

**DOCKET SECTION**

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

**NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF REVISIONS TO  
INTERROGATORY RESPONSES OF WITNESS DANIEL (USPS-T-29)**

The United States Postal Service hereby provides notice that it is today filing revisions to the following interrogatory responses of witness Daniel (USPS-T-29):

ABA&EEI&NAPM/USPS-T29-14 a-b  
ANM/USPS-T29-8  
ANM/USPS-T29-10  
ANM/USPS-T29-11  
ANM/USPS-T29-12  
ANM/USPS-T29-14  
ANM/USPS-T29-15  
ANM/USPS-T29-16d  
ANM/USPS-T29-17b  
ANM/USPS-T29-21  
MASA/USPS-T29-1a  
MASA/USPS-T29-4a  
MMA/USPS-T29-1 f-g  
MMA/USPS-T29-6  
NAA/USPS-T29-2 a-b  
NAA/USPS-T4-6  
NFN/USPS-T29-1  
NFN/USPS-T29-2  
POIR #3 Question 20

These revisions are consistent with the errata filed on October 1, 1997 to witness Daniel's testimony, exhibits, and appendices. Copies of corrected pages of witness Daniel's interrogatory responses are attached to this Notice. Corrections appear in

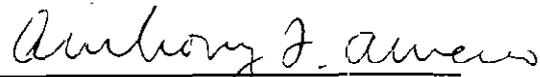
bold text. The Postal Service regrets any inconvenience occasioned by this filing.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 6, 1997

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

Revised 10/6/97

**ABA&EEI&NAPM/USPS-T29-14.**

(a) Please confirm that in your Exhibit USPS-29C, pages 1 and 2, the mail processing unit costs for First Class Automation 3 digit are 4.5477 cents while they are 4.7255 cents for standard class Automation 3 digit.

(b) Please confirm from the same source that the mail processing unit costs for First Class Automation 5 digit are 3.0265 cents while they are 3.4227 cents for standard class Automation 5 digit.

RESPONSE:

a. **The mail processing unit costs for Standard Class Automation 3-Digit in Exhibit USPS-29C, page 2 revised on 10/1/97 is 4.6767 cents.**

b. **The mail processing unit costs for Standard Class Automation 5-Digit in Exhibit USPS-29C, page 2 revised on 10/1/97 is 3.3904 cents.**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
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Revised 10/6/97

**ANM/USPS-T29-8.** Please confirm that the unit cost for Standard A Regular Rate Basic Presort letters is estimated to be 14.0657 cents, as shown at p.3 of Exhibit USPS-29C, and the mail processing cost is estimated to be 9.0252 cents and explain any nonconfirmation.

**RESPONSE:**

**The unit cost for Standard A Regular Rate Basic Presort letters is estimated to be 14.1802 cents and the mail processing unit costs is estimated to be 9.1407 cents in Exhibit USPS-29C, page 3 revised on 10/1/97.**

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
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Revised 10/6/97

**ANM/USPS-T29-10.** Please provide a nontechnical description of the major factors that have resulted in a -18.9 (sic) percent decrease in mail processing costs Standard A Regular Rate Basic between Docket No. MC95-1 and Docket No. R97-1. In your answer, please distinguish between (i) changes in the cost model (e.g., distinguishing between UPR Trays and NON-OCR Trays), (ii) changes in sources or inputs to cost data (e.g., use of MODS data and estimates of non-modeled costs), and (iii) changes in input data pertaining to the mail itself (e.g., changes in downflow density data). Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

Mail processing costs for Standard A Regular Rate Basic decreased, **30.8** percent, from 13.0 cents in Docket No. MC95-1 to **9.1** cents in Docket No. R97-1. The major factors which contribute to the decrease in the mail processing cost for Standard A Regular Basic letters include (1) the decline in the model costs and (2) the smaller adjustment to CRA costs.<sup>1</sup> I address each factor below.

*Model Costs.* The model costs for Regular Basic Presort declined from 8.28 cents in Docket No. MC95-1 to **7.95** cents in this docket, a **4.0** percent decline. Possible explanations for this decline include the fact that the modeling methodology has changed and characteristics of the mail stream changed from 28 percent automation compatible in Docket No. MC95-1 to 53 percent automation compatible in this docket. In Docket No. MC95-1, the mail characteristics study did not provide an estimate of machinability. Therefore, a "snapshot" modeling methodology was employed in Docket No. MC95-1, where the entire Bulk Rate Regular mailstream was modeled in one mailflow. The Commission criticized this approach, because it compared the "idealized" automation models with "actualized" nonautomation models. To respond to the Commission's concerns, in subsequent dockets (MC96-2 and R97-1), machinability percentages were estimated and costs of separate mailstreams were

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<sup>1</sup> Factors such as (i) an increase in the amount of DPS, (ii) higher wage rates, (iii) an increase in the costs per sort on DBCS (despite the 95 volume variability of BCS operations), (iv) an increase in RBCS unit costs, and (v) the elimination of LSMs tend to increase model costs. Other factors, including (i) decreases in manual sorting costs, (ii) decreases in CSBCS costs, and (iii) the rise in automation coverage factors tend to offset these increases.

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estimated using individual "idealized" mailflow models. In Docket No. R97-1, the cost of three mailstreams were weighted together to determine the average cost of Regular Basic Presort. The cost of Basic Presort letters in UPGR Trays were given a weight of 13 percent, the cost of upgradable Basic Presort letters in NON-OCR Trays were given a weight 39 percent, and the cost of nonupgradable Basic Presort letters in NON-OCR Trays were given a weight of 47 percent. Thus, it appears that since MC95-1, the Basic Presort mailstream has become more automation compatible and therefore somewhat less costly.<sup>2</sup>

*CRA Adjustment.* Another reason for the decline in costs is due to smaller CRA adjustments. There is a 22 percent decline in the CRA-reported volume variable mail processing letter costs from test year FY95 of Docket No. MC95-1 of 6.8065 cents to the Docket No. R97-1 test year FY98 cost of **5.3177** cents. However, the average test year modeled costs for all Standard (A) Regular letters (4.33 cents for TY95 and **4.31** cents for TY98), which are used to calculate the overall adjustment, are virtually unchanged. The ratio of average Standard (A) Regular letter mail processing model cost to CRA Standard (A) Regular letter mail processing costs was 1.57 in MC95-1 and is **1.23** in R97-1. Whereas the entire ratio was applied proportionately in MC95-1, a ratio of **1.0526** is applied proportionately in this docket and **0.7726** cents is added as a constant. The different adjustment level accounts for the remaining 25 percent of the decline.

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<sup>2</sup> It is important to keep in mind, however, that keeping the costing methodology and mailstream characteristics constant, model costs have tended to rise. For example, the model costs for the Regular and Nonprofit Automation categories, for which the modeling methodologies are the same and the mailstream is more homogenous, are somewhat higher in this docket than in Docket No. MC95-1.

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**ANM/USPS-T29-11.** Explain why the factors which you discussed in response to the preceding interrogatory did not affect the unit cost for Standard A Nonprofit Basic letters in a similar manner. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

First, it is important to bear in mind that not all Nonprofit categories behaved differently from Regular. As stated in footnote 2 to the response to ANM/USPS-T29-10, model costs for homogeneous categories such as Automation increased for *both* Regular and Nonprofit.

For Nonprofit nonautomation categories, unlike nonautomation Regular categories, the costs increased slightly over the TY in MC96-2. This can be attributed to an increase in model costs for Nonprofit Basic Presort, which rose **44** percent, from 6.4 cents in MC96-2 to **9.2** cents in R97-1. The modeling methodology for Nonprofit is the same in both Dockets MC96-2 and R97-1 (both are "idealized" mail flows). This is not the case in Regular, however, since the modeling methodology for categories in that subclass changed as described in the response to ANM/USPS-T29-10. Therefore, the additional cost increase for Nonprofit is most likely due to the change in the proportion of automation compatible letters in the mailstream. According to the mail characteristics data, the proportion of automation compatible letters in Regular Basic Presort increased since MC95-1, thereby reducing costs for this category, but the proportion of automation compatible letters in Nonprofit Basic Presort decreased since MC96-2, thereby causing costs for this category to increase.

Much of the increase in the model cost for Nonprofit Basic Presort was offset, however, by the smaller CRA adjustment. There is an 18 percent decline in the volume variable mail processing letter costs from test year FY95 of MC96-2 of **5.65** to the Docket No. R97-1 test year FY98 cost of **4.63**. However, the average test year modeled costs for all Nonprofit categories (5.08 cents for TY95 and **5.05** cents for TY98), which are used to calculate the overall adjustment, are virtually unchanged. The ratio of average Standard (A) Nonprofit letter mail processing model costs to CRA

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Standard (A) Regular letter mail processing costs was 1.11 in MC96-2 and is **0.92** in R97-1. Whereas the entire ratio was applied proportionately in MC96-2, a ratio of **0.8113** is applied proportionately in this Docket and **0.5342** cent is added as a constant. The different adjustment level tends to mitigate the increases in modeled costs.

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**ANM/USPS-T29-12.** Please confirm that the unit cost for Standard A Regular Rate 3/5 Presort letters is estimated to be 11.7504 cents, as shown at p.3 of Exhibit USPS-29C, and the mail processing cost is estimated to be 6.7389 cents. Explain any nonconfirmation.

**RESPONSE:**

The unit cost for Standard A Regular Rate 3/5 Presort letters is estimated to be

**11.9212** cents and the mail processing unit costs is estimated to be **6.9107** cents in

Exhibit USPS-29C, page 3 revised on 10/1/97.

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**ANM/USPS-T29-14.** Provide a nontechnical description of the major factors that have resulted in a -18.9 percent decrease in mail processing costs Standard A Regular Rate 3/5-digit letters between Docket No. MC95-1 and Docket No. R97-1. In your answer, please distinguish between (i) changes in the cost model (e.g., distinguishing between UPR Trays and NON-OCR Trays), (ii) changes in sources or inputs to cost data (e.g., use of MODS data and estimates of non-modeled costs), and (iii) changes in input data pertaining to the mail itself (e.g., changes in downflow density data). Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

The decrease in the Standard (A) Regular Rate 3/5 letters cost is due to the same factors discussed in ANM/USPS-T29-10 with respect to Regular Rate Basic letters. The main difference is that the model costs increased by 9 percent, from 5.3 cents in Docket No. MC95-1 to 5.8 cents in Docket No. R97-1. Thus, the change is most likely caused by smaller CRA adjustments.

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**ANM/USPS-T29-15.** Explain why the factors which you discussed in response to the preceding interrogatory (ANM/USPS-T-29-14) did not affect the unit cost for Standard A Nonprofit 3/5-Digit letters in a similar manner. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

Standard (A) Nonprofit 3/5-digit letter mail processing costs increased **5.7** percent, from 5.3 cents in Docket No. MC96-2 to **5.6** cents in Docket No. R97-1. The increase in the Standard (A) Nonprofit 3/5-digit letters cost is due to the same factors discussed in ANM/USPS-T-29-11 with respect to Basic letters. The main difference is that the model costs for Nonprofit 3/5-digit letters increased by a smaller amount, **29** percent, from 4.8 cents in Docket No. MC96-2 to **6.2** cents in this Docket. This increase in model costs was similarly offset by smaller CRA adjustments.

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**ANM/USPS-T29-16.** Among other things, Exhibit USPS-29B, p.1, shows the following:

	Model Weights
Presort Basic UPGR Trays	2.81%
Presort Basic NON-OCR Trays - Upgradable	3.93%
Presort Basic NON-OCR Trays - Non Upgradable	<u>9.48%</u>
Subtotal	16.21%

In Docket No. MC96-2, USPS-T-5, Appendix 1, p.5, Section E (Standard Class, Nonprofit, Automation Compatible, Presort Basic and 3/5 Flows), stated that: "The automation compatible unit costs are weighted with the corresponding non-automation compatible unit costs in the same proportion as used in the benchmark model set (65.8% automation compatible and 34.2% non-automation compatible)."

- a. For comparing your testimony in this Docket with your testimony in Docket No. MC96-2, please confirm that "UPGR [Upgradable] Trays" are considered automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.
- b. For comparing your testimony in this Docket with your testimony in Docket No. MC96-2, please confirm that "NON-OCR Trays-Upgradable" are considered automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.
- c. For comparing your testimony in this Docket with your testimony in Docket No. MC96-2, please confirm that "NON-OCR Trays-Non Upgradable" are considered non-automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.
- d. Please confirm that in this Docket 41.6 percent of Nonprofit Presort Basic (6.75/16.21) is considered automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.
- e. Please explain why the share of Nonprofit Presort Basic automation compatible mail declined from 65.8 percent in Docket No. MC96-2 to 41.6 percent in Docket No. R97-1. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.

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- c. Confirmed.
- d. **The model weight for Presort Basic UPGR trays changed to 2.17% and the subtotal changed to 15.57% on USPS-29B, page 1 revised on 10/1/97. Therefore, 39.1% (6.1/15.57) of Nonprofit Presort Basic is considered automation compatible.**
- e. I do not know why the share of Nonprofit Presort Basic automation compatible mail declined. One explanation could be that automation compatible letters previously entered in the nonautomation categories migrated to the Automation categories, thereby lowering the proportion of automation compatible letters in the nonautomation categories.

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**ANM/USPS-T29-17.** Exhibit USPS-29B, p.1, shows, among other things, the following:

	Model Weights
Presort 3/5 UPGR Trays	2.50%
Presort 3/5 NON-OCR Trays - Upgradable	5.66%
Presort 3/5 NON-OCR Trays - Non Upgradable	<u>13.67%</u>
Subtotal	21.83%

In Docket No. MC96-2, USPS-T-5, Appendix 1, p.5, Section E (Standard Class, Nonprofit, Automation Compatible, Presort Basic and 3/5 Flows), stated that: "The automation compatible unit costs are weighted with the corresponding non-automation compatible unit costs in the same proportion as used in the benchmark model set (65.8% automation compatible and 34.2% non-automation compatible)."

a. Please confirm that in this Docket 37.4 percent of Nonprofit Presort Basic (8.16/21.83) is considered automation compatible and 62.6 percent is non-automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

b. Please explain why the share of Nonprofit Presort Basic automation compatible mail declined from 65.8 percent in Docket No. MC96-2 to 37.4 percent in Docket No. R97-1. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

**The model weight for Presort 3/5 UPGR trays changed to 3.14% and the subtotal changed to 22.47% on USPS-29B, page 1 revised on 10/1/97.**

a. Not confirmed. Please see the response to ANM/USPS-T29-16(d).

b. The share of automation compatible mail declined from 65.8 to **39.1** for Nonprofit Presort Basic. Please see my response to ANM/USPS-T29-16e.

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**ANM/USPS-T29-21**

- a. Please confirm that LR-H-145, G-3 shows the following data for FY 1996 billing determinants for the volume of nonprofit letters (in thousands).

Basic Nonprofit Letters	2,515,689
3/5 digit letters	<u>5,154,124</u>
Total	7,669,813

- b. Please confirm that use of the model weights shown in Exhibit USPS-29B results in the following distribution for the volume of nonprofit letters (subject to rounding error since the model weights sum to 0.9999).

	Volume (000)	Model Weights
Automation Basic	1,109,822	.1447
Automation 3-D	2,430,564	.3169
Automation 5-D	1,211,063	.1579
Presort Basic	1,243,277	.1621
Presort 3/5-D	<u>1,674,320</u>	<u>.2183</u>
Total	7,669,046	.9999

- c. According to the billing determinants in LR-H-145, G-3, the volume of nonprofit 3/5-digit presort letters entered at the 5D Barcode Discount Rate was 1,740,291 thousand, whereas your model weights (derived from LR-H-195) indicate that the volume of Automation 5- Digit letters was only 1,211,063 thousand. Please explain the apparent discrepancy between the billing determinant data in LR-H-145 and the survey data in LR-H-195.

**RESPONSE:**

- a. Confirmed.
- b. **The model weights have been revised as a result of the preceding interrogatory (ANM/USPS-T29-20). The model weight for Presort Basic is .1557 and for Presort 3/5-D is .2247. When the corrected model weights are multiplied by the total volume of Standard (A) Nonprofit subclass volume shown above, the**

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**resulting volume for distribution is for Presort Basic is 1,194,190 and for Presort 3/5-D is 1,723,407.**

c. The source of the model weights for the rate categories presented in USPS-29B page 1 is the before rates forecast presented in witness Tolley's (USPS-T-6) testimony, not billing determinants or LR-H-195. Witness Tolley's forecast is based on the quarter of billing determinants in which reclassification has been in effect (Q2 97), not the entire year.

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**MASA/USPS-T29-1.**

a. Confirm that the following chart accurately sets forth the Mail Processing and Delivery unit costs in cents for the categories of Standard (A) mail indicated as computed by the Postal Service in this case and as determined by the PRC in MC95-1, and the differences between the two.

	R97-1 Mail Proc. & Delivery Unit Costs (Cents)	MC95-1 Mail Proc & Delivery Unit Costs (Cents)	Increase (Decrease)
<b>REGULAR SUBCLASS</b>			
<b>Nonletters:</b>			
Basic Presort	26.1585	30.4483	(4.2898)
Basic Automation	20.4392	27.5307	(7.0915)
3/5-Digit Presort	18.2192	21.0077	(2.7885)
3/5-Digit Automation	14.8855	17.4013	(2.5158)
<b>Letters:</b>			
Basic Presort	12.8452	16.8287	(3.9835)
Basic Automation	8.7366	9.5512	(0.8146)
3/5-Digit Presort	10.5299	12.1486	(1.6187)
3-Digit Automation	8.1455	8.7652	(0.6197)
5-Digit Automation	6.7847	6.7437	0.041
<b>ENHANCED CARRIER ROUTE SUBCLASS</b>			
<b>Nonletters:</b>			
Basic	10.3844	7.4263	2.9581
High Density	7.5692	6.6323	0.9369
Saturation	5.9082	5.0433	0.8649
<b>Letters:</b>			
Basic	6.8745	6.0700	0.8045
Auto Basic	6.2687	5.6500	0.6187
High Density	4.7640	5.2880	(0.524)
Saturation	3.8560	4.4170	(0.561)

b. Identify how much of each cost differential in the Regular Subclass is attributable to the use in this case of a new costing methodology resulting in the attribution of a lower proportion of mail processing and delivery unit costs compared to MC95-1.

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c. Identify any other factors that have contributed to the reduction in mail processing and delivery unit costs in the Regular Subclass, and, for each factor, quantify the amount of the cost differential attributable to that factor.

d. Confirm that, with the exception of the High Density and Saturation categories, in the ECR Subclass mail processing and delivery unit costs have increased compared to MC95-1.

e. Explain why, in general, mail processing and delivery unit costs have increased for the ECR Subclass and decreased for the Regular Subclass compared to MC95-1.

**RESPONSE:**

1a.

	R97-1 Mail Proc. & Delivery Unit Costs (Cents)	MC95-1 Mail Proc & Delivery Unit Costs (Cents)	Increase (Decrease)
<b>REGULAR SUBCLASS</b>			
<b>Nonletters:</b>			
Basic Presort	25.9922	30.4483	(4.4561)
Basic Automation	20.4583	27.5307	(7.0724)
3/5-Digit Presort	18.3249	21.0077	(2.6828)
3/5-Digit Automation	14.9957	17.4013	(2.4056)
<b>Letters:</b>			
Basic Presort	12.9597	16.8287	(3.8690)
Basic Automation	8.6778	9.5512	(0.8734)
3/5-Digit Presort	10.7007	12.1486	(1.4479)
3-Digit Automation	8.10937	8.7652	(0.6715)
5-Digit Automation	6.7494	6.7437	0.0057
<b>ENHANCED CARRIER ROUTE SUBCLASS</b>			
<b>Nonletters:</b>			
Basic	8.6042	7.4263	1.1779
High Density	5.8426	6.6323	(0.7897)
Saturation	4.1816	5.0433	(0.8617)

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<b>Letters:</b>			
Basic	5.8315	6.0700	0.2385
Auto Basic	6.4363	5.6500	0.7863
High Density	4.2367	5.2880	(1.0513)
Saturation	3.3297	4.4170	(1.0873)

The chart above sets forth the Mail Processing and Delivery unit costs in cents for the categories of Standard (A) mail as computed on page 2 of Exhibit USPS-29C revised 10/1/97. The costs for enhanced carrier route (ECR), however, have been adjusted for dropship. ECR costs in MC95-1 were not adjusted for dropship. The comparable ECR costs in this docket are shown on page 3 of Exhibit USPS-29C. Furthermore, the costs for ECR walk sequenced-endorsed and nonwalk sequenced-endorsed mail have been deaveraged in this docket, but were not deaveraged in Docket No. MC95-1. A chart which summarizes the most comparable set of costs as revised on 10/1/97 is shown below. New numbers have been bolded.

<b>ENHANCED CARRIER ROUTE SUBCLASS</b>	<b>R97-1 Mail Proc. &amp; Delivery Unit Costs (Cents)</b>	<b>MC95-1 Mail Proc &amp; Delivery Unit Costs (Cents)</b>	<b>Increase (Decrease)</b>
<b>Nonletters:</b>			
Basic	8.2324	7.4263	0.8061
High Density	<b>5.4323</b>	6.6323	<b>(1.200)</b>
Saturation	<b>3.7713</b>	5.0433	<b>(1.272)</b>
<b>Letters:</b>			
Basic	<b>6.3510</b>	6.0700	<b>0.281</b>
Auto Basic	5.7461	5.6500	0.0961
High Density	<b>4.1201</b>	5.2880	<b>(1.1679)</b>
Saturation	3.2121	4.4170	(1.2049)

1b-c. An objection to these interrogatories has been filed.

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INTERNATIONAL**

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1d. As shown in the chart of more comparable figures in response to question (1a.), which are ECR costs before being adjusted for dropship as seen on page 3 of Exhibit USPS-29C, the mail processing and delivery costs of ECR Basic letters and nonletters and ECR Automation Basic letters have increased slightly since Docket No. MC95-1 while the costs for High Density and Saturation letters and nonletters have decreased. The costs for ECR walk-sequenced endorsed and nonwalk-sequenced endorsed mail have been deaveraged in this docket but they were not deaveraged in Docket No. MC95-1. The deaveraging of costs in this docket results in a push up of ECR Basic costs and a push down in walk sequence and saturation costs.

1e. As shown in the chart of more comparable figures in response to question (1a.) and as discussed above, ECR Basic letters and nonletters and ECR Automation Basic letters mail processing costs have increased slightly since Docket No. MC95-1 as a result of deaveraging. In general, the volume variable mail processing and delivery unit costs have decreased in both subclasses.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION  
INTERNATIONAL**

Revised 10/6/97

MASA/USPS-T29-4. Referring to your answer to ANM/USPS-T29-10:

- a. Identify the source for mail processing costs for Standard A Regular Rate Basic of 13 cents in MC95-1, and 9 cents in this docket.
- b. Do you agree that the decline in model costs described in your answer is attributable largely to the Basic Presort mailstream becoming "more automation compatible and therefore somewhat less costly"? If not, explain what the other causes of the decline in model costs are.
- c. Do you agree that the smaller CRA adjustment described in your answer does not reflect actual cost savings attributable to the Basic Presort mail stream becoming less costly to process? Explain any no answer, and specifically describe any cost savings that are reflected in the lower CRA adjustment.

**RESPONSE:**

- a. The source for mail processing costs for Standard (A) Regular Basic of 13 cents in Docket No. MC95-1 is witness Takis' Exhibit USPS-12A. The 9.1 cent figure for Standard (A) Regular Basic is reported in my Exhibit USPS-29A **revised on 10/1/97**.
- b. The decline in model costs is *partially* attributable to the Basic Presort mailstream becoming more automation compatible. See my response to MASA/USPS-T29-3(c). Other factors, which may also contribute to the change in model costs, are discussed in ANM/USPS-T29-10.
- c. This question is unclear. The CRA adjustment alone is not a means for capturing cost savings. The purpose of CRA adjustment is to reconcile model costs with comparable CRA costs.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORY OF MAJOR MAILERS ASSOCIATION**

Revised 10/6/97

**MMA/USPS-T29-1.**

Please refer to USPS-29C, pages 1 and 2. Comparing First-Class Automated unit costs for mail processing and delivery versus Standard Mail Regular Automation costs (rounded):

- (A) Why is the Standard Mail Basic letter unit cost (8.7 cents) lower than for a First-Class Basic letter (9.0 cents)?
- (B) Why is the Standard Mail 3-Digit letter unit cost (8.15 cents) about the same as for a First-Class 3-Digit letter (8.2 cents)?
- (C) Why is the Standard Mail 5-Digit letter unit cost (6.8 cents) higher than for a First-Class 5-Digit letter (6.6 cents)?
- (D) Confirm the following unit costs and rates (in cents, rounded) shown below are proposed by the Postal Service in this proceeding.

<u>Mail Category</u>	<u>Unit Cost</u>	<u>Unit Rate (1 oz)</u>	<u>Unit Rate (2 oz)</u>
First Class:			
Basic	9.0	26.1	49.1
Automated 3-digit	8.2	25.4	48.4
Automated 5-digit	6.6	23.8	45.8
Standard A Regular:			
Basic Automation	8.7	18.9*	18.9*
Automated 3-digit	8.15	17.8*	17.8*
Automated 5-digit	6.8	16.0*	16.0*

\*Assumes no destination entry discount

- (E) Confirm that the rates for Standard Mail Regular Automation are the same for all pieces that weigh up to 3 oz. If you cannot, please explain.
- (F) Please confirm that the average First-Class presorted letter weighs .6 ounces whereas the average Standard Mail non-carrier route presorted letter weighs 2.3 ounces. (See USPS-T-5, pages 15 and 18.)
- (G) What is the average weight of (1) a First-Class Automation letter and (2) a Standard Mail Regular Automation letter? If this information is not available, which weighs on average more, a First-Class Automation letter or a Standard Mail Regular Automation letter? Support your answer.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORY OF MAJOR MAILERS ASSOCIATION**

Revised 10/6/97

**RESPONSE:**

(A - C) The cost of First-Class letters is outside the scope of my testimony. However, factors which are class-specific such as (i) mail characteristics including the percent of automation compatible letters in the mailstream and percentage of letters in Mixed AADC/ADC trays versus AADC/ADC trays, (ii) coverage factors, (iii) premium pay factors, (iv) accept and upgrade rates, (v) CRA adjustments, and (vi) percentage of letters which are sorted in delivery point sequence (DPS), can vary between the Standard (A) and First-Class letter cost models and contribute to the cost differences.

(D) Not Confirmed. First, it is unclear to what "Basic" refers in the question. Second, the unit rates for First-Class are *current* rates and not *proposed* rates, as indicated in the question. Finally, the costs reported in the column with the heading "unit costs" are for mail processing and delivery only.

(E) Not Confirmed. The question does not specify the presort tier, mail shape, or dropship level. These factors determine the applicable rate.

(F) Not Confirmed. Standard Mail (A) non-carrier route presort **piece, both letters and nonletters**, weighs 2.1 ounces on average according to page 18 of Exhibit USPS-5C. Standard Mail (A) carrier route presort **piece, both letters and nonletters**, weighs 2.3 ounces on average also according to page 18 of Exhibit USPS-5C. The average First-Class presorted letter weighs .6 ounces according to page 15 of Exhibit USPS-5C.

(G)	<b>First-Class</b>	<b>Standard (A) Regular</b>
<b>Automation basic:</b>	<b>0.58 ounces</b>	<b>.8582 ounces</b>
<b>Automation 3-digit:</b>	<b>0.61 ounces</b>	<b>.9611 ounces</b>
<b>Automation 5-digit:</b>	<b>0.63 ounces</b>	<b>.9480 ounces</b>

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF MAJOR MAILERS ASSOCIATION**

Revised 10/6/97

**MMA/USPS-T29-6.**

Please refer to USPS-29C, pages 1 and 2. Please confirm the following unit costs for (mail processing plus delivery) (in cents rounded) and rates shown below that are proposed by the Postal Service in this proceeding. Please assume no destination entry discount for Standard A Regular.

<u>Mail Category</u>	<u>Unit Cost</u>	<u>Unit Rate (1 oz)</u>	<u>Unit Rate (2 oz)</u>
First Class:			
Basic Automation	9.0	27.5	50.5
3-Digit Automation	8.2	26.5	49.5
5-Digit Automation	6.6	24.9	27.9
Standard A Regular:			
Basic Automation	8.7	18.9	18.9
3-Digit Automation	8.15	17.8	17.8
5-Digit Automation	6.8	16.0	16.0

**RESPONSE:**

Not Confirmed. The unit costs are confirmed as the mail processing and delivery costs of an average weight piece (not necessarily a one or two ounce piece) **except for Standard A Regular 3-Digit and 5-Digit Automation which changed to 8.1 and 6.7 cents respectively as a result of revisions to USPS-29C page 2 on 10/1/97.**

Moreover, the unit rate for a 2 ounce 5-Digit piece is not 27.9 cents; it is 47.9 cents.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

Revised 10/6/97

**NAA/USPS-T29-2.**

Please refer to Exhibit USPS-29C, page 3.

- (a.) Please explain how you derived the mail processing cost of 3.0523 cents per piece for the "100% DBCS dropship like ECR" letters migrating to Automation 5-Digit mail.
- (b.) Please explain how you derived the delivery costs of 3.316 cents per piece for the 100% DBCS dropship like ECR" letters migrating to Automation 5-Digit mail.

**RESPONSE:**

a. The mail processing costs **3.2863 cents** for letters migrating from ECR Basic to Automation 5-Digit are derived from the model on pages 7 and 8 of Appendix I **revised on 10/1/97**. As presented on pages 7-8 of Appendix I, all 10,000 pieces are entered on DBCS. This yields a mail processing model cost of **2.4396 cents**, and a total unit cost of **3.3404 cents**, after the model cost is multiplied by the proportional CRA adjustment factor of **1.0525**, and the fixed CRA adjustment is added to this product. This mail processing unit cost is adjusted by subtracting **0.0541 cents**, the difference in dropshipping costs of ECR Basic migrating letters (**0.0901 cents**) and total other letters (**0.0360 cents**), as reported on page 5 of Exhibit USPS-29D **revised on 10/1/97**.

b. The delivery unit cost of **3.313 cents** is a weighted average of the cost of delivering non-delivery point sequenced (DPS) letters (**4.609 cents**) and DPS letters (**3.173 cents**) from witness Hume's testimony (Exhibit USPS-18B page 6) using the DPS percentage of 90.25 percent as indicated in the mail flow on page 7 of Appendix I.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORY OF NEWSPAPER ASSOCIATION OF AMERICA  
REDIRECTED FROM WITNESS MODEN**

Revised 10/6/97

**NAA/USPS-T4-6.** Please refer to your direct testimony at page 8, lines 19-23. What is the Postal Service's unit cost of barcoding a non-barcoded ECR basic letter?

**RESPONSE:**

The model cost of barcoding a letter can vary between 0.7107 cent if a MLOCR can successfully barcode the letter to **4.362** cents if the letter also requires RBCS and LMLM processing to successfully barcode the letter (0.7107 cent for MLOCR, **2.5757** cents for RBCS, 0.7187 cent for LMLM, and 0.3561 cent for BCS-OSS). However, these costs should not be confused with the total mail processing costs of processing a barcoded ECR basic letter.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NATIONAL FEDERATION OF NONPROFITS**

Revised 10/6/97

**NFN/USPS-T29-1**

What were the amounts and proportions of modelled and non-modelled costs for  
a. bulk rate commercial carrier route (and ECR after MC95-1), and  
b. the "other" rate category in Standard A commercial (BRR) and for both nonprofit carrier route and "nonprofit other" in the following periods or cases (rate regimes):

- (i) MC95-1 for commercial third class Before Rates and Standard (A) After Rates (BRR); substitute ECR for CR after MC95-1
- (ii) MC96-2 for nonprofit; and
- (iii) in R97-1 the proportional and fixed parts of non-modelled costs for these four rate categories (commercial CR and other and nonprofit CR and other, all within Standard (A)).

**RESPONSE:**

a. The costs for bulk rate commercial carrier route (and ECR after Docket No. MC95-1) rate categories were not developed using modelled and non-modelled costs in any of the above mentioned dockets. BRR Carrier Route was, and ECR is, developed using a strictly CRA based analysis.

b. I assume that "non-modelled" costs refers to the difference in the Standard A letter mail processing modeled cost and the Standard Mail A letter mail processing CRA costs, to which I as the CRA adjustment in my testimony in this docket.

In Docket Nos. MC95-1 and MC96-2, a "non-modelled cost factor," or the ratio of modeled Standard A letter mail processing costs to total CRA Standard A letter mail processing costs for non-carrier route categories, was applied 100 percent proportionately to modeled costs. Data did not exist in a way to allow the identification of "modeled" CRA costs, i.e., those that are expected to vary with worksharing, and "nonmodeled" CRA costs, i.e., those that are not expected to vary with worksharing.

The term "non-modelled" costs may be a bit misleading in this docket, since a reconciliation factor is used to adjust the costs from the mailflow models to comparable pools of "modeled" CRA costs. CRA cost pools that were not modeled and are not

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NATIONAL FEDERATION OF NONPROFITS**

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expected to vary with worksharing are distributed to the modeled costs as a fixed constant.

With this in mind,

- (i) Standard A commercial (BRR): The modeled costs were 63 percent of the total CRA mail processing costs in Docket No. MC95-1. All of the remaining 37 percent "non-modeled" costs were distributed in proportion to modeled costs in Docket No. MC95-1.
- (ii) Standard A Nonprofit: The modeled costs were 90 percent of the total CRA mail processing costs in Docket No. MC96-2. All of the remaining 10 percent "non-modeled" costs were distributed in proportion to model costs in Docket No. MC96-2.
- (iii) Standard A Regular: The modeled cost are **81.2** percent of the total CRA mail processing cost for Standard A Regular letters in Docket No. R97-1. The ratio of mailflow modeled costs (**4.3182** cents) to comparable CRA costs which are expected to vary with work sharing (**4.5452** cents) is **95** percent. The remaining **0.7726** cent, or **14.5** percent of the total CRA costs, which was not modelled and is not expected to vary with worksharing, is distributed to the modeled costs in constant, or fixed, amounts.

Standard A Nonprofit: The modeled cost are **109** percent of the total CRA mail processing cost for Standard A Nonprofit letters in R97-1. The ratio of mailflow modeled costs (**5.0487** cents) to comparable CRA costs that are expected to vary with work sharing (**4.0960** cents) is 81 percent. The remaining **0.5340** cent, or **11.5** percent of the total CRA costs, which was not modelled and is not expected to vary with worksharing, is distributed to the modeled costs in constant, or fixed, amounts.

"Modelled" and "nonmodelled" costs do not apply to Standard A ECR and Nonprofit ECR. See response to NFN/USPS-T29-1(a).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NATIONAL FEDERATION OF NONPROFITS**

Revised 10/6/97

**NFN/USPS-T29-2**

- a. Please confirm that in your Mail Processing Proportional and Fixed Analysis, USPS-29B, p.2 of 2, you use the following figures: .748, .002, .013, .041 (see part (b)).
- b. Also confirm that in Lib. Reference H-106 worksheet "Lett.pgbf" in the column labelled "Third Class Nonprofit Other," you use the figures: .734, .002, .013, .040. The entire 46 element vectors for USPS 29B and LR H-106 lett.pgbg are given as Attachment 1 to this question.
- c. Which set of figures is correct?
- d. Where in your workpapers or Library Reference is the exact source of the proportional and fixed figures in used [sic] in USPS-29B?

**RESPONSE:**

- a. **The figures on USPS-29B, p.2 of 2, were revised on 10/1/97 to match those reported in LR-H-106 and cited in part b of this interrogatory.**
- b. Confirmed.
- c. USPS LR-H-106 is correct. An error was made in Exhibit USPS-29B and a correction to that exhibit will be filed in conjunction with other changes.
- d. The citation in subpart b is correct.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

Revised 10/6/97

**POIR No. 3, Question 20.** Witness Moeller adds mail processing unit costs and delivery unit cost by rate category to develop cost savings for presort and automation discounts. See USPS-T-36, Workpaper 1, pages 10, 11, and 12. Witness Daniel supplies the letter mail processing unit costs (USPS-T-29) and witness Seckar supplies the flat mail processing unit costs. Witness Seckar uses two bases for computing the flat mail processing costs: (1) actual mail makeup; and (2) constant mail makeup. The actual mail makeup approach reflects cost differences resulting from worksharing and inherent mail characteristics. The constant mail make-up approach primarily reflects cost savings resulting from mailer-applied barcodes. See USPS-T-26, page 4. Witness Daniel, however, does not use a constant mail makeup approach for letter mail processing unit costs. Witness Moeller uses witness Seckar's constant mail makeup costs as the basis for worksharing discounts for flats. See USPS-T-36, page 19.

Please explain why the discounts for letters do not reflect the same constant mail makeup basis used for flats. Please calculate the cost savings for letters using a constant makeup approach.

**RESPONSE:**

Conceptually, the reason for the constant makeup analysis in flats is that the presort definition for sacked barcoded flats is less stringent, which I understand may contribute to higher mail processing costs. The same does not hold true, however, for letters. The preparation and makeup requirements for Automation letters do not contribute to higher mail processing costs for Automation letters; rather, such preparation and makeup requirements contribute to additional cost savings through avoided bundle sorting costs.

Some of the letter models presented in my testimony could already be analyzed to determine cost differences holding makeup constant. Specifically, Automation letters and OCR Upgradable letters in full UPGR trays in the cost models presented in my testimony (see Appendices I and III at pages 1 and 11) have the same makeup characteristics in that both reflect the same proportion of letters in AADC versus Mixed AADC full trays.

It does not appear that further constant makeup comparisons in letters will yield cost differences upon which rates may be set because such comparisons would not reflect the avoided costs of bundle sorting and because automation and presort letter categories do not have parallel presort tiers as is the case for flat-rated pieces.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

Revised 10/6/97

Notwithstanding, a constant makeup framework could be constructed by first applying the proportion of letters in AADC trays and Mixed AADCs entered as Automation Basic to letters entered as Basic non-OCR upgradable letters as shown in Table V below. Once the entry point profile of Automation is applied to non-OCR upgradable letters, bundle sorting costs need to be eliminated, as shown in Table II. This results in a modeled cost for non-OCR Basic letters of **10.0030** cents. The next step is to apply CRA adjustments to determine the average cost of presort Basic in Table I. This results in an average cost of **8.8719** cents for Regular Presort Basic letters with the same proportion of full AADC and mixed AADC trays as Regular Automation Basic letters. This figure is approximately one-half cent lower than the "actual makeup" cost of **9.1407** cents for Regular Basic Presort reported in Exhibit USPS-29A **revised 10/1/97**.

A constant makeup for finer presort categories is complicated by the fact that the Automation and Presort rate categories are not parallel in letters, as is the case for flats. Automation letters are split into three separate presort tiers: Basic, 3-Digit and 5-Digit. By contrast, Presort letters are split into only two presort tiers: Basic and 3/5-Digit. A constant makeup analysis could be constructed by assuming that all 3/5 digit Presort letters are presented in full 3-Digit trays. Using this assumption, Tables III and VI below show that the modeled cost of OCR upgradable letters in full 3-Digit trays is **5.1671** cents, and the modeled cost of non-OCR upgradable letters in full 3-Digit trays is **8.4372** cents. After applying the original CRA adjustments, the average cost of Presort letters in full 3-Digit trays (under the "constant makeup" framework) is **7.8092** cents as seen in Table I. This is compared to an "actual makeup" cost of **6.9107** cents for Regular 3/5-Digit presort presented in Exhibit USPS-29A **revised 10/1/97**. It is important to keep in mind, however, that the figures calculated assuming constant makeup neither account for the cost savings associated with bundle sorting, nor reflect the cost savings associated with the composition of the 3/5-Digit Presort rate category, which, unlike the 3-digit Automation tier, includes some letters sorted to the 5-digit level.

Similar figures for Nonprofit are presented in Tables VI through X.



TABLE II

Test Year Standard (A) Regular Non-OCR Basic Letters Cost Summary  
"CONSTANT MAKEUP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	2,557	812	\$25.445	3.1336	1.3720	-0.1316	4.1677	1.0658
MLOCR	2,022	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.1437
RBCS Images Processed	1,118	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.2880
LMLM	143	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0103
BCS-OSS	1,091	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0388
MPBCS	170	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0087
<u>Outgoing Secondary</u>								
Manual	416	691	\$25.445	3.6823	1.3720	-0.1547	4.8975	0.2038
MPBCS	409	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0208
<u>ADC Distribution</u>								
Manual	3,723	759	\$25.445	3.3524	1.3720	-0.1408	4.4587	1.6598
MLOCR	2,056	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.1461
RBCS Images Processed	1,137	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.2928
LMLM	146	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0105
BCS-OSS	1,109	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0395
MPBCS	536	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0272
<u>SCF Operations</u>								
Manual	2,919	896	\$25.445	2.8398	1.3720	-0.1193	3.7770	1.1027
MLOCR	492	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0350
RBCS Images Processed	241	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0620
LMLM	31	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0022
BCS-OSS	235	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0084
MPBCS	824	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0419
<u>Incoming Primary</u>								
Manual	1,602	562	\$25.445	4.5276	1.3720	-0.1902	6.0217	0.9647
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	576	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0293
<u>Incoming Secondary</u>								
Manual MODs Sites	3,525	646	\$25.445	3.9389	1.3720	-0.1654	5.2387	1.8464
Manual Non-Auto Sites	3,566	1,143	\$25.445	2.2261	1.3720	-0.0935	2.9607	1.0556
MPBCS	914	6,633	\$25.445	0.3836	1.7190	-0.0161	0.6433	0.0588
DACS First-Pass	2,314	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.1886
DACS Second-Pass	2,198	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.1792
CSBCS First-Pass	520	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0147
CSBCS Second-Pass	512	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0145
CSBCS Third-Pass	507	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0144
<u>Other</u>								
Acceptance/Verification	10,000						0.1870	0.1870
Sort to P. O. Boxes:								
DPS	250	2,341	\$25.445	1.0868	1.3660	-0.0456	1.4389	0.0360
Non-DPS	715	1,171	\$25.445	2.1735	1.3660	-0.0913	2.8777	0.2058
Bundle Sorting Basic	0						1.7494	0.0000
%DPS	25.90%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] =  $\frac{1}{2} \text{Column [2]} \times \text{Column [3]}$   
 Column [6] = Column [4] \* (premium pay factor)  
 Column [7] = (Column [4] \* Column [5]) + Column [6]  
 Column [8] = Column [7] \* Column [1] / 10,000

MODEL COST	10.0030
PROPORTIONAL ADJ.	1.0526
FIXED ADJUSTMENT	0.7726
TOTAL UNIT COST	11.3013

Test Year Standard (A) Regular Upgradable Tray 3/5-Digit Presort Letters Cost Summary  
"CONSTANT MAKEUP"

	(1) Mix of Handlings	(2) Pieces per Hour	(3) Wage Rate	(4) Direct Labor Cents/Piece	(5) Piggyback Factor	(6) Premium Pay Adj	(7) Operation Unit Cost	(8) Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	0	812	\$25.445	3.1336	1.3720	-0.1316	4.1677	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>Outgoing Secondary</u>								
Manual	0	691	\$25.445	3.6823	1.3720	-0.1547	4.8975	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>AADC Distribution</u>								
Manual	0	759	\$25.445	3.3524	1.3720	-0.1408	4.4587	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>SCF Operations</u>								
Manual	0	896	\$25.445	2.8398	1.3720	-0.1193	3.7770	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>Incoming Primary</u>								
Manual	1,105	562	\$25.445	4.5276	1.3720	-0.1902	6.0217	0.6656
MLOCR	9,537	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.6778
RBCS Images Processed	3,323	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.8558
LMLM	196	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0141
BCS-OSS	3,216	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.1145
MPBCS	794	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0404
<u>Incoming Secondary</u>								
Manual MODs Sites	1,637	646	\$25.445	3.9389	1.3720	-0.1654	5.2387	0.8577
Manual Non-Auto Sites	1,557	1,143	\$25.445	2.2261	1.3720	-0.0935	2.9607	0.4610
MPBCS	2,137	6,633	\$25.445	0.3836	1.7190	-0.0161	0.6433	0.1375
DBCS First-Pass	5,412	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.4411
DBCS Second-Pass	5,141	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.4191
CSBCS First-Pass	1,216	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0344
CSBCS Second-Pass	1,198	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0339
CSBCS Third-Pass	1,186	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0336
<u>Other</u>								
Acceptance/Verification	10,000						0.1870	0.1870
<u>Sort to P. O. Boxes:</u>								
DPS	585	2,341	\$25.445	1.0868	1.3660	-0.0456	1.4389	0.0841
Non-DPS	380	1,171	\$25.445	2.1735	1.3660	-0.0913	2.8777	0.1095
%DPS	60.58%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = 1/Column [2] \* Column [3] \* 100  
 Column [6] = Column [4] \* (premium pay factor page 42 - 1)  
 Column [7] = (Column [4] \* Column [5] page 42) + Column [6]  
 Column [8] = Column [7] \* Column [1] mail flow / 10,000

MODEL COST	5.1671
PROPORTIONAL ADJ. Exhibit USPS-29	1.0526
FIXED ADJUSTMENT Exhibit USPS-29A	0.7726
<b>TOTAL UNIT COST</b>	<b>6.2113</b>

TABLE IV

Test Year Standard (A) Regular Non-OCR 3/5-Digit Presort Letters Cost Summary  
"CONSTANT MAKEUP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj.	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	0	812	\$25.445	3.1336	1.3720	-0.1316	4.1677	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>Outgoing Secondary</u>								
Manual	0	691	\$25.445	3.6823	1.3720	-0.1547	4.8975	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>ADC Distribution</u>								
Manual	0	759	\$25.445	3.3524	1.3720	-0.1408	4.4587	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>SCF Operations</u>								
Manual	0	896	\$25.445	2.8398	1.3720	-0.1193	3.7770	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>Incoming Primary</u>								
Manual	6,213	562	\$25.445	4.5276	1.3720	-0.1902	6.0217	3.7412
MLOCR	4,301	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.3057
RBCS Images Processed	1,891	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.4671
LMLM	300	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0215
BCS-OSS	1,825	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0650
MPBCS	538	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0273
<u>Incoming Secondary</u>								
Manual MODs Sites	3,606	646	\$25.445	3.9389	1.3720	-0.1654	5.2387	1.8889
Manual Non-Auto Sites	3,484	1,143	\$25.445	2.2261	1.3720	-0.0935	2.9607	1.0314
MPBCS	914	6,633	\$25.445	0.3836	1.7190	-0.0161	0.6433	0.0588
DBCS First-Pass	2,315	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.1887
DBCS Second-Pass	2,199	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.1792
CSBCS First-Pass	520	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0147
CSBCS Second-Pass	512	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0145
CSBCS Third-Pass	507	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0144
<u>Other</u>								
Acceptance/Verification	10,000						0.1870	0.1870
<u>Sort to P O Boxes:</u>								
DPS	250	2,341	\$25.445	1.0868	1.3660	-0.0456	1.4389	0.0360
Non-DPS	715	1,171	\$25.445	2.1735	1.3660	-0.0913	2.8777	0.2058
Bundle Sorting Basic	0						0.7946	0.0000
%DPS	25.91%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = 1/Column [2] \* Column [3]  
 Column [6] = Column [4] \* (premium pay factor)  
 Column [7] = (Column [4] \* Column [5]) + Column [6]  
 Column [8] = Column [7] \* Column [1] / 10,000

MODEL COST	8.4672
PROPORTIONAL ADJ.	1.0526
FIXED ADJUSTMENT	0.7726
TOTAL UNIT COST	9.6848

**Standard (A) Regular Entry Point Profile  
"CONSTANT MAKEUP"**

15.87%		<b>Automation And Upgradable Trays (no bundles)</b>			67.43%	
	<b>Basic</b>	<b>32.57%</b>	<b>3/5</b>			
	<b>%</b>		<b>%</b>			
OP	43.91%			0.00%		
AADC	44.65%			0.00%		
SCF	11.44%			0.00%		
IP	0.00%			100.00%		
IS(IP-QCR)	0.00%			0.00%		
IS	0.00%			0.00%		
<b>Total</b>	<b>100.00%</b>			<b>100.00%</b>		
38.12%		<b>Non-OCR Trays (bundles) but does not fail Upgradable criteria</b>			59.38%	
	<b>Basic</b>	<b>40.62%</b>	<b>3/5</b>			
	<b>%</b>		<b>%</b>			
OP	50.72%			0.00%		
ADC	25.23%			0.00%		
SCF	6.47%			0.00%		
IP	12.89%			48.42%		
IS(IP-OCR)	3.96%			43.55%		
IS	0.73%			8.03%		
<b>Total</b>	<b>100.00%</b>			<b>100.00%</b>		
46.00%		<b>Non-OCR Trays (bundles) and fails Upgradable criteria</b>			59.38%	
	<b>Basic</b>	<b>40.62%</b>	<b>3/5</b>			
	<b>%</b>		<b>%</b>			
OP	43.91%			0.00%		
ADC	44.65%			0.00%		
SCF	11.44%			0.00%		
IP	0.00%			100.00%		
IS(IP-OCR)	0.00%			0.00%		
IS	0.00%			0.00%		
<b>Total</b>	<b>100.00%</b>			<b>100.00%</b>		
<b>% Machinable</b>	<b>44.40%</b>			<b>44.40%</b>		

This table uses tables C1 and C2 on page 37 of this appendix in performing calculations. For methodology, see Appendix IV of USPS-T-5 in Docket No. MC96-2.



Test Year Standard (A) Nonprofit Non-OCR Upgradable Basic Letters Cost Summary  
"CONSTANT MAKE-UP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	3,195	812	\$25.445	3.1336	1.372	-0.1316	4.1677	1.332
MLOCR	1,751	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.124
RBCS Images Processed	968	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.249
LMLM	124	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.009
BCS-OSS	945	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.034
MPBCS	147	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.007
<u>Outgoing Secondary</u>								
Manual	512	691	\$25.445	3.6823	1.372	-0.1547	4.8975	0.251
MPBCS	355	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.018
<u>ADC Distribution</u>								
Manual	4,166	759	\$25.445	3.3524	1.372	-0.1408	4.4587	1.857
MLOCR	1,520	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.108
RBCS Images Processed	841	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.217
LMLM	108	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.008
BCS-OSS	820	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.029
MPBCS	437	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.022
<u>SCF Operations</u>								
Manual	3,250	896	\$25.445	2.8398	1.372	-0.1193	3.7770	1.228
MLOCR	365	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.026
RBCS Images Processed	180	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.046
LMLM	23	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.002
BCS-OSS	176	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.006
MPBCS	667	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.034
<u>Incoming Primary</u>								
Manual	1,821	562	\$25.445	4.5276	1.372	-0.1902	6.0217	1.097
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.000
MPBCS	470	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.024
<u>Incoming Secondary</u>								
Manual All Sites	4,601	646	\$25.445	3.9389	1.372	-0.1654	5.2387	2.410
Manual MODs Sites	3,548	1,143	\$25.445	2.2261	1.372	-0.0935	2.9607	1.050
MPBCS	723	6,633	\$25.445	0.3836	1.719	-0.0161	0.6433	0.047
DBCS First-Pass	1,872	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.153
DBCS Second-Pass	1,779	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.145
CSBCS First-Pass	421	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.012
CSBCS Second-Pass	414	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.012
CSBCS Third-Pass	410	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.012
<u>Other</u>								
Acceptance/Verification	10,000						0.2707	0.2707
Sort to P. O. Boxes:								
DPS	169	2,341	\$25.445	1.0868	1.366	-0.045644	1.4389	0.024
Non-DPS	638	1,171	\$25.445	2.1735	1.366	-0.091287	2.8777	0.184
Bundle Sorting Basic	0						1.6692	0.000
%DPS	20.96%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = 1/Column [2] \* Column [3] \* 100  
 Column [6] = Column [4] \* (premium pay factor - 1)  
 Column [7] = (Column [4] \* Column [5]) + Column [6]  
 Column [8] = Column [7] \* Column [1] / 10,000

MODEL COST	11.0462
PROPORTIONAL ADJ. Exhibit USPS-29B	0.8113
FIXED ADJUSTMENT Exhibit USPS-29B	0.5342
TOTAL UNIT COST	9.4956

Test Year Standard (A) Nonprofit Upgradable Tray 3/5-Digit Presort Letters Cost Summary  
"CONSTANT MAKEUP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj.	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	0	812	\$25.445	3.1336	1.372	-0.1316	4.1677	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>Outgoing Secondary</u>								
Manual	0	691	\$25.445	3.6823	1.372	-0.1547	4.8975	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>AADC Distribution</u>								
Manual	0	759	\$25.445	3.3524	1.372	-0.1408	4.4587	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>SCF Operations</u>								
Manual	0	896	\$25.445	2.8398	1.372	-0.1193	3.7770	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>Incoming Primary</u>								
Manual	1,068	562	\$25.445	4.5276	1.372	-0.1902	6.0217	0.6429
MLOCR	9,566	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.6799
RBCS Images Processed	3,358	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.8549
LMLM	198	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0142
BCS-OSS	3,250	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.1157
MPBCS	798	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0406
<u>Incoming Secondary</u>								
Manual MODs Sites	1,641	646	\$25.445	3.9389	1.372	-0.1654	5.2387	0.8596
Manual Non-Auto Sites	1,453	1,143	\$25.445	2.2261	1.372	-0.0935	2.9607	0.4302
MPBCS	2,135	6,633	\$25.445	0.3836	1.719	-0.0161	0.6433	0.1374
DBCS First-Pass	5,525	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.4504
DBCS Second-Pass	5,249	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.4279
CSBCS First-Pass	1,242	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0352
CSBCS Second-Pass	1,223	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0346
CSBCS Third-Pass	1,211	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0343
<u>Other</u>								
Acceptance/Verification	10,000						0.2707	0.2707
<u>Sort to P. O. Boxes:</u>								
DPS	499	2,341	\$25.445	1.0868	1.366	-0.0456	1.4389	0.0718
Non-DPS	308	1,171	\$25.445	2.1735	1.366	-0.0913	2.8777	0.0886
%DPS	61.85%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = 1/Column [2] \* Column [3] \* 100  
 Column [6] = Column [4] \* (premium pay factor - 1)  
 Column [7] = (Column [4] \* Column [5]) + Column [6]  
 Column [8] = Column [7] \* Column [1] mail flow / 10,000

MODEL COST	5.1990
PROPORTIONAL ADJ. EXHIBIT USPS-29B	0.8113
FIXED ADJUSTMENT EXHIBIT USPS-29B	0.5342
<b>TOTAL UNIT COST</b>	<b>4.7520</b>

TABLE IX

Test Year Standard (A) Nonprofit Non-OCR Upgradable 3/5-Digit Presort Letters Cost Summary  
"CONSTANT MAKE-UP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj.	[7] Operation Unit Cost	[8] Modeled Unit Cost
<b>Outgoing Primary</b>								
Manual	0	812	\$25.445	3.1336	1.372	-0.1316	4.1677	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<b>Outgoing Secondary</b>								
Manual	0	691	\$25.445	3.6823	1.372	-0.1547	4.8975	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<b>ADC Distribution</b>								
Manual	0	759	\$25.445	3.3524	1.372	-0.1408	4.4587	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<b>SCF Operations</b>								
Manual	0	896	\$25.445	2.8398	1.372	-0.1193	3.7770	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<b>Incoming Primary</b>								
Manual	6,973	562	\$25.445	4.5276	1.372	-0.1902	6.0217	4.1991
MLOCR	3,431	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.2438
RBCS Images Processed	1,519	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.3913
LMLM	241	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0173
BCS-OSS	1,467	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0522
MPBCS	431	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0219
<b>Incoming Secondary</b>								
Manual MODs Sites	4,397	646	\$25.445	3.9389	1.372	-0.1654	5.2387	2.3034
Manual Non-Auto Sites	3,253	1,143	\$25.445	2.2261	1.372	-0.0935	2.9607	0.9632
MPBCS	726	6,633	\$25.445	0.3836	1.719	-0.0161	0.6433	0.0467
DBCS First-Pass	1,880	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.1532
DBCS Second-Pass	1,786	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.1456
CSBCS First-Pass	423	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0120
CSBCS Second-Pass	416	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0118
CSBCS Third-Pass	412	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0117
<b>Other</b>								
Acceptance/Verification Sort to P. O. Boxes.	10,000						0.2707	0.2707
DPS	170	2,341	\$25.445	1.0868	1.366	-0.0456	1.4389	0.0244
Non-DPS	637	1,171	\$25.445	2.1735	1.366	-0.0913	2.8777	0.1834
Bundle Sorting Basic	0						0.8229	0.0000
%DPS	21.05%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix

Column [4] =  $\frac{1}{\text{Column [2]}} \times \text{Column [3]} \times 100$   
 Column [6] = Column [4] \* (premium pay factor page 42 - 1)  
 Column [7] = (Column [4] \* Column [5] page 42) + Column [6]  
 Column [8] = Column [7] \* Column [1] mail flow / 10,000

MODEL COST	9.0519
PROPORTIONAL ADJ. Exhibit USPS-29B	0.8113
FIXED ADJUSTMENT Exhibit USPS-29B	0.5342
<b>TOTAL UNIT COST</b>	<b>7.8777</b>

**Standard (A) Nonprofit Entry Point Profile  
"CONSTANT MAKE-UP"**

13.95%	<b>Automation And Upgradable Trays (no bundles)</b>			47.07%
	<b>Basic</b>	52.93%	<b>3/5</b>	
	<b>%</b>		<b>%</b>	
<b>OP</b>	47.83%		0.00%	
<b>AADC</b>	41.53%		0.00%	
<b>SCF</b>	10.64%		0.00%	
<b>IP</b>	0.00%		100.00%	
<b>IS(IP-OCR)</b>	0.00%		0.00%	
<b>IS</b>	0.00%		0.00%	
<b>Total</b>	100.00%		100.00%	

25.20%	<b>Non-OCR Trays (bundles) but does not fail Upgradable criteria</b>			59.06%
	<b>Basic</b>	40.94%	<b>3/5</b>	
	<b>%</b>		<b>%</b>	
<b>OP</b>	66.09%		0.00%	
<b>ADC</b>	19.16%		0.00%	
<b>SCF</b>	4.91%		0.00%	
<b>IP</b>	7.67%		49.86%	
<b>IS(IP-OCR)</b>	1.85%		42.85%	
<b>IS</b>	0.31%		7.28%	
<b>Total</b>	100.00%		100.00%	

60.84%	<b>Non-OCR Trays (bundles) and fails Upgradable criteria</b>			59.06%
	<b>Basic</b>	40.94%	<b>3/5</b>	
	<b>%</b>		<b>%</b>	
<b>OP</b>	47.83%		0.00%	
<b>ADC</b>	41.53%		0.00%	
<b>SCF</b>	10.64%		0.00%	
<b>IP</b>	0.00%		100.00%	
<b>IS(IP-OCR)</b>	0.00%		0.00%	
<b>IS</b>	0.00%		0.00%	
<b>Total</b>	100.00%		100.00%	
<b>% Machinable</b>	35.30%		35.30%	

These tables use tables C1 and C2 on page 37 of this appendix in performing calculations. For methodology, see Appendix IV of USPS-T-5 in Docket No. MC96-2.

**DECLARATION**

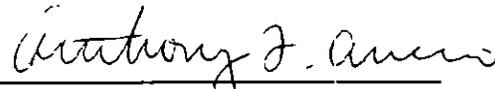
I, Sharon Daniel, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Sharon Daniel

Dated: October 6, 1997

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Anthony F. Alverno

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Washington, D.C. 20260-1137  
(202) 268-2997; Fax -6187  
October 6, 1997