Postal Rate Commission
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UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes Docket No. R2006-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 5

(Issued June 14, 2006)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for a recommended decision on proposed rates, fees and classifications. To facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided by June 28, 2006.

1. Please provide a generalized description of the flow of the following categories of Standard Mail through the Postal Service from entry to delivery. In the response, please use a format similar to that provided by Pitney Bowes Inc., in interrogatories to the Postal Service in Docket No. R2005-1. *See* Tr. 5/1650-75 (PB/USPS-T-29-8).
   a. Nonautomated Mixed ADC Flat, Nondestination Entry
   b. Nonautomated ADC Flat, Nondestination Entry
   c. Nonautomated 3-Digit Flat, Nondestination Entry
   d. Nonautomated 5-Digit Flat, Nondestination Entry
   e. Nonautomated Mixed ADC/BMC Hybrid Flat, Nondestination Entry
   f. Nonautomated ADC/BMC Hybrid Flat, Nondestination Entry
   g. Nonautomated 3-Digit Hybrid Flat, Nondestination Entry
   h. Nonautomated 5-Digit Hybrid Flat, Nondestination Entry
   i. Nonautomated Mixed ADC/BMC Hybrid Parcel, Nondestination Entry

j. Nonautomated ADC/BMC Hybrid Parcel, Nondestination Entry
k. Nonautomated 3-Digit Hybrid Parcel, Nondestination Entry
l. Nonautomated 5-Digit Hybrid Parcel, Nondestination Entry
m. Nonautomated, Nonmachinable Mixed ADC Parcel, Nondestination Entry
n. Nonautomated, Nonmachinable ADC Parcel, Nondestination Entry
o. Nonautomated, Nonmachinable 3-Digit Parcel, Nondestination Entry
p. Nonautomated, Nonmachinable 5-Digit Parcel, Nondestination Entry
q. Nonautomated, Machinable Mixed ADC Parcel, Nondestination Entry
r. Nonautomated, Machinable ADC Parcel, Nondestination Entry
s. Nonautomated, Machinable 3-Digit Parcel, Nondestination Entry
t. Nonautomated, Machinable 5-Digit Parcel, Nondestination Entry
u. Nonautomated, Machinable Mixed BMC Parcel, Nondestination Entry
v. Nonautomated, Machinable BMC Parcel, Nondestination Entry

2. In Docket No. MC95-1, the Postal Service developed unit attributable cost from the "bottom up," by shape, for the presort and prebarcoded rate categories in First-Class and Standard Mail. Total unit attributable cost for each rate category was equal to the sum of unit attributable mail processing cost, unit attributable delivery cost, unit attributable transportation cost, and all other unit attributable costs. *See* Docket No. MC95-1, Exhibit USPS-T-12C. The Postal Service proposed to use differences in unit total attributable cost as the basis for setting the discounts (i.e., the rate differentials) between rate categories. The Commission rejected that approach in favor of using only differences in unit attributable mail processing costs plus unit attributable delivery costs (in-office and street time) as the basis for rate differences. The Commission explained that presorting and prebarcoding would only directly affect mail processing and delivery costs and that any other differences in total attributable cost would be

due to factors other than worksharing. PRC Op. MC95-1, paras. 4208-13. Accordingly, beginning with the restructured rates implemented in Docket No. MC95-1, worksharing differentials in First-Class, Standard Mail, and Periodicals (excluding dropship discounts) have been based on differences in both unit attributable mail processing costs and unit attributable delivery costs.

In the current docket, the cost basis of the Postal Service's proposed worksharing discounts varies from subclass to subclass. First-Class worksharing rate differentials are based on unit attributable mail processing costs. The piece-based worksharing differentials in Periodicals reflect differences in both unit attributable mail processing costs and unit attributable delivery costs. The worksharing rate differentials in Standard Regular and Regular Nonprofit reflect only differences in unit attributable mail processing cost. Worksharing rate differentials in Enhanced Carrier Route and Non-Profit Enhanced Carrier Route reflect differences in both unit attributable mail processing and delivery costs.

a. A review of the unit attributable delivery costs in USPS-LR-L-67, Table 1, shows that for some subclasses, delivery costs vary only by shape. Thus, for example, within a flat-shaped mail category, the unit attributable delivery cost would be the same for each presort and barcode category. This could be a reason for ignoring delivery cost, at least when calculating presort/barcode discounts. However, in First-Class there are differences in unit attributable delivery cost between nonautomated letters and automated letters and in Standard Mail there are differences in unit attributable delivery cost between nonmachinable and machinable letters. The rate design witnesses for First-Class and Standard Mail have not provided a rationale for departing from the "MC95-1" approach and ignore those differences. The Postal Service is requested to have the appropriate witness for each subclass provide a rationale for departing from the MC95-1 approach, or, if the Postal Service prefers, provide

revised rate design spreadsheets that incorporate both differences in mail processing and delivery unit attributable cost.

b. The rate design for Bound Printed Matter (BPM) proposed by the Postal Service is also inconsistent with the precedent established in Docket No. MC95-1. The proposed presort differentials are based on unit mail processing attributable cost only, which is consistent with past rate cases, but the flat-parcel differential is based on only differences in unit attributable delivery cost. Similarly, Media Mail presort discounts are based on differences only in unit attributable mail processing costs, ignoring unit attributable delivery costs. In Docket No. R2001-1, the Postal Service acknowledged that BPM shape-related cost differences could include mail processing cost differences, adding that it would explore this possibility in future rate cases. (*See* Docket No. R2001-1, USPS-T-33 at 30.) The Postal Service is requested to have its rate design witness for BPM and Media Mail provide a rationale for departing from the MC95-1 approach, or alternatively, to provide revised rate design spreadsheets that incorporate unit attributable costs for both mail processing and delivery.

c. In prior rate cases, the Postal Service provided the unit attributable delivery cost for all letter rate categories in First-Class Mail and Standard Mail. (*See*, for example, Docket No. R2005-1, USPS-LR-K-67, Table 1.) The separate rate category unit costs reflected differences in the percentage of DPS letters. As noted above, in this docket, the Postal Service has not provided unit attributable delivery cost for all letter rate categories. Please provide the rationale for not calculating unit attributable delivery costs for all letter rate categories reflecting differences in the percentage of DPS mail.

3. In previous omnibus rate cases, beginning with Docket No. R90-1, the Postal Service's direct testimony on rate design has included a discussion of the rationale for its selected percentage passthroughs of shape-related costs into the discounted rates. The "presort tree" presented by the Postal Service provided an analytical framework for evaluating percentage passthroughs for presort, automation, and shape-related costs. Its essential feature was the use of a single benchmark rate with which all other subclass rates could be compared. *See* Docket No. R90-1, USPS-T-20 at 89-127. This analytical framework improved the Commission's understanding of the Postal Service's rationale underlying its rate design, and facilitated its application of the policies of the Postal Reorganization Act and its pricing factors to the Postal Service's proposed rates. In subsequent rate cases, this approach also made it feasible to evaluate each discounted rate in a subclass for consistency with the principle of Efficient Component Pricing.

For each of the Standard Mail subclasses, the Postal Service in this docket has apparently abandoned the comprehensive approach to rate design that is illustrated graphically by use of the presort tree. The Postal Service's proposed rates in this docket are based on multiple benchmarks, rather than the traditional single benchmark rate that was the essence of the "presort tree" methodology. The Postal Service's rate design testimony does not include any discussion of percentage passthroughs of shape-related cost differences into the proposed rates and the consistency of those implied passthroughs with the pricing factors of the Act. To facilitate evaluation of the Postal Service's proposed discounted rates with the pricing factors of the Act, as well as the principle of Efficient Component Pricing:

a. Please provide the rationale for abandoning the presort tree methodology in favor of using multiple benchmarks in designing rates within each of the subclasses of Standard Mail.

b. Please evaluate the amount of each proposed discount in relation to the subclass piece that is most costly in terms of all relevant characteristics including shape, automation compatibility, machinability, and presort level. To assist the Postal Service in responding to this item, two presort trees are diagramed in the attachments to this Presiding Officer's Information Request. Either analytical approach could be used to relate all percentage passthroughs of cost differences in the Standard Regular subclass to one another. Attachment 1 illustrates a presort tree that is consistent with the rate design methodology that underlies the discounted rates for Standard Regular mail that was recommended in Docket No. R2000-1. Attachment 2 illustrates a presort tree that reflects the way the Postal Service has apparently developed proposed rates for Standard Regular mail in this docket. In responding to this item, the Postal Service may use these, or any other framework, that relates the percentage passthroughs implied by each discounted rate to all other discounted rates within the subclass.

c. In previous rate cases, automation discounts in Standard Mail have been calculated as the difference in avoidable worksharing unit cost between a nonautomated presort category and the corresponding automated rate category. The cost difference was then multiplied by a percentage passthrough to calculate the discount. In this docket, the Postal Service proposes to calculate automation discounts with reference only to other automation categories. Please provide the rationale for calculating all automation discounts without reference to nonautomation rates.

4. The instant proposal incorporates changes in the methodology used to estimate Standard Regular mail worksharing-related cost avoidances from the methodology approved by the Commission in Docket No. R2000-1 when these issues were last fully litigated. The changes include, but are not limited to:

- the use of a single CRA-derived mail processing unit cost estimate for presort letters and flats;
- the elimination of the distinction between worksharing-related fixed and nonworksharing-related fixed cost pools; and
- the absence of rate category-specific unit delivery costs, estimated using the DPS percentages from the engineering models.

In order for the Commission and the participants to understand the impact that these proposed methodological changes would have on estimates of avoided costs, please provide a complete set of cost avoidances for Standard Regular mail based on the methodology incorporated in USPS-LR-K-102 and 110 in Docket No. R2005-1, including all underlying calculations. Also calculate the resulting passthroughs implied by the proposed rates. Please make reasonable assumptions as necessary, and provide explanations for any assumptions made.

5. The instant proposal incorporates several major changes in the methodology used to estimate First-Class Mail worksharing-related cost avoidances from the methodology incorporated in USPS-LR-K-102 and 110 in Docket No. R2005-1. The changes include, but are not limited to:
   - the elimination of the Bulk Metered Mail (BMM) benchmark
   - the use of a single CRA-derived mail processing unit cost estimate for presort letters (as opposed to separate CRA-derived estimates for nonautomation presort and automation presort)
   - the elimination of the distinction between worksharing-related fixed and nonworksharing-related fixed cost pools;
   - the absence of an estimated worksharing-related unit cost of 5-digit (CSBCS/manual) automation presort letters; and
   - the absence of rate category-specific unit delivery costs, estimated using the DPS percentages from the engineering models.

a. In order for the Commission and the participants to understand the impact that these proposed methodological changes would have on estimates of avoided costs, please provide a complete set of cost avoidances for First-Class Mail based on the methodology incorporated in USPS-LR-K-102 and 110 in Docket No. R2005-1, including all underlying calculations. Also calculate the resulting passthroughs implied by the proposed rates. Please make reasonable assumptions as necessary, and provide explanations for any assumptions made.

b. Please refer to USPS-T-22, page 6, lines 10-21. Witness Abdirahman explains the rationale for eliminating the distinction between worksharing-related and nonworksharing-related cost pools: "All analysis of workshare-related activities are constrained within the self-contained CRA set of costs associated with Presort Letters." Please confirm that the distinction between worksharing-related and nonworksharing-related cost pools is eliminated solely because the use of a single CRA set of costs makes any such distinction moot in the computation of cost avoidances. If not confirmed, please identify and fully explain all other rationales.

6. This question seeks information on the distribution of mail volumes listed in USPS-LR-L-12.

a. Please provide a table listing the rate category names for the following codes listed in LOTUS.RURAL.FY2005.FY05MC.DATA.

111, 112, 113, 114, 115, 116, 117, 118, 119, 121, 122, 123, 124, 125, 126, 127, 128, 129, 131, 132, 133, 134, 135, 136, 138, 139, 141, 142, 143, 144, 145, 146, 151, 152, 153, 156, 157, 158, 159, 161, 162, 163, 164, 171, 172, 173, 176, 181, 182, 183, 193, 201, 202, 203, 204, 205, 206, 208, 209, 301, 302, 303, 304, 305, 306, 307, 308, 411, 412, 413, 414, 415, 416, 417, 418, 421, 422, 423, 424, 425, 426, 427, 428, 431, 432, 433, 434, 435, 436, 437, 441, 442, 443, 444, 445, 447, 451, 452, 453, 454, 457, 461, 462, 463, 464, 465, 467, 511, 512, 513, 514, 515, 516, 518, 521, 522, 523, 524, 525, 528, 541, 542, 543, 544, 545, 546, 547, 603, 604, 605, 606, 608, 609, 711, 712, 713, 714, 715, 717, 718, 719, 721, 723, 724, 725, 811, 812, 813, 814, 815, 816, 819, 824, 825, 911, 912, 913, 914, 915, 916, 919, 921, 922, 923, 924, 925, 931, 933, 934, 935, 943, 944, 945, 11A, 11B, 11C, 11D, 11E, 11F, 12E, 13E, 14E, 15D, 15E, 20A, 20B, 20C, 20D, 20E, 20F, 41A, 41D, 41E, 41F, 42D, 42E, 44E, 45E, 51A, 51C, 51D, 51E, 51F, 52A, 52C, 52D, 52E, 52F, 54A, 54D, 54E, 60C, 71B, 71C, 71D, 71E, 81B, 81E, 82B, 82C, 82D, 82E, 91B, 91E, 91F, 92B, 92C, 92E, 92F, 93B, 93C, 93D, 93E, 93F, 94B, 94D, 94E, A01, A03, A04, A05, A09, A0E.

b. Please provide a table that assigns a shape category listed in B_Workpapers, file CS10.xls, worksheet “Inputs DK,” (e.g. DPS, LETTERS, SEC SEG LETTERS, OTHER LETTERS, FLATS DEL, PARCELS DEL, BOXHLDRS DEL, ACCTBLS DEL, POSTAGE DUE) to the “rate category codes” listed in question 1.a. Please name those rate categories that do not have a shape that matches the shapes in question 1.b. as “No Shape Match.”

7. Please provide a table, using LOTUS.RURAL.FY2005.FY05MC.DATA, which shows the mail volume for each of the rate category codes listed in question 1.a. above, by the shape variables listed in question 1.b. above.

8. Please provide a table that matches mail volume for each rate category code by shape produced in question 6.b. with the mail volume by rate category by shape shown in B_Workpapers, file CS10.xls, worksheet “Inputs DK.” Please account for any discrepancies between the shape/rate category volumes listed in B_Workpapers, file CS10.xls, worksheet “Inputs DK, and LOTUS.RURAL.FY2005.FY05MC.DATA.

9. For Bound Printed Matter, the calculation of the value of leakages is based on the actual discounts. (*See* USPS-LR-L-41, workbook “R2006_USPS-LR-L-41_BPM Spreadsheets.xls,” sheet “Revenue Leakages,” column [E].) This does not seem to be the case for the other two Package Services, Parcel Post and Media/Library Mail.
   a. USPS-LR-L-82, workbook “WP-ParcelPost.xls,” sheet “Leakages & Surcharges,” calculates the value of leakages and surcharges in column [C] using the unit cost savings form the “inputs” sheet rather than the actual proposed discounts and surcharges. Please provide the rationale for using unit savings rather than the actual proposed discounts and surcharges in the calculation of their value for Parcel Post. Alternatively, please provide revised workpapers showing the calculation based on actual discounts and surcharges.
   b. USPS-LR-L-41, workbook “R2006_USPS-LR-L-41_Media and Library Spreadsheets.xls,” sheet “TYBR Per Unit Costs,” WP-MM-8, calculates the value of leakage from 5-Digit Presort and Basic Presort in column [C] using the cost savings from the “inputs” sheet rather than the actual proposed discounts. Please provide the rationale for using unit savings rather than the actual proposed discounts in the calculation of their value for Media/Library Mail. Alternatively, please provide revised workpapers showing the calculation based on actual discounts.

10. In response to question 3 of POIR 2, the Postal Service states that "[i]n Docket No. R2006-1, neither the ENCIRCLE program in the PRC version nor the corresponding portion of the ENCIRCLE program in the USPS version is used." Examining the Postal Service version of the mail processing SAS programs shows that SAS program MOD1POOL in USPS-LR-L-55 utilizes the encirclement rules. The documentation of USPS-LR-L-55 also references using the encirclement rules. *See* Attachment 3.
    a. Please provide the rationale for removing the encirclement rules from the PRC version, but including them in the USPS version.
    b. Provide a revised PRC version of USPS-LR-L-100 if encirclement rules should have been included in the PRC version and the deletion of the encirclement program was an oversight.

11. Please provide a copy of the current version of the Postal Operations Manual (POM).

The following eight questions involve the method and accuracy of the CCS and RCS studies. They specifically deal with Periodical volume and cost distributions. Table 1 is the basis for questions 12-14.

Table 1

	Volume (000)	A Letters	B Flats	C Parcels
1	**RPW**	159,750	8,908,484	1,769
2	**RCS (without boxholder)**	117,215	2,721,016	5,434
3	**CCS**	233,294	5,211,119	32,035
4	**Ratio of RCS to RPW**	0.239		0.255
5	**RCS Adjusted with Boxholder**	38,224	2,810,948	452
6	**Ratio of CCS to RPW**	0.550		0.499
7	**CCS Adjusted**	87,800	5,387,766	883
8	**Delivered Volume**	126,023	8,198,714	1,335
9	**Ratio of Delivered to RPW**	0.7889	0.9203	0.7547

From Workbook "VolAdj.USPS.xls"

1	=PeriodicalsVolAdj!C9-11	
2	=PeriodicalsVolAdj!G9-11	
3	=PeriodicalsVolAdj!D9-11	
4	=LetterVols!G9	=ParcelVols!I15
5	=PeriodicalsVolAdj!H9-11+'8.RuralCrosswalk'!G12,K12,N12	
6	=LetterVols!F9	=ParcelVols!H15
7	=PeriodicalsVolAdj!E9-11	

12. Please confirm (if not confirmed, please explain):

a. The Periodical volumes in line 3, “CCS,” are used in the B workpapers’ Cost Segment 6 and 7 distribution key, which distributes volume variable costs by shape, to class and subclass.

b. The Periodical volumes in line 7, “CCS Adjusted,” are developed in USPS-LR-L-67 and used in conjunction with the Periodical Volumes in line 3 (“CCS”) to redistribute the existing CCS class costs (developed in part a.) by shape within the class.

c. The Periodical volumes in line 2, “RCS (without boxholder),” are used in the B workpapers’ Cost Segment 10 distribution key, which distributes volume variable costs by shape, to class and subclass.

d. The Periodical volumes in line 5, “RCS Adjusted with Boxholder” are developed in USPS-LR-L-67 and used in conjunction with the Periodical Volumes in line 2 (“RCS”) to redistribute the existing RCS class costs (developed in part b.) by shape within the class.

13. Please confirm (if not confirmed, please explain):

a. The ratio of RCS to RPW Letters, where the volumes in the numerator and the denominator are the sum of piece volumes for “Total First-Class Single Piece, Priority, Standard, and Free/US Postal Service” (as measured by the RCS and RPW, respectively), is used to develop “RCS Adjusted” Letter Volume by multiplying this ratio by the RPW Periodical Letter Volume.

b. The ratio of CCS to RPW Letters, where the volumes in the numerator and the denominator are the sum of piece volumes for “Total First-Class Single Piece, Priority, Standard, and Free/US Postal Service” (as measured by the CCS and RPW, respectively), is used to develop “CCS Adjusted” Letter Volume by multiplying this ratio by the RPW Periodical Letter Volume.

c. The ratio of RCS to RPW Parcels, where the volumes in the numerator and the denominator are the sum of piece volumes for “Total First-Class Single Piece, Priority, Post-Crosswalk Standard Regular, Bound Printed Matter, Zone Rate Parcels, Media Mail, and Free/US Postal Service Mail” (as measured by the RCS and RPW, respectively), is used to develop “RCS Adjusted” Parcel Volume by multiplying this ratio by the RPW Parcel Volume.

d. The ratio of CCS to RPW Parcels, where the volumes in the numerator and the denominator are the sum of piece volumes for “Total First-Class Single Piece, Priority, Post-Crosswalk Standard Regular, Bound Printed Matter, Zone Rate Parcels, Media Mail, and Free/US Postal Service Mail” (as measured by the CCS and RPW, respectively), is used to develop “CCS Adjusted” Parcel Volume by multiplying this ratio by the RPW Parcel Volume.

e. The difference in volume between cells A3 and A7 is shifted from Letters to Flats. The difference in volume between cells A2 and A6 is shifted from Letters to Flats.

f. The difference in volume between cells C3 and C7 is shifted from Parcels to Flats. The difference in volume between cells C2 and C6 is shifted from Parcels to Flats.

14. When developing the RCS/RPW and CCS/RPW ratios, please explain the rationale for including or excluding the volumes of each subclass. Please focus the response on the shared characteristics (e.g., the percentage of mail delivered) between the included volumes and Periodicals.

15. Please explain why, using the adjusted volumes found in lines 5 and 7, the ratios of Delivered Volume to RPW for Letters and Parcels are 13.1% and 16.6% smaller, respectively, than the ratio for Flats. Please focus on the specific manner in which these shapes' characteristics cause this difference.

16. USPS-T-30 at page 15, beginning at line 6 states that "[S]ince the costs and volumes are derived from different systems, the possibility exists that the estimated aggregate volume from CCS, which provides a distribution key for cost segment 7 and 10 costs, exceeds the estimated total originating volume. This is an incongruous result since it leads to the conclusion that more mail from a specific rate category is delivered on city and rural routes than was mailed. USPS-LR-L-67 handles this situation by transferring costs from cost segments 6, 7, and 10 from the rate category with the anomalous estimated volume to a rate category that does not have this situation. In practical terms, the volume variable cost segment 6, 7, and 10 costs are generally transferred from parcels to flats within a particular category of mail…" (Footnote omitted.)

a. Please confirm that the statement quoted above is the rationale behind the shifts of volumes of parcels to flats. If not, please explain fully.
b. If so, please identify the reasons that the RCCS and CCCS surveys cause this type of discrepancy (e.g., mistaking flats for parcels).
c. Please explain if, and how, the above statement also applies to the letter to flat volume shift.
d. If the above statement applies to the letter to flat volume shift, please identify the reasons that the RCCS and CCCS surveys cause this type of discrepancy (e.g., mistaking flats for letters).
e. Would you agree that the ODIS/RPW survey generally produces more reliable results than the RCCS and CCCS surveys? Please discuss measures taken to evaluate the reliability of RCCS and CCCS volume estimates when the delivered volume is not higher than the originating volume (e.g., parcel crosswalk).

The following table, which contains Segment 10 rural carrier data, is the basis of questions 17, 18, and 19.

Table 2

		A	B	C	D	E	F	G
		DPS Letters	Sec Seg Letters	Other Letters	Flats Del	Parcels Del		
1	Periodical Volume (000)	15,602	1,890	99,723	2,721,016	5,434		
		DPS	Sec Seg	Letters	Flats	Parcels		
2	Periodical Cost (000)	243	84	4,495	144,278	1,538		
3	Unit Cost	0.0156	0.0442	0.0451	0.0530	0.2831		
		dLet/rDps	dLet/rSS	dFlat/rFlat	dFlat/rFlat	dPar/dPar	dFlat/rLet	dFlat/rPar
4	Periodical Volume (000)	15,602	1,890	20,626	2,721,016	451	79,097	4,983
5	Periodical Cost (000)	243	84	930	144,278	128	3,565	1,411
6	Unit Cost	0.0156	0.0442	0.0451	0.0530	0.2831	0.0451	0.2831

1	USPS-LR-L-5	
	File	"I-Forms.xls"
	Worksheet	"I-CS10.RCS"
2-3	USPS-LR-L-67	
	File	"UDCModel.USPS.XLS"
	Worksheet	"6.Rural Cost"
4-6	USPS-LR-L-67	
	File	"UDCModel.USPS.XLS"
	Worksheet	"8.Rural Crosswalk"

17. Please confirm, with respect to the above table, the following (If not confirmed, please explain fully):
    a. The volumes in A1-E1 are the Periodical Volumes (as measured by the RCCS) used in Cost Segment 10 to distribute shape costs to subclass.
    b. The costs in A2-E2 are those found in CS10, worksheets 10.1.2 and 10.2.2.
    c. The unit costs in A3-E3 are those developed by the RCCS, used in conjunction with the volumes found in A1-E1 to develop the CS10 costs found in A2-E2.
    d. The volumes in A4-E4 are the Periodical Volumes found in the “8.Rural Crosswalk” sheet, file UDCMODEL.USPS in LR-L-67, correlating to the volume shift described earlier.
    e. The letters shifted to flats are considered “Other Letters,” and the cost shift, per unit, is the “Other Letter” unit cost.

f. The parcels shifted to flats are considered “Parcels,” and the cost shift, per unit, is the “Parcels” unit cost.

18. Please explain:

a. why pieces moved from Letters to Flats (see question 17.e.) incur costs as “Other Letters;”

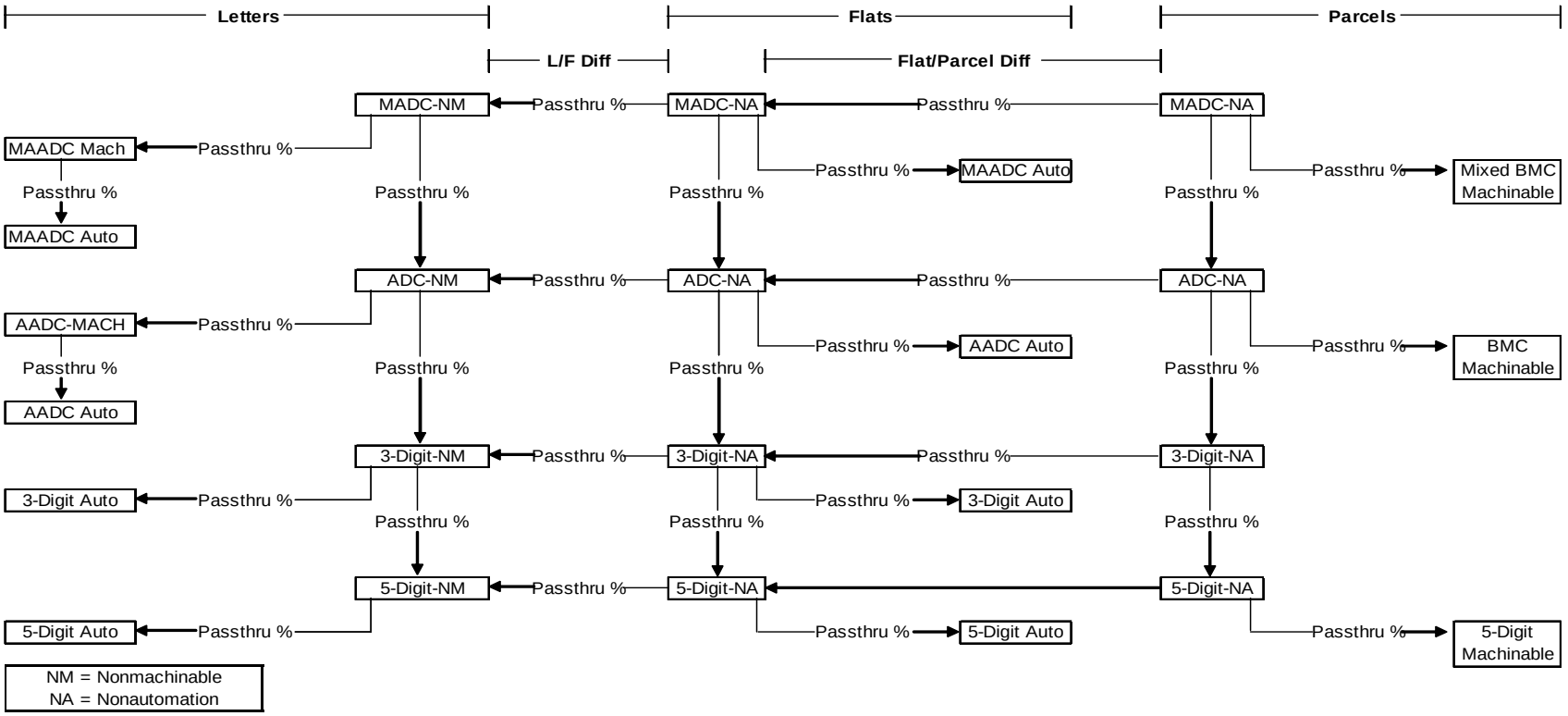
b. why pieces moved from Parcels to Flats (see question 17.f.) incur costs as “Parcels.”

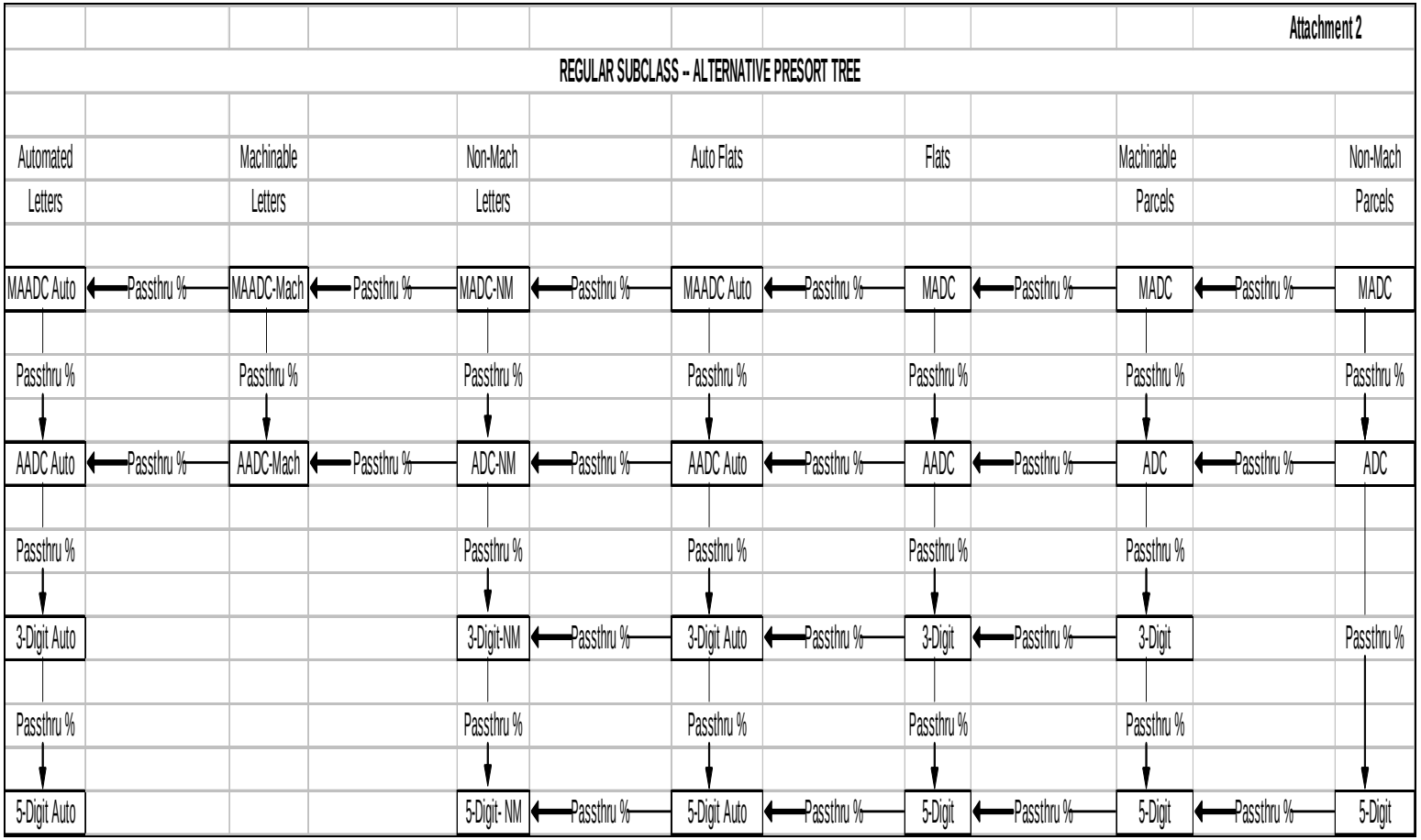
19. Please provide, for cost segments 6 and 7, a table similar to Table 2, as well as a rationale behind the cost shifts.

George Omas
Presiding Officer

Attachment 1

REGULAR SUBCLASS PRESORT TREE




Attachment 2
REGULAR SUBCLASS -- ALTERNATIVE PRESORT TREE
Automated Letters
Machinable Letters
Non-Mach Letters
Auto Flats
Flats
Machinable Parcels
Non-Mach Parcels
MAADC Auto
Passthru %
MAADC-Mach
MADC-NM
MADC
AADC Auto
AADC-Mach
ADC-NM
AADC
ADC
3-Digit Auto
3-Digit-NM
3-Digit
5-Digit Auto
5-Digit- NM
5-Digit