DOCKET SECTION

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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

DIRECT TESTIMONY
OF
SANDER GLICK
ON BEHALF OF
MAGAZINE PUBLISHERS OF AMERICA

I. Autobiographical Sketch

My name is Sander A. Glick. I am a Senior Analyst at Project Performance Corporation (PPC), a consulting firm based in Sterling, Virginia. PPC provides management, information technology, and environmental consulting services to private and public sector clients. The firm has grown rapidly since our inception in 1991; last year we were number 272 on the ***Inc. 500***, a compilation of the fastest growing private companies in America. Since joining the firm, I have performed economic and cost analysis for both private and governmental clients.

I attended the Maxwell School of Citizenship and Public Affairs at Syracuse University, where I received a Master of Public Administration degree in 1994, and Carleton College, where I received a BA, magna cum laude, in Physics in 1993. While at Syracuse University, I was a graduate assistant in the Center for Technology and Information Policy and assisted in developing and administering a National Science Foundation-funded survey of more than 500 companies regarding the costs and benefits of working with Federally-funded Research and Development laboratories.

Following my formal education, I joined PPC in 1994 as an Analyst. At the end of 1996, I was promoted to Senior Analyst. Since joining PPC, I have assisted the Department of Energy by developing methods for estimating the life-cycle cost of cleaning up nuclear weapon production sites and then collecting data to implement the analysis. I have also developed regulatory compliance cost estimates and reviewed cost estimates prepared by other cost estimators.

II. Purpose of Testimony and Summary Conclusions

In this testimony, I review the Postal Service's method for determining rural carrier salaries and the Postal Service's rural carrier costing methodology. I find that the Postal Service's costing methodology violates the long established principle that the distribution of a cost to subclass must be consistent with the way the cost is incurred and the attribution methodology. This inconsistency results in an anomalous result: the cost distributed to a subclass of mail per flat delivered is about 15 percent higher than the amount the rural carrier is actually paid to deliver a flat while the cost distributed per letter is about 15 percent lower than the amount the rural carrier is paid to deliver a letter. To correct this anomaly and to make rural carrier cost distribution and attribution consistent, I propose an improvement to the Postal Service's proposed methodology for distributing rural carrier costs to subclass.

III. Rural Carrier Salaries

Unlike city carriers who are paid on an hourly basis, the Postal Service pays rural carriers on evaluated routes (salaries for carriers on evaluated routes comprise more than 90 percent of salary costs for rural carriers) based upon the amount of work they perform (e.g., the number of letters they deliver). For example, a rural carrier is paid for .0791 minutes for every letter he delivers, regardless of how long it actually takes him to deliver the letter.

Table 1 shows the evaluation factor, or minutes allowed per unit of work (e.g., minutes allowed per letter delivered), for all rural carrier workload measures (USPS-T-5, WP-B, W/S 10.1.1) and the amount a carrier, being paid the average FY 1996 rural carrier salary of $21.07 per hour (LR-H-212, W/S-I, Line 63, Column E), would be paid for performing one unit of each task.

Table 1. Evaluation Factors for Each Task

Item	Evaluation Factor	Average Cost ($)
Letters Delivered	0.07910	$0.028
Flats Delivered	0.14160	0.050
Parcels Delivered	0.33300	0.117
Boxholders Delivered	0.04000	0.014
COD Delivered	5.50000	1.931
Accountables Delivered	4.00000	1.405
DPS	0.03330	0.012
Sector Segment	0.04440	0.016
Postage Due	0.20000	0.070
Return Receipts	0.25000	0.088
Letters/Flats Collected	0.04000	0.014
Parcels Accepted	4.00000	1.405
Accountables Accepted	2.00000	0.702
Money Orders	3.50000	1.229
Vehicle Loading	0.50000	0.176
Markups	0.23340	0.082
Miles	12.00000	4.214
Regular Boxes	2.00000	0.702
Centralized Boxes	1.00000	0.351
L Boxes	1.64000	0.576
NDCBU Compartments	1.00000	0.351
Parcel Post Lockers	2.00000	0.702
Pouches	1.00000	0.351
Withdrawals	1.00000	0.351
Change of Address	2.00000	0.702
Form 3579	2.00000	0.702
Office Work	1.00000	0.351
Purchase Stamps	1.00000	0.351
Other Suitable Allowance	1.00000	0.351
Dismount	0.10000	0.035
Dismount Distance	0.00284	0.001

For example, a carrier being paid the average rural carrier salary would be paid five cents to deliver a flat and 2.8 cents to deliver a letter. Because the "average" carrier is paid five cents to deliver a flat (regardless of the volume), five cents is the volume variable (or marginal) rural carrier cost for delivering one flat.

For 1996, the Postal Service based "rural carrier salaries on route evaluations [the National Mail Count] *conducted in the fall of* 1995." (Response of United States Postal Service to MPA/USPS-T17-10). On these route evaluations, the Postal Service counted the workload of individual rural carriers

for each route evaluation item shown in Table 1. To determine the number of hours for which each rural carrier would be paid, the Postal Service multiplied the count for each route evaluation item by its respective evaluation factor and then summed hours across all route evaluation items. The FY 1996 salary of an individual rural carrier was based upon the number of hours calculated from the "evaluation" conducted in the Fall of 1995.

Because carriers are paid based upon workload, rather than actual work hours, a perfect costing method would distribute the amount a carrier is paid to perform a unit of workload for each unit of workload performed (e.g., distribute five cents, the amount a carrier is paid to deliver a flat, to subclass for every flat delivered). Because the National Mail Count (NMC) is only performed in the Fall and therefore does not perfectly reflect annual mail volumes, an appropriate costing system, at a minimum, should ensure an equal markup on the amount a carrier is paid to perform a unit of workload for each route evaluation item (e.g., if the Postal Service distributes 15 percent more than the cost for delivering a flat for each flat delivered, the Postal Service should also distribute 15 percent more than the cost for delivering a letter for each letter delivered).[1]

IV. Rural Carrier Costing Methodology

As for all cost segments, there are two steps to the Postal Service's costing methodology. First, Witness Baron determined the volume variability of rural carrier costs (the attribution step). Then, Witness Alexandrovich distributed volume-variable costs to subclass (the distribution step).

A. Attribution - Determining Volume Variable Cost

Witness Baron first divided accrued costs into those for evaluated routes and those for other routes based upon payroll data (See Table 2). He then defined sixteen of the route evaluation items, shown in Table 1, as variable

because "the time required for completion varies proportionately with volume delivered on the route." The remaining items were fixed because "the time required for completion is unaffected by route volume." (USPS-T-17 at 68-69).

Table 2. FY 1996 Rural Carrier Accrued Cost by Route Type

Route Type	Cost ($000s)
Evaluated	$2,801,424
Other	273,010

Individually for evaluated and other routes, he then determined the average units of each route evaluation item performed per week per route from the NMC and multiplied this figure by the evaluation factor for each route evaluation item to determine the "average weekly minutes for the given item. For example, the average weekly activity level estimated for the letters delivered item equals 5,713 letters per week per route. The product of this level and the evaluation factor of 0.0791 minutes per letter equals an estimated 452 minutes per week per route for delivering letters in FY 1996." (USPS-T-17 at 70).

Finally, Witness Baron divided the sum of the average minutes per week per route for all variable route evaluation items by the average minutes per week per route for all route evaluation items, fixed and variable, to obtain the volume variability for evaluated routes and other routes (See Table 3). (USPS-T-17 at 74).

Table 3. Volume Variability of Rural Carrier Costs

Route Type	Variability (%)	Variable Cost ($000s)
Evaluated	49.04	$1,373,846
Other	49.87	136,139

[1] My improvements focus on the "Letters Delivered" and "Flats Delivered" costs because these costs account for approximately 80 percent of all rural carrier costs.

B. Distribution - Distributing Cost to Subclass

Witness Alexandrovich's first step in distributing volume-variable rural carrier costs was to disaggregate volume-variable rural carrier costs by route evaluation item. To do this, he essentially apportioned volume-variable cost to variable route evaluation items in proportion to average minutes per week per route (excluding vehicle loading and markups time).[2] Table 4 provides the results of this process for evaluated routes.

Table 4. Base Year 1996 Evaluated Route Costs by Variable Route Evaluation Item

Route Evaluation Item	Average Minutes/Week	Proportion of Minutes/Week (%)	Cost ($Millions)
Letters Delivered	452	29.8%	$409
Flats Delivered	759	50.0	688
Parcels Delivered	63	4.2	57
Boxholders Delivered	57	3.8	52
COD Delivered	4	0.3	3
Accountables Delivered	63	4.1	57
DPS	34	2.3	31
Sector Segment	28	1.8	25
Postage Due	.6	0.0	1
Return Receipts	.03	0.0	0
Letters/Flats Collected	44	2.9	39
Parcels Accepted	12	0.8	10
Accountables Accepted	1.1	0.1	1
Money Orders	1.3	0.1	1
Total	1519	100%	$1,374

Witness Alexandrovich then developed distribution keys for each volume-variable route evaluation item "cost pool" shown in Table 4. For the "Flats Delivered" and "Letters Delivered" cost pools, these distribution keys were based upon volumes from the rural Carrier Cost System (CCS). For example, the distribution key for the "Flats Delivered" route evaluation item was the volume of flats delivered by rural carriers. It is important to note that, before using these distribution keys, the Postal Service reclassified some letters from

[2] The derivation of average minutes per week per route is described in Section IV.A.

rural CCS as flats primarily to account for the fact that the definition of a flat in the NMC is different than the standard postal definition of a flat.[3]

V. Data Anomaly

Table 1 shows that the average rural carrier would have been paid 2.8 cents for each letter delivered and 5.0 cents for each flat delivered in the Base Year. In contrast, the Base Year 1996 cost distributed to subclass per letter was 2.4 cents (about 15 percent lower than the amount the rural carrier is paid) and the cost distributed per flat was 5.7 cents (about 15 percent higher).[4]

The reason for this anomaly is that Witness Alexandrovich, consistent with the attribution step, used NMC data to disaggregate rural carrier volume variable costs to the "Letters Delivered" and "Flats Delivered" rural carrier cost pools, but used volumes from the CCS to distribute these costs to subclass. In past cases, the Postal Service argued that shape data from the NMC is more reasonable than that from CCS:

> "The primary source of the discrepancy appears to be small flats which accidentally are recorded as letters. The discrepancy results from a definition of 'letters' and 'flats' that is unique to rural routes. The shape of rural letters is defined as 5" in height or less. Anything with a greater height is a flat. By the standard Postal definition (in the Domestic Mail Manual), a letter can have a height of up to 6 1/8". These pieces of mail are shaped like letters, but in fact are greater than 5" in height. They would be considered letters except by experts in Rural Carrier mail shape definitions.... The National Mail Count is the basis for the carrier's salary.... Therefore, they [carriers] would have an incentive to insure that none of their flats get misclassified as letters.... The 2858R surveys [CCS in this case], on the other hand, do not appear to carriers as potentially beneficial or harmful to them.... [For this test, data collectors] are experts in distinguishing the details of the different subclasses, so there is no reason to believe they are making any mistakes in this area. The shape of mail, on the other hand, is different for rural routes than for city routes. The shape is not the main focus of this test, and furthermore, is inconsistent with the shape definition for city

[3] For more detail on the mail shape adjustment, please refer to Section V of this testimony or Docket No. R90-1, USPS-T-13, Appendix F.

[4] Cost distributed per route evaluation item is equal to the rural carrier cost for a route evaluation item divided by the number of units (e.g., mail volume) for that route evaluation item.

routes. Therefore, it seems reasonable to conclude that some pieces... are being recorded as letters instead of flats." (Docket No. R90-1, USPS-T-13, Appendix F, Page F-26 - F-28).

For this reason, the Postal Service in Docket No. R90-1, and all dockets since[5], implemented a procedure called the mail shape adjustment to adjust letters (as a percentage of letters and flats) in the 2858R (or rural CCS) to be equal to letters (as a percentage of letters and flats) in the NMC. In this case, the mail shape adjustment does not fully correct the problem. This can be seen in two inconsistencies which remain after the mail shape adjustment.

First, based upon NMC volumes, Witness Alexandrovich found that letters make up 52 percent of rural carrier letter/flat mail volume (USPS-T-5, W/P B, Tables 10.1.1 and 10.2.1). CCS volumes, even after the mail shape adjustment, indicate that letters make up 59 percent of rural carrier letter/flat mail volume. Second, as described earlier in this section, the cost distributed per flat is higher than the volume variable cost of rural carrier flat delivery - the amount a carrier is paid to deliver a flat - while the cost distributed per letter is lower than the volume variable cost of rural carrier letter delivery - the amount a carrier is paid to deliver a letter. I propose that the Postal Rate Commission ensure that attribution and distribution are consistent by making an adjustment that fully addresses these anomalies. Section VI proposes a modification to the Postal Service's mail shape adjustment that properly addresses the problem.

VI. Proposed Methodology

Witness Alexandrovich's workpapers indicate that, on an average rural route in an average week, "Letters Delivered" account for about 51.7 percent of the sum of "Letters Delivered" plus "Flats Delivered" mail (See Table 5).[6]

[5] The Postal Service's proposed mail shape adjustment is described in LR-H-193.
[6] USPS-T-5, W/P B, Tables 10.1.1 and 10.2.1

Table 5. Average Volume Delivered Per Week Per Route

Volume	Evaluated Routes	Other Routes	Dollar-Weighted
Letters Delivered	571,336	318,918	N.A.
Flats Delivered	535,884	286,336	N.A.
Total Flats/Letters	1,107,220	605,254	N.A.
Letter (%)	51.60%	52.69%	51.70%

I propose a mail shape adjustment that recodes a sufficient amount of letters such that the ratio of FY 1996 letters to letters and flats combined from CCS be equal to 51.7 percent. Performing any other letter/flat mail shape adjustment will result in the anomaly described above. As derived in Exhibit MPAX1, this mail shape adjustment recodes 1 out of every 4.01340 letters as flats. This solves the anomaly and ensures that the markup (in this case, mark down) on flats is equal to the markup on letters. Exhibit MPAX2 shows the resulting Base Year 1996 distribution keys for the "Flats Delivered" and "Letters Delivered" cost pools.

VII. Conclusions

There is an inconsistency between volume data from the NMC and the rural CCS. In Docket No. R90-1, Witness Barker found that this was primarily due to the fact that rural flats are defined differently than the standard definition in the Domestic Mail Manual. This inconsistency results in attributing too much cost to classes with a high proportion of flats and too little cost to classes with a high proportion of letters.

The Postal Service's mail shape adjustment does not completely address the problem. For this reason, I propose that the Commission use the mail shape adjustment described in Section VI of my testimony and illustrated in Exhibit MPA 3-1. Adopting this adjustment will result in the Base Year rural carrier cost distribution for "Letters Delivered" and "Flats Delivered" shown in Exhibit MPA 3-2.

Exhibit MPA 3-3 estimates the difference in Test Year After Rates (TYAR) costs by subclass between the USPS proposed rural carrier costing methodology and the MPA proposed methodology. To obtain a precise estimate of the TYAR cost difference, the Rate Commission should rerun the Postal Service's roll forward model. The proposed methodology decreases Periodical rural carrier costs by $22.7 million and total Periodical costs, taking into account cost piggybacks, by $27.2 million. Using TYAR volumes from Exhibit USPS-30F, Table 6 disaggregates the cost reduction within the Periodical class by subclass.

Table 6. TYAR Periodicals Cost Reduction by Subclass

Subclass	Cost Reduction ($000s)
In-County	$2,389
Regular	$18,937
Nonprofit	$5,726
Classroom	$126

Exhibit MPA 3-1. MPA Proposed Mail Shape Adjustment Summary (Volumes In 000s)

Postal Service Attribution Step Percentages

LETTERS	51.70% [1]
FLATS	48.30% [2]

FY 1996 RCCS Data

LETTERS	22,207,467 [3]	68.86% [5]
FLATS	10,044,259 [4]	31.14% [6]

If the 1996 Rural CCS data had the same percentages of letters and flats as in the National Mail Count, there would have to be the following distribution:

LETTERS	16,674,142 [7]	51.70% [9]
FLATS	15,577,584 [8]	48.30% [10]

This would require an adjustment of 5,533,325 pieces [11]

1 out of every 4.013404 letters would have to be reclassified as flats. [12]

[1] USPS-T-5, W/P B, W/S 10.1.1 and 10.2.1, Column 2
[2] USPS-T-5, W/P B, W/S 10.1.1 and 10.2.1, Column 2
[3] USPS Response to MPA/USPS-T5-2CD, Table 2
[4] USPS Response to MPA/USPS-T5-2CD, Table 2
[5]=[3]/([3]+[4])
[6]=[4]/([3]+[4])
[7]=[1]*([3]+[4])
[8]=[2]*([3]+[4])
[9]=[1]
[10]=[2]
[11]=[3]-[7]
[12]=[3]/[11]

Exhibit MPA 3-2. MPA Proposed Adjustment Base Year 1996 Letters and Flat Delivered Cost Distribution (000s)

	Volume/Distribution Key						Revised Cost Distribution	
Class/Subclass	Pre-Adjusted Letters	Adjusted Letters	Adjusted (%)	Pre-Adjusted Flats	Adjusted Flats	Adjusted (%)	Letters Delivered	Flats Delivered
	[1]	[2]=[1]*(1-(1/Adj.))	[3]	[4]	[5]=[1]-[2]+[4]	[6]	[7]=Letter Cost*[3]	[8]=Flat Cost*[6]
First-Class Mail								
Letters and Parcels	6,348,432	4,766,625	28.6%	748,470	2,330,277	15.0%	$128,841	$112,760
Presorted Letters and Parcels	7,517,234	5,644,202	33.9%	354,848	2,227,880	14.3%	$152,561	$107,805
Government Post Cards	42,417	31,848	0.2%	0	10,569	0.1%	$861	$511
Private Cards	615,117	461,851	2.8%	0	153,266	1.0%	$12,484	$7,416
Presorted Private Cards	393,537	295,481	1.8%	0	98,056	0.6%	$7,987	$4,745
Total	14,916,737	11,200,007	67.2%	1,103,318	4,820,048	30.9%	$302,733	$233,238
Priority Mail	2,483	1,864	0.0%	35,961	36,580	0.2%	$50	$1,770
Express Mail	0	0	0.0%	0	0	0.0%	$0	$0
Mailgram	325	244	0.0%	0	81	0.0%	$7	$4
Periodicals Mail	297,675	223,505	1.3%	2,543,919	2,618,089	16.8%	$6,041	$126,687
Standard (A)								
Single-Piece Rate	3,217	2,415	0.0%	4,613	5,415	0.0%	$65	$262
Enhanced Carrier Route (ECR)	1,825,310	1,370,507	8.2%	2,798,495	3,253,298	20.9%	$37,044	$157,424
Regular	3,564,987	2,676,717	16.1%	2,905,243	3,793,513	24.4%	$72,351	$183,565
Nonprofit ECR	198,821	149,282	0.9%	115,593	165,132	1.1%	$4,035	$7,991
Nonprofit	1,301,467	977,187	5.9%	468,378	792,658	5.1%	$26,413	$38,356
Total	6,893,802	5,176,107	31.0%	6,292,322	8,010,017	51.4%	$139,909	$387,597
Standard (B)								
Parcels	3,214	2,413	0.0%	10,681	11,482	0.1%	$65	$556
Bound Printed Matter	1,822	1,368	0.0%	27,897	28,351	0.2%	$37	$1,372
Special	303	228	0.0%	8,376	8,451	0.1%	$6	$409
Library Rate	2,726	2,047	0.0%	2,851	3,530	0.0%	$55	$171
Total	8,065	6,055	0.0%	49,805	51,815	0.3%	$164	$2,507
Penalty (USPS)	29,783	22,362	0.1%	5,585	13,006	0.1%	$604	$629
Free Blind/Hndc Serv	4,860	3,649	0.0%	4,246	5,457	0.0%	$99	$264
International	53,737	40,348	0.2%	9,103	22,492	0.1%	$1,091	$1,088
Total All Mail	22,207,467	16,674,142	100.0%	10,044,259	15,577,584	100.0%	$450,698	$753,785

[1] Postal Service Response to MPA/USPS-T5-2CD, Table 2
[2] Adj. = [12] from Exhibit MPA 3-1
[3] Proportions of "Total All Mail" From Column [2]
[4] Postal Service Response to MPA/USPS-T5-2CD, Table 2
[4] Proportions of "Total All Mail" From Column [5]
[7] Letters Delivered Cost = USPS-T-5, W/P B, [W/S 10.1.1 Line 3, Column 10] + [W/S 10.2.1 Line 3, Column 10]
[8] Flats Delivered Cost = USPS-T-5, W/P B, [W/S 10.1.1 Line 4, Column 10] + [W/S 10.2.1 Line 4, Column 10]

Exhibit MPA 3-3. Base Year 1996 and Test Year After Rates Rural Carrier Attributable Cost for All Mail Under USPS Proposed and MPA Proposed Methodologies ($000s)

	USPS Proposed Method							MPA Proposed Method			C/S 10 Difference		
	Evaluated Routes		Other Routes		All			All			Base Year	TYAR	TYAR
Class/Subclass	Letters	Flats	Letters	Flats	Letters	Flats	C/S 10	Letters	Flats	C/S 10	w/o Piggyback	w/o Piggyback	w/ Piggyback
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
First-Class Mail													
Letters and Parcels	116,103	87,828	11,696	8,470	127,799	96,298	296,468	128,841	112,760	313,972	17,504	18,222	21,812
Presorted Letters and Parcels	137,481	76,195	13,850	7,347	151,331	83,542	263,567	152,561	107,805	289,060	25,493	27,748	33,212
Single Piece Cards[1]	14,093	0	1,420	0	15,513	0	19,248	13,345	7,928	25,007	5,759	5,982	7,160
Presorted Private Cards	8,435	0	850	0	9,285	0	11,053	7,987	4,745	14,500	3,447	4,497	5,381
Total	276,112	164,023	27,816	15,817	303,928	179,840	590,336	302,733	233,238	642,539	52,203	55,704	66,676
Priority Mail	45	1,897	5	183	50	2,080	12,979	50	1,770	12,669	(310)	(372)	(445)
Express Mail	0	0	0	0	0	0	4,729	-	-	4,729	0	0	0
Mailgram	8	0	1	0	9	0	11	7	4	13	2	2	2
Periodicals Mail	5,446	135,319	549	13,049	5,995	148,368	157,002	6,041	126,687	135,367	(21,635)	(22,706)	(27,178)
Standard (A)													
Single-Piece Rate	57	268	6	26	63	294	1,149	65	262	1,119	(30)	(34)	(41)
Enhanced Carrier Route (ECR)	33,382	160,343	3,363	15,462	36,745	175,805	259,640	37,044	157,424	241,559	(18,081)	(18,415)	(22,040)
Regular	65,201	179,263	6,568	17,286	71,769	196,549	304,392	72,351	183,565	291,990	(12,402)	(16,036)	(19,192)
Nonprofit ECR	3,636	7,569	366	730	4,002	8,299	13,834	4,035	7,991	13,559	(275)	(252)	(302)
Nonprofit	23,801	34,471	2,398	3,324	26,199	37,795	70,010	26,413	38,356	70,785	775	911	1,090
Total	126,077	381,914	12,701	36,828	138,778	418,742	649,025	139,909	387,597	619,011	(30,014)	(34,881)	(41,747)
Standard (B)													
Parcels	57	584	6	56	63	640	9,804	65	556	9,722	(82)	(93)	(111)
Bound Printed Matter	33	1,471	3	142	36	1,613	10,381	37	1,372	10,141	(240)	(271)	(324)
Special	4	440	0	42	4	482	5,199	6	409	5,128	(71)	(78)	(93)
Library Rate	49	172	5	17	54	189	1,243	55	171	1,226	(17)	(17)	(20)
Total	143	2,667	14	257	157	2,924	26,627	164	2,507	26,217	(410)	(457)	(547)
											0		
Penalty (USPS)	545	522	55	50	600	572	1,537	604	629	1,599	62	53	63
Free Blind/Hndc Serv	90	261	9	25	99	286	671	99	264	649	(22)	(26)	(31)
International	983	887	99	86	1,082	973	2,585	1,091	1,088	2,709	124	123	147
Total All Mail	409,449	687,490	41,249	66,295	450,698	753,785	1,464,750	450,698	753,785	1,464,750	0	0	0

[1]Combines Government Post Cards and Private Cards

[1] USPS-T-5, W/P, W/S 10.1.2, Column 8

[2] USPS-T-5, W/P B, W/S 10.1.2, Column 9

[3] USPS-T-5, W/P B, W/S 10.2.2, Column 8

[4] USPS-T-5, W/P B, W/S 10.2.2, Column 9

[5]=[1]+[3]

[6]=[2]+[4]

[7] Exhibit USPS-5A at 33-34, Column Total C/S 10

[8] Exhibit MPA 3-2, Column [7]

[9] Exhibit MPA 3-2, Column [8]

[10]=[7]-([5]+[6])+([8]+[9])

[11]=[10]-[7]

[12]=[11]*(TYAR C/S 10 (from Exhibit USPS-15H at 33-34, Column Total C/S 10))/[7]

[13]=[12]*(Piggyback Factor (LR-H-77 at 138))

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.

James R. Cregan

December 30, 1997