	116.23	1311.7
<i>Col. Pct</i>	0.32	0.48	0.07	4.03	0.53	0.11	0.08	0.69
16--Packg S-Media Mail								
<i>Vol-Var Costs</i>	168.62	313.07	356.46	2613.8	631.82	155.86	505.2	499.25
<i>Col. Pct</i>	0.12	0.14	0.04	3.93	0.27	0.07	0.33	0.26
18--USPS								
<i>Vol-Var Costs</i>	1740.8	2750.9	10971	753.88	3210	909.59	1139.6	2511.3
<i>Col. Pct</i>	1.28	1.22	1.34	1.13	1.35	0.41	0.74	1.32
19--Free Mail								
<i>Vol-Var Costs</i>	520.72	104.81	710.74	833.72	791.66	186.44	124	222.91
<i>Col. Pct</i>	0.38	0.05	0.09	1.25	0.33	0.08	0.08	0.12

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TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 13 1TRAYSRT 971	MODS 14 MANF 911	MODS 14 MANL 912	MODS 14 MANP 913	MODS 14 PRIORITY 914	MODS 15 LD15 915	MODS 17 1CANCEL 918	MODS 17 1DSPATCH 973
20--International Mail								
<i>Vol-Var Costs</i>	151.68	3568.1	12558	1455.8	3456.1	4379.5	1748.2	1440.3
<i>Col. Pct</i>	0.11	1.59	1.54	2.19	1.45	1.99	1.14	0.76
21--Registered Mail								
<i>Vol-Var Costs</i>	13.37	10.295	65.431	1.4252	23.617	0	3.5863	129.19
<i>Col. Pct</i>	0.01	0	0.01	0	0.01	0	0	0.07
22--Certified Mail								
<i>Vol-Var Costs</i>	0.0603	0	4.44E-05	0.038	0	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0	0
23--Insured Mail								
<i>Vol-Var Costs</i>	0	0	0	0.0092	0	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0	0
24--COD								
<i>Vol-Var Costs</i>	0	0	0	0	0	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0	0
25--Special Handling								
<i>Vol-Var Costs</i>	0.5587	0.1336	599.06	0.6753	202.36	135.92	0	501.87
<i>Col. Pct</i>	0	0	0.07	0	0.08	0.06	0	0.26
26--P.O Box/Caller Srvc								
<i>Vol-Var Costs</i>	0.0482	0	0.002	0.0365	0	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0	0
27--Other Spec. Services								
<i>Vol-Var Costs</i>	166.88	383.3	5530.2	134.57	0	197.87	56.567	249.87
<i>Col. Pct</i>	0.12	0.17	0.68	0.2	0	0.09	0.04	0.13
Total	135870	224896	816351	66491.9	238305	220604	153559	190505

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TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 17 1FLATPRP 974	MODS 17 1MTRPREP 918	MODS 17 1OPBULK 921	MODS 17 1OPPREF 920	MODS 17 1OPTRANS 922	MODS 17 1PLATFRM 922	MODS 17 1POUCHNG 923
1--Letters - Single Piece							
<i>Vol-Var Costs</i>	24071	17197	23154	159138	42447	436670	44997
<i>Col. Pct</i>	9.47	67.89	11.97	35.2	39.04	33.72	40.54
2--Letters - Presort							
<i>Vol-Var Costs</i>	7336	3493.4	10981	86131	13895	148678	5736.1
<i>Col. Pct</i>	2.89	13.79	5.68	19.05	12.78	11.48	5.17
3--Cards - Single Piece							
<i>Vol-Var Costs</i>	371.06	232.25	479.66	3107.4	654.27	13368	342.54
<i>Col. Pct</i>	0.15	0.92	0.25	0.69	0.6	1.03	0.31
4--Cards - Presort							
<i>Vol-Var Costs</i>	214.2	163.63	189.41	2089.6	351.07	5896.5	467.45
<i>Col. Pct</i>	0.08	0.65	0.1	0.46	0.32	0.46	0.42
5--Priority Mail							
<i>Vol-Var Costs</i>	2053.4	946.36	4427.6	40099	5805.2	145471	15015
<i>Col. Pct</i>	0.81	3.74	2.29	8.87	5.34	11.23	13.53
6--Express Mail							
<i>Vol-Var Costs</i>	9.078	4.0266	485.71	2361.9	283.05	19989	1212.2
<i>Col. Pct</i>	0	0.02	0.25	0.52	0.26	1.54	1.09
7--Mailgram							
<i>Vol-Var Costs</i>	0	0.0105	0	0	0	93.798	0
<i>Col. Pct</i>	0	0	0	0	0	0.01	0
8-1 Periodicals-InCounty							
<i>Vol-Var Costs</i>	18.254	4.0199	33.2	781.05	26.781	1450.5	339.08
<i>Col. Pct</i>	0.01	0.02	0.02	0.17	0.02	0.11	0.31
8-2 Periodicals-OutsideC							
<i>Vol-Var Costs</i>	62911	563.91	15301	42209	8271.3	103191	14534
<i>Col. Pct</i>	24.76	2.23	7.91	9.34	7.61	7.97	13.09
10--Standard - ECR							
<i>Vol-Var Costs</i>	11332	5.7823	19100	16536	3827.1	49566	4556.2
<i>Col. Pct</i>	4.46	0.02	9.88	3.66	3.52	3.83	4.1
11--Standard - Regular							
<i>Vol-Var Costs</i>	135821	2005.5	112914	85667	29405	294304	14713
<i>Col. Pct</i>	53.45	7.92	58.38	18.95	27.05	22.72	13.26
14--Packg S - Parcels							
<i>Vol-Var Costs</i>	1802	190.94	1199.1	4257.7	655.28	27559	2107.3
<i>Col. Pct</i>	0.71	0.75	0.62	0.94	0.6	2.13	1.9
15--Packg S-Bound Print							
<i>Vol-Var Costs</i>	3257.8	92.466	1214.1	1399.5	271.97	9135.2	1221.2
<i>Col. Pct</i>	1.28	0.37	0.63	0.31	0.25	0.71	1.1
16--Packg S-Media Mail							
<i>Vol-Var Costs</i>	592.64	175.55	752.41	1028.3	188.62	6715.9	816.67
<i>Col. Pct</i>	0.23	0.69	0.39	0.23	0.17	0.52	0.74
18--USPS							
<i>Vol-Var Costs</i>	3025.5	0.8347	2415.5	2362.5	1093.5	12584	998.76
<i>Col. Pct</i>	1.19	0	1.25	0.52	1.01	0.97	0.9
19--Free Mail							
<i>Vol-Var Costs</i>	116.38	0.3036	130.7	623.34	182.38	2534.9	585.24
<i>Col. Pct</i>	0.05	0	0.07	0.14	0.17	0.2	0.53

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TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 17 1FLATPRP 974	MODS 17 1MTRPREP 918	MODS 17 1OPBULK 921	MODS 17 1OPPREF 920	MODS 17 1OPTRANS	MODS 17 1PLATFRM 922	MODS 17 1POUCHNG 923
20--International Mail							
<i>Vol-Var Costs</i>	977.28	253.17	599.4	3454.7	769.69	14548	3184.5
<i>Col. Pct</i>	0.38	1	0.31	0.76	0.71	1.12	2.87
21--Registered Mail							
<i>Vol-Var Costs</i>	16.83	1.972	36.547	174.34	0	99.137	0
<i>Col. Pct</i>	0.01	0.01	0.02	0.04	0	0.01	0
22--Certified Mail							
<i>Vol-Var Costs</i>	0	0.0103	0.0004	0	0	9.6365	0
<i>Col. Pct</i>	0	0	0	0	0	0	0
23--Insured Mail							
<i>Vol-Var Costs</i>	0	0	0	0	0	0.0157	0
<i>Col. Pct</i>	0	0	0	0	0	0	0
24--COD							
<i>Vol-Var Costs</i>	0	0	0	0	0	0.0117	0
<i>Col. Pct</i>	0	0	0	0	0	0	0
25--Special Handling							
<i>Vol-Var Costs</i>	0	0.0853	0.3303	715.74	68.452	1205.7	170.88
<i>Col. Pct</i>	0	0	0	0.16	0.06	0.09	0.15
26--P.O Box/Caller Srvc							
<i>Vol-Var Costs</i>	0	0.017	0.006	0	14.119	582.36	0
<i>Col. Pct</i>	0	0	0	0	0.01	0.04	0
27--Other Spec. Services							
<i>Vol-Var Costs</i>	179.74	0.0408	0.007	0	515.1	1507.6	0
<i>Col. Pct</i>	0.07	0	0	0	0.47	0.12	0
Total	254106	25331	193414	452136	108725	1295158	110996

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TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 17 1PRESORT 917	MODS 17 1SACKS_H 919	MODS 17 1SCAN 916	MODS 18 BUSREPLY 924	MODS 18 EXPRESS 928	MODS 18 MAILGRAM	MODS 18 REGISTRY 930
1--Letters - Single Piece							
<i>Vol-Var Costs</i>	5604.7	15275	20130	8554.9	2500.6	1813	7683.9
<i>Col. Pct</i>	19.36	15.01	28.87	28.37	2.87	73.96	12.24
2--Letters - Presort							
<i>Vol-Var Costs</i>	9930.9	4480	8892	1038.3	469.56	499.89	316.81
<i>Col. Pct</i>	34.31	4.4	12.75	3.44	0.54	20.39	0.5
3--Cards - Single Piece							
<i>Vol-Var Costs</i>	4.9729	42.863	896.61	606.53	0.603	6.0286	1.1744
<i>Col. Pct</i>	0.02	0.04	1.29	2.01	0	0.25	0
4--Cards - Presort							
<i>Vol-Var Costs</i>	330.51	10.129	599.58	0	0	4.3719	0
<i>Col. Pct</i>	1.14	0.01	0.86	0	0	0.18	0
5--Priority Mail							
<i>Vol-Var Costs</i>	2033.4	14505	26052	387.81	3357.4	0.2404	794.78
<i>Col. Pct</i>	7.02	14.25	37.36	1.29	3.85	0.01	1.27
6--Express Mail							
<i>Vol-Var Costs</i>	19.341	1371.8	2524.5	253.01	67866	0.1199	1129.9
<i>Col. Pct</i>	0.07	1.35	3.62	0.84	77.86	0	1.8
7--Mailgram							
<i>Vol-Var Costs</i>	0.0157	0	0	0	0	0.1286	0
<i>Col. Pct</i>	0	0	0	0	0	0.01	0
8-1 Periodicals-InCounty							
<i>Vol-Var Costs</i>	16.189	794.41	3.3924	0.2966	1.0293	0.1363	8.1246
<i>Col. Pct</i>	0.06	0.78	0	0	0	0.01	0.01
8-2 Periodicals-OutsideC							
<i>Vol-Var Costs</i>	1400.4	16049	2198.9	121.87	258.86	0.5565	294.9
<i>Col. Pct</i>	4.84	15.77	3.15	0.4	0.3	0.02	0.47
10--Standard - ECR							
<i>Vol-Var Costs</i>	2780.4	8002.2	645.31	362.69	373.95	12.682	24.047
<i>Col. Pct</i>	9.6	7.86	0.93	1.2	0.43	0.52	0.04
11--Standard - Regular							
<i>Vol-Var Costs</i>	6318.5	27008	4520.6	1663.5	1261.4	107.86	407.31
<i>Col. Pct</i>	21.83	26.54	6.48	5.52	1.45	4.4	0.65
14--Packg S - Parcels							
<i>Vol-Var Costs</i>	12.55	9067.5	512.34	1065.2	514.16	0.0715	984.77
<i>Col. Pct</i>	0.04	8.91	0.73	3.53	0.59	0	1.57
15--Packg S-Bound Print							
<i>Vol-Var Costs</i>	241.22	832.8	122.43	252.42	101.59	0	85.013
<i>Col. Pct</i>	0.83	0.82	0.18	0.84	0.12	0	0.14
16--Packg S-Media Mail							
<i>Vol-Var Costs</i>	209.97	1508.6	14.875	1.4759	0	0.0627	0
<i>Col. Pct</i>	0.73	1.48	0.02	0	0	0	0
18--USPS							
<i>Vol-Var Costs</i>	5.4178	1237.9	484.68	1138.2	2775	2.4989	10801
<i>Col. Pct</i>	0.02	1.22	0.7	3.78	3.18	0.1	17.2
19--Free Mail							
<i>Vol-Var Costs</i>	1.1139	107.28	274.08	1.8132	0.2721	0.1162	0
<i>Col. Pct</i>	0	0.11	0.39	0.01	0	0	0

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TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 17 1PRESORT 917	MODS 17 1SACKS_H 919	MODS 17 1SCAN 916	MODS 18 BUSREPLY 924	MODS 18 EXPRESS 928	MODS 18 MAILGRAM	MODS 18 REGISTRY 930
20--International Mail							
<i>Vol-Var Costs</i>	28.897	1252.8	1829.9	409.02	6864.4	1.8345	12051
<i>Col. Pct</i>	0.1	1.23	2.62	1.36	7.87	0.07	19.19
21--Registered Mail							
<i>Vol-Var Costs</i>	8.8683	227.09	7.3153	24.721	1.5224	0	27901
<i>Col. Pct</i>	0.03	0.22	0.01	0.08	0	0	44.43
22--Certified Mail							
<i>Vol-Var Costs</i>	0.1012	0.0004	0	0	116.62	0.0235	0
<i>Col. Pct</i>	0	0	0	0	0.13	0	0
23--Insured Mail							
<i>Vol-Var Costs</i>	0	0	0	0	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0
24--COD							
<i>Vol-Var Costs</i>	0	0.0301	0.1079	0	0	0	0
<i>Col. Pct</i>	0	0	0	0	0	0	0
25--Special Handling							
<i>Vol-Var Costs</i>	0.3851	0.33	0.0324	277.19	0	0.7084	0
<i>Col. Pct</i>	0	0	0	0.92	0	0.03	0
26--P.O Box/Caller Srvc							
<i>Vol-Var Costs</i>	0.1267	0.006	0.0019	0	298.22	0.1257	0
<i>Col. Pct</i>	0	0	0	0	0.34	0.01	0
27--Other Spec. Services							
<i>Vol-Var Costs</i>	0.8102	5.0174	17.946	13992	405.59	0.8023	311.98
<i>Col. Pct</i>	0	0	0.03	46.41	0.47	0.03	0.5
Total	28948.7	101778	69726.1	30151.5	87166.6	2451.3	62795.5

ATTACHMENT

TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 18 REWRAP 925	MODS 18 1EEQMT 926	MODS 19 INTL ISC 931	MODS 49 LD49 938	MODS 79 LD79 939	MODS 99 1SUPP_F1 929	Total
1--Letters - Single Piece							
<i>Vol-Var Costs</i>	10877	8125.2	11501	69592	7486.1	163271	3087471
<i>Col. Pct</i>	46.58	31.32	6.07	29.65	4.56	35.96	
2--Letters - Presort							
<i>Vol-Var Costs</i>	924.04	2394.5	1956	69136	72126	57457	1131162
<i>Col. Pct</i>	3.96	9.23	1.03	29.45	43.94	12.65	
3--Cards - Single Piece							
<i>Vol-Var Costs</i>	339.3	234.06	191.89	4822.7	1024.4	6414	123379
<i>Col. Pct</i>	1.45	0.9	0.1	2.05	0.62	1.41	
4--Cards - Presort							
<i>Vol-Var Costs</i>	115.12	515.69	29.525	4022.7	1655	2298.8	46514
<i>Col. Pct</i>	0.49	1.99	0.02	1.71	1.01	0.51	
5--Priority Mail							
<i>Vol-Var Costs</i>	1884	2213	20999	1912.9	2174.8	37605	697001
<i>Col. Pct</i>	8.07	8.53	11.08	0.81	1.32	8.28	
6--Express Mail							
<i>Vol-Var Costs</i>	4.4496	332.1	4947.2	352.99	234.55	6314.9	117077
<i>Col. Pct</i>	0.02	1.28	2.61	0.15	0.14	1.39	
7--Mailgram							
<i>Vol-Var Costs</i>	189.05	1.7552	0	0.0058	260.55	65.119	1203.7
<i>Col. Pct</i>	0.81	0.01	0	0	0.16	0.01	
8-1 Periodicals-InCounty							
<i>Vol-Var Costs</i>	1.3823	25.71	20.151	980.2	1126.2	472.91	9721.4
<i>Col. Pct</i>	0.01	0.1	0.01	0.42	0.69	0.1	
8-2 Periodicals-OutsideC							
<i>Vol-Var Costs</i>	2082.6	1778.6	2185.7	38914	4931.1	30569	603955
<i>Col. Pct</i>	8.92	6.86	1.15	16.58	3	6.73	
10--Standard - ECR							
<i>Vol-Var Costs</i>	359.66	2052	686.41	2522.6	7646.7	13310	248537
<i>Col. Pct</i>	1.54	7.91	0.36	1.07	4.66	2.93	
11--Standard - Regular							
<i>Vol-Var Costs</i>	3541	7138.5	10493	18509	56407	104999	1959293
<i>Col. Pct</i>	15.16	27.52	5.54	7.88	34.36	23.13	
14--Packg S - Parcels							
<i>Vol-Var Costs</i>	714.28	280.58	6113.6	1113.1	2310.9	5217.7	97557
<i>Col. Pct</i>	3.06	1.08	3.23	0.47	1.41	1.15	
15--Packg S-Bound Print							
<i>Vol-Var Costs</i>	378.86	130.99	1713.1	2833.4	0.0525	2462	48341
<i>Col. Pct</i>	1.62	0.5	0.9	1.21	0	0.54	
16--Packg S-Media Mail							
<i>Vol-Var Costs</i>	608.6	75.748	819	849.78	569.22	1459.7	27831
<i>Col. Pct</i>	2.61	0.29	0.43	0.36	0.35	0.32	
18--USPS							
<i>Vol-Var Costs</i>	1170.3	240.79	1150.8	15620	4330.3	5232	112328
<i>Col. Pct</i>	5.01	0.93	0.61	6.65	2.64	1.15	
19--Free Mail							
<i>Vol-Var Costs</i>	0.2589	36.623	1084.4	225.59	0.5793	855.67	16042
<i>Col. Pct</i>	0	0.14	0.57	0.1	0	0.19	

ATTACHMENT

TABLE 3 : BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - PLANTS GROUP

Costpool (and associated facility space component number)

<i>Mail class</i>	MODS 18 REWRAP 925	MODS 18 1EEQMT 926	MODS 19 INTL ISC 931	MODS 49 LD49 938	MODS 79 LD79 939	MODS 99 1SUPP_F1 929	Total
20--International Mail							
<i>Vol-Var Costs</i>	3.5348	268.32	123659	882.02	603.16	12278	227823
<i>Col. Pct</i>	0.02	1.03	65.23	0.38	0.37	2.7	
21--Registered Mail							
<i>Vol-Var Costs</i>	12.692	37.69	1841.1	57.74	3.8658	1765.9	32699
<i>Col. Pct</i>	0.05	0.15	0.97	0.02	0	0.39	
22--Certified Mail							
<i>Vol-Var Costs</i>	0	1.1718	0	0.0322	0	7.3043	135.04
<i>Col. Pct</i>	0	0	0	0	0	0	
23--Insured Mail							
<i>Vol-Var Costs</i>	0	0.0869	0	0	0	0.0067	0.1244
<i>Col. Pct</i>	0	0	0	0	0	0	
24--COD							
<i>Vol-Var Costs</i>	0	0.1634	0	84.239	0	0.0179	84.57
<i>Col. Pct</i>	0	0	0	0.04	0	0	
25--Special Handling							
<i>Vol-Var Costs</i>	0	19.069	0	119.22	843.23	369.86	6955.8
<i>Col. Pct</i>	0	0.07	0	0.05	0.51	0.08	
26--P.O Box/Caller Srvc							
<i>Vol-Var Costs</i>	0	3.5097	91.592	0.295	0	56.634	1047.1
<i>Col. Pct</i>	0	0.01	0.05	0	0	0.01	
27--Other Spec. Services							
<i>Vol-Var Costs</i>	145	33.958	84.767	2184	412.97	1549.4	30823
<i>Col. Pct</i>	0.62	0.13	0.04	0.93	0.25	0.34	
Total	23351.1	25939.8	189568	234734	164147	454030	8626982

**TABLE 3 : BY 05 MAIL PROCESSING VOLUME-VARIABLE COSTS - POST OFFICES, STA's/BR's
(NonMODS Offices and MODS 1& 2 LDC 41-44 & 48)**

<i>Mail class</i>	<i>Costpool (and associated facility space component number)</i>									
	ALLIED 946	AUTO/MEC 947	EXPRS IN 948	EXPRS OUT 948	MANF 949	MANL 950	MANP 951	MISC 953	REGISTRY 952	Total
1--Letters - Single Piece										
<i>Vol-Var Costs</i>	134447	80905	3005.6	371.94	171032	483631	56615	197917	27577	1155502
<i>Col. Pct</i>	30.68	42.68	6.62	1.4	25.47	53.07	14.88	29.06	44.48	
2--Letters - Presort										
<i>Vol-Var Costs</i>	35107	49010	276.16	180.33	25404	192683	5245.1	100488	2322.8	410716
<i>Col. Pct</i>	8.01	25.85	0.61	0.68	3.78	21.14	1.38	14.76	3.75	
3--Cards - Single Piece										
<i>Vol-Var Costs</i>	3081.5	3315.6	0	18.785	465.81	26935	32.806	8963.7	327.06	43141
<i>Col. Pct</i>	0.7	1.75	0	0.07	0.07	2.96	0.01	1.32	0.53	
4--Cards - Presort										
<i>Vol-Var Costs</i>	1293.2	1078.6	0	11.271	87.648	7000.5	0	4341.2	308.71	14121
<i>Col. Pct</i>	0.3	0.57	0	0.04	0.01	0.77	0	0.64	0.5	
5--Priority Mail										
<i>Vol-Var Costs</i>	33625	116.21	1535.8	469.62	19145	3531	127686	32996	2269.2	221374
<i>Col. Pct</i>	7.67	0.06	3.38	1.76	2.85	0.39	33.55	4.85	3.66	
6--Express Mail										
<i>Vol-Var Costs</i>	3061.8	238.19	34851	21490	461.84	369.35	118.6	10500	4805.4	75896
<i>Col. Pct</i>	0.7	0.13	76.78	80.73	0.07	0.04	0.03	1.54	7.75	
7--Mailgram										
<i>Vol-Var Costs</i>	0	0	0	22.542	0	0	0	0	0	22.542
<i>Col. Pct</i>	0	0	0	0.08	0	0	0	0	0	
8-1 Periodicals-InCounty										
<i>Vol-Var Costs</i>	2632.2	0	0	0	5627.8	0.9149	0	1672.1	7.3515	9940.4
<i>Col. Pct</i>	0.6	0	0	0	0.84	0	0	0.25	0.01	
8-2 Periodicals-OutsideC										
<i>Vol-Var Costs</i>	40575	1001.4	540.57	15.028	146602	6210	3811	36337	239.32	235331
<i>Col. Pct</i>	9.26	0.53	1.19	0.06	21.83	0.68	1	5.34	0.39	
10--Standard - ECR										
<i>Vol-Var Costs</i>	52426	8420.5	0	3.757	79895	18922	4647.1	28225	437.21	192977
<i>Col. Pct</i>	11.96	4.44	0	0.01	11.9	2.08	1.22	4.14	0.71	
11--Standard - Regular										
<i>Vol-Var Costs</i>	99804	42757	458.63	3.757	201586	156871	70476	124026	1284.7	697268
<i>Col. Pct</i>	22.77	22.56	1.01	0.01	30.02	17.21	18.52	18.21	2.07	
14--Packg S - Parcels										
<i>Vol-Var Costs</i>	15581	43.904	281.92	18.785	2139.8	527.03	64445	19252	280	102569
<i>Col. Pct</i>	3.56	0.02	0.62	0.07	0.32	0.06	16.93	2.83	0.45	
15--Packg S-Bound Print										
<i>Vol-Var Costs</i>	6012.2	37.05	0	0	6622.5	762.68	20776	5731.6	127.41	40070
<i>Col. Pct</i>	1.37	0.02	0	0	0.99	0.08	5.46	0.84	0.21	

**TABLE 3 : BY 05 MAIL PROCESSING VOLUME-VARIABLE COSTS - POST OFFICES, STA's/BR's
(NonMODS Offices and MODS 1 & 2 LDC 41-44 & 48)**

<i>Mail class</i>	<i>Costpool (and associated facility space component number)</i>									
	ALLIED 946	AUTO/MEC 947	EXPRS IN 948	EXPRS OUT 948	MANF 949	MANL 950	MANP 951	MISC 953	REGISTRY 952	Total
16--Packg S-Media Mail										
<i>Vol-Var Costs</i>	2941	79.81	0	0	2286.4	862.51	18651	3042.5	125.18	27988
<i>Col. Pct</i>	0.67	0.04	0	0	0.34	0.09	4.9	0.45	0.2	
18--USPS										
<i>Vol-Var Costs</i>	4610.3	2381.5	2060.3	0	7864	9632	3251.2	15874	5060.3	50734
<i>Col. Pct</i>	1.05	1.26	4.54	0	1.17	1.06	0.85	2.33	8.16	
19--Free Mail										
<i>Vol-Var Costs</i>	788.41	176.08	0	0	384.74	829	1361.2	387.89	0.334	3927.7
<i>Col. Pct</i>	0.18	0.09	0	0	0.06	0.09	0.36	0.06	0	
20--International Mail										
<i>Vol-Var Costs</i>	2095.7	0	2378.6	3967.4	1890.7	2327.5	3433	5414.8	8513.6	30021
<i>Col. Pct</i>	0.48	0	5.24	14.9	0.28	0.26	0.9	0.8	13.73	
21--Registered Mail										
<i>Vol-Var Costs</i>	0	5.1432	0	30.056	0	170.31	0	3241.9	8304.5	11752
<i>Col. Pct</i>	0	0	0	0.11	0	0.02	0	0.48	13.4	
22--Certified Mail										
<i>Vol-Var Costs</i>	0	0	0	0	0	0	0	37655	1.9089	37657
<i>Col. Pct</i>	0	0	0	0	0	0	0	5.53	0	
23--Insured Mail										
<i>Vol-Var Costs</i>	0	0	0	0	0	0	0	1592.2	0.2344	1592.5
<i>Col. Pct</i>	0	0	0	0	0	0	0	0.23	0	
24--COD										
<i>Vol-Var Costs</i>	0	0	0	3.757	0	0	0	957.87	0.1125	961.74
<i>Col. Pct</i>	0	0	0	0.01	0	0	0	0.14	0	
26--P.O Box/Caller Srvc										
<i>Vol-Var Costs</i>	138.86	0	0	0	0	0	0	13.862	0.011	152.73
<i>Col. Pct</i>	0.03	0	0	0	0	0	0	0	0	
27--Other Spec. Services										
<i>Vol-Var Costs</i>	0	0	0	11.271	0	0	0	42322	2.4964	42336
<i>Col. Pct</i>	0	0	0	0.04	0	0	0	6.22	0	
Total	438219	189565	45388.2	26618.1	671497	911265	380549	680953	61995.3	3406051

TABLE 3: BY05 MAIL PROCESSING VOLUME-VARIABLE COSTS - BMCs

Mail class	Costpool (and associated facility space component number)						Total
	NMO	OTHR	PLA	PSM	SPB	SSM	
	945	941	940	942	944	943	
1--Letters - Single Piece							
<i>Vol-Var Costs</i>	741.64	9950.3	9512.3	3194.8	1727.8	502.6	25629
<i>Col. Pct</i>	2.19	5.19	3.69	3.03	3.62	1.46	
2--Letters - Presort							
<i>Vol-Var Costs</i>	0	384.57	321.51	0	0	0.0126	706.1
<i>Col. Pct</i>	0	0.2	0.12	0	0	0	
3--Cards - Presort							
<i>Vol-Var Costs</i>	0	170.9	30.266	0	0	0	201.17
<i>Col. Pct</i>	0	0.09	0.01	0	0	0	
5--Priority Mail							
<i>Vol-Var Costs</i>	646.96	1103	3077.2	2186	0.6668	104.42	7118.3
<i>Col. Pct</i>	1.91	0.58	1.19	2.07	0	0.3	
6--Express Mail							
<i>Vol-Var Costs</i>	138.99	0	61.859	0	0.081	0.5195	201.45
<i>Col. Pct</i>	0.41	0	0.02	0	0	0	
8-1 Periodicals-InCounty							
<i>Vol-Var Costs</i>	0	41.73	70.242	2.256	4.6385	25.043	143.91
<i>Col. Pct</i>	0	0.02	0.03	0	0.01	0.07	
8-2 Periodicals-OutsideC							
<i>Vol-Var Costs</i>	9.3733	8604	12099	207.89	3290.7	5989.8	30201
<i>Col. Pct</i>	0.03	4.49	4.69	0.2	6.89	17.41	
10--Standard - ECR							
<i>Vol-Var Costs</i>	1508.3	11320	13335	408.31	2665	1324.9	30561
<i>Col. Pct</i>	4.46	5.91	5.17	0.39	5.58	3.85	
11--Standard - Regular							
<i>Vol-Var Costs</i>	6325.1	93282	110892	35833	33107	17882	297321
<i>Col. Pct</i>	18.71	48.68	43.02	33.98	69.28	51.97	
14--Packg S - Parcels							
<i>Vol-Var Costs</i>	17796	25866	46814	21465	118.25	2292.2	114351
<i>Col. Pct</i>	52.65	13.5	18.16	20.36	0.25	6.66	
15--Packg S-Bound Print							
<i>Vol-Var Costs</i>	585.41	14772	25634	17843	4552.3	2960.1	66347
<i>Col. Pct</i>	1.73	7.71	9.94	16.92	9.53	8.6	
16--Packg S-Media Mail							
<i>Vol-Var Costs</i>	1883.1	17226	25281	20868	1648.3	1735.6	68642
<i>Col. Pct</i>	5.57	8.99	9.81	19.79	3.45	5.04	
18--USPS							
<i>Vol-Var Costs</i>	1648.7	2212	3376.6	644.38	216.83	243.46	8342.1
<i>Col. Pct</i>	4.88	1.15	1.31	0.61	0.45	0.71	
19--Free Mail							
<i>Vol-Var Costs</i>	25.726	1024.5	1609.7	822.97	40.111	143.73	3666.7
<i>Col. Pct</i>	0.08	0.53	0.62	0.78	0.08	0.42	
20--International Mail							
<i>Vol-Var Costs</i>	2385.7	4892.4	4985.1	1970.7	409.97	1196.4	15840
<i>Col. Pct</i>	7.06	2.55	1.93	1.87	0.86	3.48	
27--Other Spec. Services							
<i>Vol-Var Costs</i>	104.13	763.75	685.79	0	8.3714	7.0621	1569.1
<i>Col. Pct</i>	0.31	0.4	0.27	0	0.02	0.02	
Total	33798.8	191614	257784	105446	47789.8	34408.2	670841

Table 4. BY 05 IOCS Mail Processing Mixed-Mail Tallies - Clerks/Mailhandlers
 Crosswalk of Q.18 actv code to container information
 Allied Cost Pools - Plants
 (similar to Table 1 of Degen's Rebuttal Testimony, Docket No. R2000-1, Tr. 38/17324 (Aug 23, 2000)).

Shape	Mixed Actv(Q18)	Mixed Pallet and Container Tally Dollar Weights Adjusted to the Cost Pool (000)					Total	% of Total
		Letters	Flats	Parcels	Class	None		
Letters	5610	20,712	929	90	68	540	22,339	4.1%
Flats	5620	267	15,340	123	311	2,774	18,816	3.5%
Parcels	5700	337	1,880	8,777	2,014	3,665	16,674	3.1%
None	5750	189,580	130,272	85,452	44,520	37,100	486,923	89.4%
Total		210,895	148,422	94,442	46,913	44,079	544,752	100.0%
% of Total		39%	27%	17%	9%	8%	100%	
% 5750 of Total 5750		39%	27%	18%	9%	8%	100%	
% 5750 w/ shape or class from container out of total mixed-mail							83%	

Note: This table was created using the BY 2005 IOCS data set presented in USPS LR-L-9. Cost pool assignments are based on the MODS based cost distribution methodology described in Part II.

This methodology is also used to classify IOCS tallies as mixed tallies for:

- single bundles and single non-wheeled containers (empty and non-empty);
- contents occupied by bundles and non-wheeled containers on pallets, in short pallet boxes, and in wheeled containers;
- contents occupied by shapes of loose pieces on pallets, in short pallet boxes, and in wheeled containers.

All mixed-mail tallies are summed by those mixed tally categories and by activity code 5610, 5620, 5700, and 5750 (IOCS field F9806).

Mixed-mail tallies for single bundles and non-wheeled containers are based on IOCS fields Q20 and Q21B01.

The identified contents for pallets, short pallet boxes, and wheeled containers are based on IOCS fields Q21G01(A-T).

Mixed mail tallies are assigned to the above categories as follows:

Letters <-- loose cards and letters, and letter trays on pallets, in short pallet boxes and wheeled containers; single letter trays

Flats <-- loose flats, and flat trays on pallets, in short pallet boxes and wheeled containers; single flat trays

Parcels <-- loose IPP's and parcels in containers and small parcel trays

Class <-- all sacks (single or in pallet boxes, in short pallet boxes, and in wheeled containers)

None <-- all remaining tallies.

Table 5: BY 05 C/S 3 Mail Processing Costs and Volume-Variabilities by Cost Pool - PRC Version

A. MAIL PROCESSING - PLANTS GROUP		USPS	PRC Mail Proc	PRC Mail Proc	PRC Pool
SAS name	Cost Pool Title	Pool Total	Pool costs	Vol.Var. Costs	Volume-
		Costs	(exclude 'migrated')	(i.e. exclude 'fixed')	Variable
					Factor
Automated Equipment					
D/BCS	1 & 2 BCS/D/BCS	1,482,016	1,475,153	1,457,174	0.9878
OCR/	3 OCR*	201,547	200,470	197,724	0.9863
Mechanized, Letters & Flats					
AFSM100	4 AFSM100 - LDC 12 (incl. LDC 15 VCS Flat keying)	538,794	536,221	528,061	0.9848
FSM/	5 FSM - Other than FSM 1000 & AFSM100	-	-	-	
FSM/1000	6 FSM 1000	218,122	217,558	215,197	0.9891
Mechanized, Other					
MECPAR	7 Mechanized Parcels	5,031	5,031	4,674	0.9290
SPBS OTI	8 SPBS - Non Priority	410,170	408,619	396,934	0.9714
SPBSPRI	9 SPBS - Priority	145,691	144,729	139,953	0.9670
1SACKS_	10 Mechanical Sort - Sack Outside	24,665	24,449	22,476	0.9193
1TRAYSR	11 Mechanical Tray Sorter	159,847	159,440	150,371	0.9431
Manual Operations					
MANF	12 Manual Flats	239,251	237,106	231,757	0.9774
MANL	13 Manual Letters	917,249	906,346	889,652	0.9816
MANP	14 Manual Parcels	83,115	82,249	78,948	0.9599
PRIORITY	15 Manual Priority	317,740	314,637	305,489	0.9709
LD15	16 LDC 15 - RBCS	220,604	220,604	220,604	1.0000
Allied Operations					
1CANCEL	17 Cancellation	307,118	304,291	299,173	0.9832
1DSPATC	18 Dispatch	224,124	221,820	218,180	0.9836
1FLATPRI	19 Flats Preparation	298,948	298,200	295,624	0.9914
1MTRPRE	20 Mail Preparation - metered	29,801	29,536	28,687	0.9713
1OPBULK	21 Opening Unit - BBM	227,546	225,563	222,798	0.9877
1OPREF	22 Opening Unit - Preferred Mail	531,924	526,808	517,192	0.9817
1OPTRAN	23 Opening - Manual transport	127,912	127,094	118,812	0.9348
1PLATFRI	24 Platform	1,523,716	1,510,017	1,389,543	0.9202
1POUCHH	25 Pouching Operations	130,584	129,571	126,322	0.9749
1PRESOF	26 Presort	34,057	33,924	32,736	0.9650
1SACKS_	27 Manual Sort - Sack Outside	119,738	118,671	115,134	0.9702
1SCAN	28 Air Contract DCS and Incoming/SWYB	82,031	80,244	78,968	0.9841
Other Operations					
BUSREPL	29 Business Reply / Postage Due	35,472	35,046	34,297	0.9786
EXPRESS	30 Express Mail	102,549	101,645	101,116	0.9948
MAILGRA	31 Mailgram	2,884	1,874	1,874	1.0000
REGISTR	32 Registry	153,160	151,810	80,500	0.5303
REWRAP	33 Damaged Parcel Rewrap	27,472	27,156	26,205	0.9650
1EEQMT	34 Empty Equipment	30,517	30,155	29,867	0.9904
1MISC	35 Miscellaneous Activity	259,932	201,912	192,761	0.9547
1SUPPOF	36 Mail Processing Support	274,221	73,985	67,864	0.9173
LD49	37 LDC 49 - Computerized Forwarding Syst.	276,158	274,142	273,936	0.9992
LD79	38 LDC 79 - Mailing Req' & Bus. Mail Entry	193,114	178,363	84,683	0.4748
INTL ISC	39 ISCs (International Service Centers)	223,021	215,091	204,961	0.9529
PMPC	40 PMPCs (Priority Mail Processing Centers)				
MAIL PROCESSING TOTAL FOR PLANTS		10,179,841	9,829,530	9,380,247	0.9543

B. MAIL PROCESSING - POST-OFFICES, STATIONS & BRANCHES GROUP

SAS name	Cost Pool Title	USPS Pool Total Costs	PRC Mail Proc Pool costs (excl. 'migrated')	PRC Mail Proc Pool costs (excl. 'clock in/out')	PRC MP Volume- Variable Cost (excl. 'clock in/out')	PRC Pool Volume-Vari- al Fraction (incl. 'clock in/out')	PRC Mail Proc Pool costs (incl. 'clock in/out')	PRC MP Volume- Variable Cost (incl. 'clock in/out')	PRC Pool Volume-Variable Fraction
B.1 MODS 1&2 Offices									
LD41	LDC 41 - Unit Distribution - Automated	21,741	20,939				20,939	20,449	0.9766
LD42	LDC 42 - Unit Distribution - Mechanized	883	883				883	883	1.0000
LD43	LDC 43 - Unit Distribution - Manual	710,757	686,340				686,340	659,586	0.9610
LD44	LDC 44 - Post-Office Box Distribution	155,120	139,235				139,235	132,684	0.9530
LD48 EXP	LDC 48 - Customer Service / Express	24,577	23,982				23,982	23,866	0.9952
LD48 OTH	LDC 48 - Customer Service / Other .	225,446	162,352				162,352	148,695	0.9159
LD48_ADM	LDC 48 - Customer Service / Admin	282,660	134,009				134,009	111,103	0.8291
LD48_SSV	LDC 48 - Customer Service / Spec.Serv.	76,360	68,139				68,139	45,204	0.6634
	<i>Subtotal</i>	1,497,544	1,235,879				1,235,879	1,142,470	0.9244
B.2 Non-MODS Offices									
					(exclude 'clock in/out')				(include 'clock in/out')
ALLIED	Allied			363,343	352,525	0.9702	372,115	361,035	0.9702
AUTO/MECH	Automated/Mechanized			195,736	193,714	0.9897	200,461	198,391	0.9897
EXPRESS	Express Mail			49,668	49,668	1.0000	50,867	50,867	1.0000
MANF	Manual Flat			567,244	563,079	0.9927	580,938	576,673	0.9927
MANL	Manual Letter			742,418	731,448	0.9852	760,341	749,106	0.9852
MANP	Manual Parcel			289,301	287,268	0.9930	296,285	294,203	0.9930
MISC	Miscellaneous			537,451	380,274	0.7076	550,426	389,454	0.7076
REGISTRY	Registry			92,788	37,525	0.4044	95,028	38,431	0.4044
	<i>Subtotal</i>			2,837,949	2,595,501	0.9146	2,906,461	2,658,160	0.9146
	MAIL PROC.TOTAL FOR P.O. STA/BRs						4,142,340	3,800,630	0.9175

C. MAIL PROCESSING - BMCs GROUP

NMO	Non-Machinable Outside (NMO)			38,172	34,405	0.9013	39,763	35,839	0.9013
OTHR	Allied Labor & all other Mail Processing			216,407	205,428	0.9493	225,428	213,992	0.9493
PLA	Platform			291,140	270,707	0.9298	303,277	281,992	0.9298
PSM	Parcel Sorting Machine			119,089	115,415	0.9691	124,053	120,226	0.9691
SPB	SPBS & Irregular Parcels (IPP & 115)			53,973	52,043	0.9642	56,223	54,213	0.9642
SSM	Sack Sorting Machine			38,860	36,073	0.9283	40,480	37,577	0.9283
	MAIL PROCESSING TOTAL FOR BMCs			757,641	714,071	0.9425	789,225	743,839	0.9425

Table 5.1 BY 05 Subclass Volume-Variable Costs by Subgroups of Cost Pools, USPS and PRC Versions - Plants

Plants	Distribution Operations (ldc 11-15)		Allied Operations (ldc 17)		function 1 Support (ldc 18,misc&1support)		LDC 18-other (incl Spec.Srvcs Ops)		Other (isc,ldc 49,79)		Total for Plants	
	PRC	USPS	PRC	USPS	PRC	USPS	PRC	USPS	PRC	USPS	PRC	USPS
1--Letters - Single Piece	1,989,277	1,803,992	1,224,795	992,074	106,484	163,271	45,382	39,555	97,929	88,579	3,463,867	3,087,471
2--Letters - Presort	650,491	593,157	376,267	331,687	29,372	57,457	6,168	5,643	120,365	143,218	1,182,663	1,131,162
3--Cards - Single Piece	93,727	84,604	43,208	25,135	4,393	6,414	1,693	1,188	6,475	6,039	149,496	123,379
4--Cards - Presort	29,142	26,294	15,388	11,578	2,043	2,299	720	635	5,589	5,707	52,882	46,514
5--Priority Mail	427,571	352,086	262,009	273,587	16,333	37,605	9,782	8,637	26,148	25,087	741,842	697,003
6--Express Mail	7,891	6,326	38,372	29,316	3,661	6,315	81,225	69,586	6,022	5,535	137,170	117,077
7--Mailgram	663	593	198	94	15	65	215	191	135	261	1,227	1,204
8-1 Periodicals-InCounty	3,885	3,517	4,428	3,569	248	473	57	37	1,754	2,127	10,372	9,721
8-2 Periodicals-OutsideC	260,691	237,405	319,327	285,413	14,671	30,569	5,146	4,537	50,394	46,031	650,229	603,955
10--Standard - ECR	107,581	97,997	138,978	123,189	7,278	13,310	3,795	3,185	7,643	10,856	265,274	248,537
11--Standard - Regular	1,088,917	999,064	817,734	755,702	54,618	104,999	15,950	14,120	62,389	85,409	2,039,609	1,959,294
14--Packg S - Parcels	31,448	27,782	51,336	51,460	2,803	5,218	3,865	3,559	9,446	9,538	98,899	97,557
15--Packg S-Bound Print	23,745	21,167	23,968	19,217	1,769	2,462	1,109	949	5,206	4,547	55,796	48,341
16--Packg S-Media Mail	12,148	10,440	15,681	13,008	933	1,460	790	686	2,187	2,238	31,740	27,831
18--USPS	46,740	42,008	43,060	27,859	4,879	5,232	18,895	16,128	21,857	21,101	135,430	112,328
19--Free Mail	9,850	8,934	5,988	4,903	443	856	44	39	1,464	1,311	17,789	16,042
20--International Mail	45,845	40,717	52,113	30,087	7,217	12,278	24,105	19,598	133,753	125,144	263,034	227,824
21--Registered Mail	1,112	348	852	705	763	1,766	37,090	27,978	1,754	1,903	41,571	32,699
22--Certified Mail	741	0	78	10	802	7	1,455	118	72	0	3,149	135
23--Insured Mail	0	0	0	0	95	0	161	0	72	-	328	0
24--COD	0	-	0	0	0	0	2	0	0	84	2	85
25--Special Handling	0	2,663	77	2,664	82	370	1	297	207	962	367	6,956
26--P.O Box/Caller Srvc		0		597		57		302		92	-	1,047
27--Other Spec. Services	7,554	9,170	9,311	2,533	1,723	1,549	16,208	14,889	2,721	2,682	37,517	30,823
											-	-
Volume-Variable Costs	4,839,019	4,368,265	3,443,169	2,984,383	260,626	454,030	273,858	231,856	563,581	588,449	9,380,253	8,626,983
Volume-Variable Fraction	0.98	0.88	0.95	0.82	0.94	0.85	0.79	0.66	0.84	0.85	0.95	0.85
Total Mail Processing Costs	4,932,618	4,963,842	3,605,741	3,637,499	275,898	534,153	347,686	352,054	667,596	692,293	9,829,538	10,179,841

**Table 5.2 BY 05 Subclass Volume-Variable Costs by Subgroups of Cost Pools,
USPS and PRC Versions - Post-Offices, Stations, and Branches**

Post-Offices, Stations/Branches	LDC 41-44	non-MODS	Total	
	LDC 48	offices 1/	PRC	USPS
1--Letters - Single Piece	374,333	924,905	1,299,238	1,155,502
2--Letters - Presort	125,880	341,743	467,622	410,716
3--Cards - Single Piece	11,809	37,816	49,625	43,141
4--Cards - Presort	4,281	11,928	16,209	14,121
5--Priority Mail	87,073	148,055	235,128	221,374
6--Express Mail	36,788	50,204	86,992	75,896
7--Mailgram	0		0	23
8-1 Periodicals-InCounty	3,209	7,346	10,555	9,940
8-2 Periodicals-OutsideC	73,693	188,216	261,909	235,331
10--Standard - ECR	58,936	147,274	206,210	192,977
11--Standard - Regular	214,110	548,006	762,116	697,268
14--Packg S - Parcels	42,350	62,921	105,271	102,569
15--Packg S-Bound Print	12,791	28,634	41,425	40,070
16--Packg S-Media Mail	11,934	17,576	29,510	27,988
18--USPS	17,985	39,028	57,013	50,734
19--Free Mail	1,828	2,656	4,484	3,928
20--International Mail	16,104	14,892	30,996	30,021
21--Registered Mail	6,323	8,267	14,590	11,752
22--Certified Mail	15,439	35,835	51,274	37,657
23--Insured Mail	2,429	264	2,694	1,593
24--COD	808	276	1,084	962
26--P.O Box/Caller Srvc	83		83	153
27--Other Spec. Services	24,285	42,319	66,603	42,336
Volume-Variable Costs	1,142,471	2,658,161	3,800,632	3,406,051
Volume-Variable Fraction	0.92	0.91	0.92	0.83
Total Mail Processing costs	1,235,880	2,906,458	4,142,338	4,115,979

1/ includes clocking in/out costs (see PRC Workpapers WS 3.1.1a)

Table 5.3 BY 05 Subclass Volume-Variable Costs by Subgroups of Cost Pools, USPS and PRC Versions - BMCs

BMCs	Distribution operations		Allied operations		Total	
	PRC 1/	USPS	PRC 1/	USPS	PRC 1/	USPS
1--Letters - Single Piece	6,940	6,167	25,030	19,463	31,970	25,629
2--Letters - Presort	0	0	920	706	920	706
3--Cards - Presort	-	-	160	201	160	201
5--Priority Mail	3,294	2,938	5,313	4,180	8,606	7,118
6--Express Mail	148	140	62	62	210	201
8-1 Periodicals-InCounty	35	32	134	112	169	144
8-2 Periodicals-OutsideC	10,506	9,498	25,553	20,703	36,059	30,201
10--Standard - ECR	6,540	5,907	27,409	24,655	33,949	30,562
11--Standard - Regular	104,656	93,147	224,373	204,174	329,029	297,321
14--Packg S - Parcels	45,999	41,671	77,137	72,680	123,136	114,351
15--Packg S-Bound Print	29,355	25,941	43,556	40,406	72,911	66,347
16--Packg S-Media Mail	29,562	26,135	46,153	42,507	75,715	68,642
18--USPS	2,997	2,753	6,546	5,589	9,543	8,342
19--Free Mail	1,169	1,033	2,456	2,634	3,624	3,667
20--International Mail	6,553	5,963	10,075	9,878	16,628	15,840
27--Other Spec. Services	103	120	1,110	1,450	1,213	1,569
Volume-Variable Costs	247,856	221,443	495,985	449,398	743,841	670,841
Volume-Variable Fraction	0.95	0.85	0.94	0.85	0.94	0.85
Total Mail Processing costs	260,521	260,521	528,705	528,704	789,227	789,225

1/ includes clocking in/out costs (see PRC Workpapers WS 3.1.1a)