

# DOCKET SECTION

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Docket No. R97-1

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POSTAL RATE AND FEE CHANGES, 1997

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**NOTICE OF THE UNITED STATES POSTAL SERVICE  
CONCERNING ERRATA TO LIBRARY REFERENCE H-106 WHICH IS  
INCORPORATED BY REFERENCE  
IN THE SUPPLEMENTAL TESTIMONY OF WITNESS SMITH (USPS-ST-45)  
(November 21, 1997)**

The United States Postal Service hereby files these errata to USPS Library Reference H-106, which is incorporated by reference in the supplemental testimony of witness Smith, USPS-ST-45.

LR-H-106 provides base year and test year mail processing unit costs (or "benchmark costs") by cost pool for many or most First-Class, Periodicals, and Standard Mail (A and B) subclasses or CRA categories. H-106 is the source for the First-Class bulk metered letter benchmark. It provides costs used by witnesses Hatfield, USPS-T-25, Seckar, USPS-T-26, and Daniel, USPS-T-29 in developing *proportional and fixed adjustments of model costs to the CRA level*. It also provides inputs used by witness Daniel in calculating the First-Class Mail nonstandard surcharge costs (USPS-T-43).

The reason for these errata is straightforward. The shape/presort adjustment calculations shown in pages VI-3 to VI-7 of LR-H-106, as filed on July 10, 1997, were based on a preliminary version of the LR-H-126 mail mix adjustment, which was superseded by the final version of LR-H-126, filed on July 10, 1997. The revision to pages VI-3 to VI-7 of LR-H-106 filed today now incorporates the final LR-H-126 version of the mail mix adjustment.

The H-106 shape/presort adjustment reapportions the test year costs by shape and presort level to reflect the changes occurring between the base year and test year, which are accounted for by the mail mix adjustment (see pages VI-3 to VI-7 of LR-H-106). This adjustment applies to First-Class Mail presort and Standard Mail (A) categories, and it is these categories for which there are cost revisions or errata.

The principal impact of using final H-126 results, rather than preliminary H-126 results, is to negate an error embedded in the application of the preliminary H-126 results regarding First-Class presort parcels. This error had led to the calculation of a significant reduction in the First-Class presort parcels labor costs between the base year and test year. When the correct data are used, test-year First-Class presort parcels unit cost rises from 21.96 to 37.89 cents per piece.<sup>1</sup> The impact of this latter errata is discussed in the response of witness Daniel to NDMS/USPS-ST43-18, filed November 20, 1997. Because this corrected input is a minor input in her calculation of nonstandard surcharge costs, it has a minor impact on her estimated costs.

Apart from First-Class presort parcels costs, the incorporation of final H-126 results into H-106 lead to *de minimis* revisions in the test year unit costs for First-Class presort and Standard A letters, flats, parcels and cards. The revisions for these categories have been highlighted on revised H-106 pages II-5, II-7, III-5, and IV-5, which are attached. All changes to H-106 are indicated by shading the affected portions of each revised page.

A diskette containing all revised H-106 calculations (in a spreadsheet entitled "CSTSHAPE.XLS") is also being filed today with the Commission and supersedes the original diskette copy of H-106 calculations.

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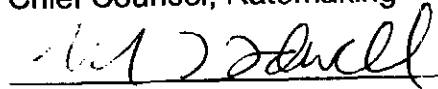
<sup>1</sup> Compare original H-106 page IV-5 (bottom of 1st Pr. NCarr-Rt column) to revised H-106 page IV-5.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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FY98 Mail Processing Volume Variable Labor and Piggybacked Costs by Cost Pool  
for Letter Shape by Category With All Adjustments \_1/  
(Cents/Piece)

COST POOL

MAILCLASS

	1st Cl.	1st Pr.	1st Pr.	2nd Cl.	2nd Cl.	2nd Co.	3rd nPrf	3rd nPrf	3rd Rg.	3rd Rg.
	Single P	Carr-Rt _2/	NCarr-Rt _2/	Non Prof	Regular	+ Classr	Carr-Rt _3/	Other _4/	Carr-Rt _5/	Other _6/
mods bcs/	1.731	0.576	1.095	0.469	0.155	0.000	0.329	0.745	0.161	0.859
mods express	0.004	0.000	0.002	0.000	0.016	0.000	0.000	0.002	0.000	0.001
mods fsm/	0.047	0.006	0.004	0.000	0.014	0.000	0.000	0.013	0.001	0.020
mods lsm/	0.251	0.018	0.046	0.037	0.012	0.030	0.009	0.041	0.006	0.032
mods manf	0.036	0.009	0.008	0.003	0.034	0.000	0.000	0.015	0.002	0.028
mods manl	1.829	0.093	0.457	0.889	0.868	1.117	0.095	1.012	0.097	0.905
mods manp	0.005	0.000	0.002	0.000	0.040	0.000	0.000	0.001	0.002	0.003
mods meoparc	0.003	0.000	0.000	0.001	0.001	0.007	0.000	0.005	0.000	0.001
mods ocr/	0.559	0.101	0.165	0.000	0.087	0.000	0.072	0.152	0.042	0.130
mods priority	0.009	0.000	0.004	0.000	0.036	0.000	0.001	0.000	0.001	0.001
mods spbs Oth	0.012	0.017	0.002	0.080	0.009	0.000	0.039	0.095	0.026	0.102
mods spbsPrio	0.002	0.002	0.005	0.000	0.004	0.000	0.000	0.001	0.005	0.002
mods BusReply	0.018	0.000	0.004	0.000	0.000	0.000	0.000	0.002	0.000	0.001
mods INTL	0.026	0.000	0.005	0.000	0.040	0.000	0.000	0.006	0.001	0.005
mods LD15	1.817	0.200	0.452	0.000	0.000	0.000	0.000	0.173	0.109	0.320
mods LD41	0.038	0.014	0.032	0.000	0.000	0.000	0.005	0.009	0.004	0.015
mods LD42	0.002	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.001
mods LD43	0.390	0.103	0.159	0.095	0.263	0.032	0.132	0.138	0.119	0.153
mods LD44	0.145	0.017	0.068	0.000	0.001	0.000	0.015	0.025	0.006	0.035
mods LD48 Exp	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
mods LD48 Oth	0.018	0.004	0.009	0.002	0.010	0.001	0.007	0.005	0.004	0.006
mods LD48_Ssv	0.011	0.004	0.003	0.040	0.000	0.000	0.000	0.000	0.000	0.002
mods LD49	0.209	0.038	0.246	0.138	0.306	0.001	0.006	0.015	0.013	0.022
mods LD79	0.018	0.043	0.070	0.000	0.000	0.400	0.090	0.279	0.041	0.191
mods MAILGRAM	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
mods Registry	0.004	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
mods REWRAP	0.019	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.011
mods 1Bulk pr	0.004	0.043	0.014	0.000	0.002	0.000	0.001	0.006	0.000	0.002
mods 1CancMPP	0.570	0.012	0.028	0.001	0.004	0.004	0.007	0.022	0.010	0.013
mods 1EEQMT	0.037	0.010	0.013	0.014	0.024	0.024	0.010	0.021	0.007	0.020
mods 1MISC	0.118	0.025	0.032	0.026	0.032	0.029	0.012	0.052	0.008	0.046
mods 1OPbulk	0.099	0.000	0.037	0.113	0.031	0.000	0.144	0.241	0.101	0.324
mods 1OPpref	0.489	0.243	0.258	0.096	0.364	0.000	0.040	0.242	0.086	0.259
mods 1Platfrm	0.573	0.161	0.253	0.138	0.594	0.353	0.079	0.257	0.151	0.354
mods 1POUCHNG	0.402	0.133	0.184	0.000	0.064	0.000	0.011	0.108	0.037	0.228
mods 1SackS_h	0.048	0.000	0.034	0.000	0.000	0.495	0.025	0.022	0.020	0.041
mods 1SackS_m	0.024	0.004	0.004	0.001	0.003	0.001	0.026	0.019	0.027	0.052
mods 1SCAN	0.049	0.011	0.025	0.000	0.009	0.001	0.001	0.001	0.005	0.003
mods 1SUPPORT	0.115	0.017	0.036	0.029	0.035	0.033	0.010	0.044	0.010	0.048
BMCs nmo	0.000	0.000	0.000	0.000	0.000	0.000	0.005	0.007	0.000	0.014
BMCs psm	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.002	0.004
BMCs spb	0.001	0.040	0.000	0.001	0.000	0.000	0.000	0.052	0.003	0.059
BMCs ssm	0.001	0.012	0.000	0.188	0.047	0.001	0.014	0.040	0.033	0.061
BMCs Othr	0.003	0.000	0.000	0.000	0.000	0.000	0.038	0.090	0.038	0.094
BMCs Pla	0.001	0.004	0.001	0.151	0.005	0.000	0.033	0.052	0.038	0.078
Non Mods	2.006	0.300	0.844	0.787	0.756	0.520	0.347	0.691	0.385	0.897
Total Unit Cost	11.742	2.269	4.599	3.298	3.866	3.049	1.593	4.702	1.604	5.442
FY98 Volumes (in millions) _7/	49,065	1,553	39,297	182	597	80	2,471	8,434	14,232	21,013

Mail Processing Unit Costs for 'First-Class Presort and Carrier Route Presort Cards

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Total	Car.Rte	Percent	C.S. 3	Test Year	TY Labor	Test Year	Non-Car Rt.	Car. Rt.
	Variable	Variable	Car Rte of	Worksheet	Cost Pool Adj.	Costs	Labor Costs	Presort	Presort
	Costs	Costs	Total	Adjustments	& Prem Pay		& Pigback		
							Costs		
mods bcs/	3,295	192	5.83%	3,303	3,961	5,610	11,307	0.444	0.271
mods express	0	0	0.12%	0	0	0	0	0.000	0.000
mods fsm/	3		0.00%	3	4	5	8	0.000	0.000
mods lsm/	3,637	10	0.27%	3,646	400	566	1,256	0.052	0.001
mods manf	335	0	0.00%	335	267	378	540	0.023	0.000
mods manl	8,492	165	1.94%	8,514	8,869	12,563	17,051	0.553	0.138
mods manp	1	0	1.73%	1	1	1	1	0.000	0.000
mods mecparc	0	0	1.24%	0	0	1	1	0.000	0.000
mods ocr/	758	0	0.00%	760	828	1,172	2,431	0.101	0.000
mods priority	0	0	0.64%	0	0	1	1	0.000	0.000
mods spbs Oth	136	68	50.00%	136	174	247	417	0.009	0.005
mods spbsPrio	11	0	0.22%	12	12	17	27	0.001	0.000
mods BusReply	129	0	0.00%	129	134	190	278	0.012	0.000
mods INTL	0		0.00%	0	1	1	1	0.000	0.000
mods LD15	1,850		0.00%	1,855	4,074	5,770	8,279	0.345	0.000
mods LD41	91		0.00%	91	95	135	274	0.011	0.000
mods LD42	37	0	0.03%	37	39	55	94	0.004	0.000
mods LD43	883		0.00%	885	922	1,306	1,854	0.077	0.000
mods LD44	67	0	0.01%	67	70	100	135	0.005	0.000
mods LD48 Exp	0	0	3.97%	0	0	0	1	0.000	0.000
mods LD48 Oth	45	5	10.43%	45	47	67	91	0.003	0.004
mods LD48_Ssv	0		0.00%	0	0	0	0	0.000	0.000
mods LD49	1,963	0	0.00%	1,968	1,992	2,822	4,175	0.174	0.000
mods LD79	1,130	0	0.01%	1,133	1,181	1,672	2,376	0.099	0.000
mods MAILGRAM				-	-	-	-	0.000	0.000
mods Registry				-	-	-	-	0.000	0.000
mods REWRAP				-	-	-	-	0.000	0.000
mods 1Bulk pr	222	0	0.05%	223	232	329	508	0.021	0.000
mods 1CancMPP	193	0	0.01%	194	196	278	590	0.025	0.000
mods 1EEQMT	109	3	2.81%	109	113	161	246	0.010	0.003
mods 1MISC	638	7	1.06%	639	666	943	1,312	0.054	0.005
mods 1OPbulk	278		0.00%	279	258	366	580	0.024	0.000
mods 1OPpref	806		0.00%	808	801	1,135	1,808	0.075	0.000
mods 1Platfrm	1,244		0.00%	1,247	1,299	1,841	3,358	0.140	0.000
mods 1POUCHNG	1,615		0.00%	1,619	1,686	2,389	3,930	0.164	0.000
mods 1SackS_h				-	-	-	-	0.000	0.000
mods 1SackS_m	1	0	0.87%	1	1	1	2	0.000	0.000
mods 1SCAN	0		0.00%	0	0	0	0	0.000	0.000
mods 1SUPPORT	395	8	2.07%	396	412	584	767	0.031	0.007
BMCs nmo				-	-	-	-	0.000	0.000
BMCs psm				-	-	-	-	0.000	0.000
BMCs spb				-	-	-	-	0.000	0.000
BMCs ssm				-	-	-	-	0.000	0.000
BMCs Othr				-	-	-	-	0.000	0.000
BMCs Pla				-	-	-	-	0.000	0.000
Non Mods	7,399	83	1.12%	7,518	7,831	11,093	15,865	0.655	0.073
<b>Total Cost and Unit Cost</b>	<b>35,765</b>	<b>541</b>		<b>35,956</b>	<b>36,568</b>	<b>51,799</b>	<b>79,562</b>	<b>3.262</b>	<b>0.588</b>
<b>FY98 VOLUMES (in millions)</b>								<b>2,415</b>	<b>137</b>

Explanations of the Calculations on Page II-7

Columns 1 and 2 are from LR-H-146, Part III.

Column 3 is C2/C1.

Column 4 is column 1 costs with worksheet adjustments. All costs in column 4 contain the product of the corresponding cost in column 1 and the Lump Sum Adjustment in Line No. 3 on PVI-1. The costs for all categories in all six BMC cost pools or rows are multiplied by the BMC Clocking In & Out ratio (Line 1 of PVI-1). Finally all costs in the last row, the Non-MODS cost pool are multiplied by the Non-MODS Clocking In & Out ratio (Line 2 of PVI-1).

Each row of column 5 is the product of the corresponding row of column 4 times the First-Class Presort Cards Premium Pay factor from LR-H-77, page 234 and the adjustment ratios for each cost pool from page VI-2.

To get column 6, the costs in column 5 are multiplied by the ratio of test year mail processing labor costs for First-Class presort cards (see witness Patelunas, USPS-T-15, USPS-15A) to the column 5 total, to inflate these costs to the test year. This ratio is  $51799/36568=1.417$ .

Column 7 is column 6 times two factors. The first is the respective cost pool piggyback factor from page VI-2. The second is the reconciliation factor, calculated as follows. The test year mail processing cost of 51,799,000 is multiplied times the mail processing piggyback factor of 1.536 (LR-H-77, page 41) to obtain the reconciliation target. The reconciliation factor is the ratio of this amount to the column 7 total with the reconciliation factor set to 1.

Column 8 is  $1-C3$  times C7 divided by the test year volumes times a Mail Volume Mix Adjustment. C9 is C3 times C7 divided by test year volumes and also multiplied times the Mail Mix Volume Adjustment. Test year volumes are shown in the last row and are from witness Tolley, USPS-T-6, USPS-6A. The mail mix volume adjustment is calculated by using the shares of mail processing labor costs for non-carrier route presort and carrier presort, after the mail volume mix adjustment which are **.989448** and **.010552** respectively. These are based on LR-H-126, page II-6. Setting the mail mix volume adjustment equal to 1, the shares for non-carrier route presort and carrier route presort are computed. This is the share without the adjustment. The ratio of the adjustment factor for both C8 and C9 is the ratio of its mail mix share divided by the share without the mail mix adjustment.

FY98 Mail Processing Volume Variable Labor and Piggybacked Costs by Cost Pool  
for Flat Shape by Category With All Adjustments \_1/  
(Cents/Piece)

COST POOL		MAILCLASS										
		1st Cl.	1st Pr.	1st Pr.	2nd Cl.	2nd Cl.	2nd Co.	3rd nPrf	3rd nPrf	3rd Rg.	3rd Rg.	4th Spc
		Single P	Carr-Rt _2/	NCarr-Rt _2/	Non Prof	Regular	+ Classr	Carr-Rt _3/	Other _4/	Carr-Rt _5/	Other _6/	Rate
mods	bcs/	0.043	0.000	0.002	0.004	0.008	0.001	0.000	0.011	0.002	0.025	0.000
mods	express	0.018	0.000	0.001	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000
mods	fsm/	12.678	0.000	7.224	0.670	1.045	0.256	0.175	2.914	0.093	2.706	0.789
mods	lsm/	0.012	0.000	0.007	0.001	0.002	0.000	0.004	0.002	0.000	0.004	0.000
mods	manf	3.789	0.000	2.873	0.615	1.290	0.427	0.111	1.587	0.045	1.142	0.294
mods	manl	0.436	0.000	0.369	0.058	0.157	0.001	0.000	0.202	0.006	0.141	0.102
mods	manp	0.024	0.000	0.064	0.012	0.018	0.000	0.000	0.000	0.004	0.020	0.000
mods	meoparc	0.009	0.000	0.001	0.015	0.014	0.003	0.024	0.002	0.001	0.005	0.000
mods	ocr/	0.046	0.000	0.001	0.010	0.001	0.000	0.025	0.012	0.000	0.006	0.000
mods	priority	0.064	0.000	0.000	0.001	0.011	0.000	0.000	0.013	0.002	0.003	0.000
mods	spbs Oth	0.179	0.000	0.142	0.125	0.152	0.055	0.025	0.236	0.061	0.275	0.000
mods	spbsPrio	0.061	0.000	0.102	0.011	0.023	0.000	0.000	0.006	0.003	0.011	0.094
mods	BusReply	0.044	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.002	0.000
mods	INTL	0.017	0.000	0.000	0.007	0.026	0.005	0.000	0.004	0.000	0.011	0.001
mods	LD15	0.149	0.000	0.000	0.000	0.060	0.000	0.000	0.000	0.000	0.000	0.000
mods	LD41	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.001	0.000
mods	LD42	0.010	0.000	0.000	0.000	0.002	0.000	0.007	0.007	0.000	0.008	0.000
mods	LD43	1.102	0.000	0.804	0.241	0.465	0.180	0.302	0.594	0.171	0.413	0.063
mods	LD44	0.280	0.000	0.111	0.029	0.071	0.022	0.015	0.029	0.007	0.078	0.000
mods	LD48 Exp	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
mods	LD48 Oth	0.040	0.000	0.024	0.010	0.015	0.004	0.013	0.018	0.006	0.014	0.001
mods	LD48_Ssv	0.014	0.000	0.019	0.002	0.004	0.000	0.000	0.000	0.002	0.005	0.000
mods	LD49	0.440	0.000	0.803	0.407	0.487	0.098	0.050	0.066	0.010	0.083	0.058
mods	LD79	0.035	0.000	0.166	0.058	0.030	0.035	0.000	0.112	0.027	0.116	0.000
mods	MAILGRAM	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
mods	Registry	0.008	0.000	0.001	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000
mods	REWRAP	0.010	0.000	0.005	0.001	0.006	0.000	0.000	0.002	0.000	0.004	0.000
mods	1Bulk pr	0.027	0.000	0.029	0.001	0.008	0.001	0.001	0.002	0.004	0.003	0.002
mods	1CancMPP	1.117	0.000	0.477	0.014	0.047	0.003	0.001	0.012	0.002	0.016	0.001
mods	1EEQMT	0.097	0.000	0.062	0.029	0.059	0.059	0.006	0.054	0.007	0.056	0.013
mods	1MISC	0.333	0.000	0.181	0.053	0.083	0.020	0.009	0.099	0.006	0.081	0.022
mods	1OPbulk	0.458	0.000	0.690	0.084	0.277	0.126	0.118	0.703	0.072	0.564	0.216
mods	1OPpref	1.588	0.000	1.010	0.611	1.176	0.141	0.029	0.611	0.063	0.354	0.000
mods	1Platfrm	2.471	0.000	1.358	0.610	1.368	0.228	0.188	0.789	0.139	0.699	0.420
mods	1POUCHNG	1.513	0.000	0.492	0.284	0.445	0.114	0.060	0.185	0.022	0.284	0.000
mods	1SackS_h	0.239	0.000	0.171	0.220	0.328	0.098	0.075	0.188	0.034	0.127	0.000
mods	1SackS_m	0.071	0.000	0.362	0.245	0.209	0.011	0.001	0.159	0.009	0.061	0.004
mods	1SCAN	0.108	0.000	0.055	0.001	0.026	0.001	0.000	0.004	0.001	0.009	0.000
mods	1SUPPORT	0.341	0.000	0.206	0.047	0.095	0.028	0.011	0.108	0.006	0.090	0.025
BMCs	nmo	0.000	0.000	0.000	0.000	0.009	0.000	0.000	0.011	0.004	0.012	0.003
BMCs	psm	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.074	0.001	0.052	0.007
BMCs	spb	0.000	0.000	0.000	0.042	0.030	0.006	0.040	0.141	0.011	0.145	0.159
BMCs	ssm	0.000	0.000	0.000	0.076	0.180	0.036	0.000	0.084	0.014	0.094	0.244
BMCs	Oth	0.034	0.000	0.000	0.077	0.102	0.088	0.049	0.190	0.024	0.238	0.648
BMCs	Pla	0.004	0.000	0.000	0.130	0.171	0.089	0.008	0.174	0.035	0.168	0.266
Non Mods		4.535	0.000	2.905	1.002	2.101	1.045	0.608	2.074	0.419	2.136	0.819
Total		32.427	0.000	20.739	5.804	10.607	3.182	1.661	11.462	1.318	10.304	4.251
FY98 Volumes (in millions) _7/		4,878		631	1,987	6,517	874	660	1,643	18,115	12,355	201

Footnotes on next page.

FY98 Mail Processing Volume Variable Labor and Piggybacked Costs by Cost Pool  
for Parcel Shape by Category With All Adjustments \_1/  
(Cents/Piece)

COST POOL		MAILCLASS											
		1st Cl.	1st Pr.	2nd Cl.	2nd Cl.	2nd Co.	3rd nPrf	3rd nPrf	3rd Rg.	3rd Rg.	4th Parc	4th Spc	4th Spc
		Single P	NCarr-Rt _2/	Non Prof	Regular	+ Classr	Carr-Rt _3/	Other _4/	Carr-Rt _5/	Other _6/	Zone R	Rate	Rate - All Shapes _7/
mods	bcs/	0.158	1.975	0.017	0.137	0.011	1.191	0.040	0.005	0.103	0.043	0.005	0.005
mods	express	0.130	0.023	0.003	0.211	0.001	0.029	0.001	0.009	0.018	0.008	0.075	0.075
mods	fsm/	0.501	0.014	1.278	1.044	0.005	1.474	0.042	0.006	0.204	0.959	0.212	1.001
mods	lsm/	0.026	0.001	0.001	0.008	0.001	0.029	0.002	0.000	0.005	0.010	0.013	0.013
mods	manf	0.615	0.009	0.002	2.104	0.001	0.000	0.750	0.187	0.116	0.350	0.172	0.466
mods	manl	0.583	3.996	1.313	0.589	-	0.008	0.012	0.344	0.275	0.384	0.115	0.218
mods	manp	0.787	0.002	0.472	0.501	0.000	0.000	0.438	0.000	0.247	2.330	0.803	0.803
mods	mecparc	0.271	0.012	0.067	0.082	0.077	0.002	0.497	0.253	0.018	0.986	0.097	0.097
mods	ocf/	0.159	0.003	0.006	0.097	0.003	0.002	0.008	0.002	0.020	0.006	0.088	0.088
mods	priority	1.011	0.350	0.001	0.045	0.000	0.003	0.013	0.002	0.053	0.236	0.129	0.129
mods	spbs Oth	6.538	0.943	0.148	3.051	1.808	-	2.705	0.838	1.357	0.661	0.425	0.425
mods	spbsPrio	2.751	0.007	0.003	0.820	0.002	0.546	0.011	0.304	0.123	0.744	0.121	0.214
mods	BusReply	0.128	0.007	0.001	0.003	0.000	0.004	0.002	0.002	0.053	0.104	0.000	0.000
mods	INTL	0.226	0.002	-	0.035	-	-	-	-	0.020	0.175	0.001	0.002
mods	LD15	-	-	-	-	-	-	-	-	0.230	-	-	-
mods	LD41	0.000	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
mods	LD42	0.001	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.018	0.019	0.019
mods	LD43	2.768	1.935	1.091	3.127	0.133	17.462	1.828	1.347	2.452	6.707	3.614	3.678
mods	LD44	0.246	0.005	0.004	0.012	0.002	0.005	0.005	0.001	0.098	0.103	0.273	0.273
mods	LD48 Exp	0.002	0.000	-	-	-	-	0.005	0.000	0.002	0.006	0.002	0.002
mods	LD48 Oth	0.100	0.038	0.021	0.062	0.003	0.347	0.036	0.062	0.065	0.221	0.130	0.132
mods	LD48_Ssv	0.033	0.001	0.000	0.003	0.000	0.020	0.001	0.000	0.008	0.022	0.084	0.084
mods	LD49	0.226	0.007	0.755	0.271	1.438	0.140	0.013	0.002	0.086	0.398	0.159	0.217
mods	LD79	0.293	0.040	0.005	0.009	0.003	0.001	0.002	0.017	0.205	0.296	0.001	0.001
mods	MAILGRAM	-	-	-	-	-	-	-	-	-	0.156	-	-
mods	Registry	0.083	0.005	0.000	0.001	0.000	-	0.000	0.002	0.001	0.021	0.045	0.045
mods	REWRAP	0.002	0.005	-	-	-	-	-	-	0.000	0.002	-	-
mods	1Bulk pr	0.022	0.014	0.004	0.018	0.002	0.005	0.006	0.002	0.005	0.011	0.006	0.007
mods	1CancMPP	3.350	4.567	0.042	0.083	0.042	0.004	1.211	0.003	0.169	0.857	0.183	0.183
mods	1EEQMT	0.450	0.252	0.230	0.524	0.207	0.837	0.254	0.066	0.190	0.536	0.097	0.111
mods	1MISC	0.823	0.338	0.276	0.546	0.162	0.194	0.189	0.073	0.139	0.477	0.117	0.139
mods	1OPbulk	1.579	0.201	2.774	2.943	0.007	-	1.958	0.973	1.054	1.287	0.549	0.765
mods	1OPpref	16.630	7.138	6.192	14.323	8.718	-	1.405	1.338	1.000	2.199	0.984	0.984
mods	1Platfrm	12.838	8.360	10.035	14.132	4.338	-	2.781	0.717	2.225	20.125	5.044	5.464
mods	1POUCHNG	10.826	3.740	3.832	4.235	0.009	2.823	1.948	0.363	0.719	1.591	0.898	0.898
mods	1SackS_h	0.777	-	-	2.489	-	-	0.903	0.603	0.730	2.803	0.580	0.580
mods	1SackS_m	0.400	0.015	3.649	4.113	0.424	1.030	1.597	0.640	0.330	2.534	0.812	0.816
mods	1SCAN	0.181	0.058	0.010	0.103	0.009	0.144	0.023	0.021	0.014	0.034	0.003	0.004
mods	1SUPPORT	0.752	0.385	0.324	0.602	0.194	0.090	0.212	0.083	0.124	0.546	0.133	0.158
BMCs	nmo	0.000	-	0.001	0.494	0.000	0.001	0.424	0.008	0.383	6.229	0.964	0.967
BMCs	psm	0.270	-	0.027	0.109	0.011	11.064	3.961	1.482	4.763	11.457	17.060	17.068
BMCs	spb	0.296	-	0.977	1.426	0.096	-	2.496	0.664	1.445	2.868	1.569	1.728
BMCs	ssm	0.000	-	0.000	0.006	-	-	0.002	0.439	0.808	3.906	1.612	1.856
BMCs	Othr	0.109	-	-	0.421	-	-	5.213	1.121	3.475	18.554	8.229	8.877
BMCs	Pla	0.134	-	0.220	2.148	0.011	0.359	1.497	0.804	2.909	20.026	8.058	8.324
Non Mods		7.003	3.545	0.853	2.281	-	-	5.238	2.516	4.112	12.857	5.721	6.539
Total		74.078	37.893	34.632	63.191	17.720	37.812	37.727	16.281	29.852	123.840	59.204	63.455
FY98 Volumes (in millions) _8/		451	26	18	59	8	1	46	77	991	242	201	

Footnotes on next page.



**First-Class Presort Letters and Flats  
Shape/Presort Adjustment to Reflect the Mail Mix Adjustment**

		(1)	(2)	(3)	(4)	(5)
		Mail Mix	Perct. of	Pre-Test	Perct. of	Shape/Presort
		Costs for	Costs from	Year Costs	Costs from	Adjustment
		FY97	Mail Mix		Pre-Test	Ratios
					Year	
1st Pr.	Letter	965,465	90.86%	1,004,397	91.61%	0.992
NCarr-Rt	Flat	73,712	6.94%	53,433	4.87%	1.423
	Parcel	5,215	0.49%	4,936	0.45%	1.090
1st Pr.	Letter	18,220	1.71%	31,580	2.88%	0.595
Carr-Rt	Flat			1,983	0.18%	0.000
	Parcel				0.00%	
	<b>Total</b>	<b>1,062,612</b>	<b>100.0%</b>	<b>1,096,329</b>	<b>100.0%</b>	

<b>Sources:</b>	LR-H-126, PII-5, C3 <u>Totals by Shape</u>	From C1	PII-4 PIII-4 PIV-4	From C3	C2/C4
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Note: These calculations performed in spreadsheet CSTSHAPE.XLS on sheet "PremPay" in range D31 to L54.

**Standard A Non-Carrier Route Presort  
Shape/Presort Adjustment to Reflect the Mail Mix Adjustment**

	(1) Mail Mix Costs for FY97	(2) Perct. of Costs from Mail Mix	(3) Pre-Test Year Costs	(4) Perct. of Costs from Pre-Test Year	(5) Shape/Presort Adjustment Ratios
Letter	650,528	41.76%	676,699	45.92%	0.909
Flat	749,199	48.10%	648,844	44.03%	1.092
Parcel	157,905	10.14%	148,033	10.05%	1.009
Total	1,557,632	100.0%	1,473,576	100.0%	

Sources:	LR-H-126, PII-7, C3 Totals by Shape	From C1	PII-4 PIII-4 PIV-4	From C3	C2/C4
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Note: These calculations performed in spreadsheet CSTSHAPE.XLS on sheet "PremPay" in range D31 to L54.

**Standard A Enhanced Carrier Route Presort  
Shape/Presort Adjustment to Reflect the Mail Mix Adjustment**

	(1) Mail Mix Costs for FY97	(2) Perct. of Costs from Mail Mix	(3) Pre-Test Year Costs	(4) Perct. of Costs from Pre-Test Year	(5) Shape/Presort Adjustment Ratios
Letter	130,213	46.88%	120,939	46.87%	1.000
Flat	141,040	50.78%	131,047	50.78%	1.000
Parcel	6,513	2.34%	6,064	2.35%	0.998
Total	277,766	100.0%	258,050	100.0%	

Sources: LR-H-126, From C1 PII-4 From C3 C2/C4  
 PII-8, C3 PIII-4  
 Totals by Shape PIV-4

Note: These calculations performed in spreadsheet CSTSHAPE.XLS on sheet "PremPay" in range D31 to L54.

**Standard A Nonprofit Non-Carrier Route Presort  
Shape/Presort Adjustment to Reflect the Mail Mix Adjustment**

	(1) Mail Mix Costs for FY97	(2) Perct. of Costs from Mail Mix	(3) Pre-Test Year Costs	(4) Perct. of Costs from Pre-Test Year	(5) Shape/Presort Adjustment Ratios
Letter	241,295	65.39%	228,925	66.42%	0.984
Flat	117,781	31.92%	106,467	30.89%	1.033
Parcel	9,956	2.70%	9,260	2.69%	1.004
Total	369,032	100.0%	344,652	100.0%	

Sources:	LR-H-126, PII-9, C3 Totals by Shape	From C1	PII-4 PIII-4 PIV-4	From C3	C2/C4
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Note: These calculations performed in spreadsheet CSTSHAPE.XLS on sheet "PremPay" in range D31 to L54.

**Standard A Nonprofit Enhanced Carrier Route Presort  
Shape/Presort Adjustment to Reflect the Mail Mix Adjustment**

	(1) Mail Mix Costs for FY97	(2) Perct. of Costs from Mail Mix	(3) Pre-Test Year Costs	(4) Perct. of Costs from Pre-Test Year	(5) Shape/Presort Adjustment Ratios
Letter	21,977	72.34%	19,674	71.88%	1.006
Flat	8,073	26.57%	7,386	26.98%	0.985
Parcel	331	1.09%	312	1.14%	0.954
Total	30,381	100.0%	27,372	100.0%	

Sources: LR-H-126, From C1 PII-4 From C3 C2/C4  
 PII-10, C3 PIII-4  
 Totals by Shape PIV-4

Note: These calculations performed in spreadsheet CSTSHAPE.XLS on sheet "PremPay" in range D31 to L54.

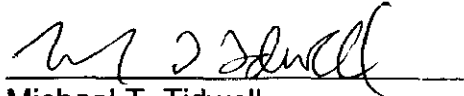
Reconciliation of Mail Processing Unit Costs With Test Year Before Rates Rollforward

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Spreadsheet Pre-Test Year Costs	Rollforward Test Year Labor Cost	Ratio to Escalate to Test Year	Mail Proc. Piggyback Factor	Test Year Labor and Piggyback Costs (Reconciliation Target)	Unreconciled Spreadsheet Test Year Labor and Piggyback Costs	Reconciliation Ratio	Combined Ratio to Escalate to Test Year & Reconciliation Ratio
1st Cl.	Single P	4,656,621	4,899,428	1.0521	1.567	7,677,502	7,782,179	0.98655	1.03799
1st Pr.	-NCarr-Rt & Car. Rt.	1,096,329	1,236,653	1.1280	1.604	1,982,973	1,999,683	0.99164	1.11857
2nd Cl.	Non Prof	79,112	83,579	1.0565	1.526	127,518	132,687	0.96105	1.01531
2nd Cl.	Regular	449,447	494,810	1.1009	1.519	751,384	780,621	0.96255	1.05970
2nd Co.	+ Classr	20,041	21,286	1.0621	1.488	31,664	32,812	0.96503	1.02497
3rd nPrf	Carr-Rt	27,372	31,882	1.1648	1.588	50,640	51,003	0.99288	1.15646
3rd nPrf	Other	344,652	388,521	1.1273	1.550	602,266	612,956	0.98256	1.10762
3rd Rg.	Carr-Rt	258,050	306,208	1.1866	1.563	478,698	484,448	0.98813	1.17254
3rd Rg.	Other	1,473,576	1,735,498	1.1777	1.563	2,712,306	2,753,224	0.98514	1.16024
4th Bnd	Print M	70,382	81,739	1.1614	1.697	138,698	-		1.16137
4th Parc	Zone Rate	152,081	172,040	1.1312	1.739	299,196	302,114	0.99034	1.12032
4th Spc	Rate	64,988	72,398	1.1140	1.758	127,265	128,886	0.98742	1.10000

Sum of All Shapes from Pages II-4, III-4 and IV-4  
 Witness Patelas USPS-T-15, Exhibit USPS-15A  
 C2/C1  
 LR-H-77, Page 41  
 C2 \* C4  
 Unit Cost times Volumes Summed for All Shapes from Pages II-5, III-5 and IV-5 Before Applying Reconciliation (Set C7 Equal to 1)  
 C5/C6  
 C3 \* C7

CERTIFICATE OF SERVICE

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

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
November 21, 1997