

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

POSTAL RATE AND FEE CHANGES  
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

UNITED STATES POSTAL SERVICE NOTICE OF FILING ERRATA TO  
DIRECT TESTIMONY OF SAMUEL T. CUTTING (USPS-T-26)(ERRATA)  
(June 21, 2005)

The United States Postal Service hereby provides notice that it is filing errata to the direct testimony of Samuel T. Cutting, USPS-T-26, due to witness Moser's withdrawal from this docket. See Notice of the United States Postal Service of Replacement of Witness Moser (May 20, 2005). Changes have been made to four pages of USPS-T-26 to reflect the fact that witness Page has assumed testimony number USPS-T-23 and now reports the final adjustments. The revised pages are attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Keith E. Weidner

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-6252; Fax -3084

1 **ASSOCIATED LIBRARY REFERENCES**

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3 The following library references are sponsored in my testimony.<sup>1</sup> The results  
4 of each of these library references are independently derived.

5

6 *USPS-LR-K-83: Development of Window Service Costs by Shape*

7 This library reference contains printed and electronic documentation of  
8 the spreadsheets and programs used to develop window service volume-  
9 variable costs by shape for First-Class Mail Presort, Standard Mail  
10 Regular, and Standard Mail ECR. These costs are used in developing  
11 final adjustments to the rollforward model, which are reported by witness  
12 Page (USPS-T-23).

13

14 *USPS-LR-K-84: Development of ECR Mail Processing Saturation Savings*

15 This library reference contains printed and electronic documentation of  
16 the spreadsheets and programs used to develop mail processing  
17 saturation savings by shape for Standard Mail ECR. This library reference  
18 updates a previous study sponsored by witness Schenk (USPS-T-  
19 43/R2001-1, USPS-LR-J-59/R2001-1). These savings estimates are used  
20 in developing final adjustments to the rollforward model, which are reported  
21 by witness Page (USPS-T-23).

22

23 *USPS-LR-K-85: Periodicals Pallet Cost Analysis*

24 This library reference contains printed and electronic documentation of  
25 the spreadsheet used to calculate the test year cost differential between  
26 Periodicals flat-shaped mail prepared on pallets and in sacks. This library

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<sup>1</sup> Library references USPS-LR-K-83, 84, and 86 (as well as the corresponding Category 5 PRC version library references) use FORTRAN programs to estimate their results. These programs are available in the "Programs" folder of the CD attached to each library reference. That folder contains text files that can be opened by any text editor.

1 **II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION**

2

3 The following witnesses in this case provide inputs used in the various  
4 analyses sponsored in this testimony: witness Meehan (USPS-T-9) provides  
5 base year CRA costs (USPS-LR-K-5), witness Van-Ty-Smith (USPS-T-11)  
6 provides base year volume-variable costs (USPS-LR-K-55), witness Smith  
7 (USPS-T-13) provides test year cost factors and test year volume factors (USPS-  
8 LR-K-52 and 53), witness Loetscher (USPS-T-32) provides base year volumes  
9 by shape and dropshipment level (USPS-LR-K-87) and pieces-per-container  
10 conversion factors (USPS-LR-K-91), witness Mayes (USPS-T-25) provides test  
11 year unit cost avoidances (USPS-LR-K-88), and witness Waterbury (USPS-T-10)  
12 provides test year CRA costs (USPS-LR-K-7). I also obtain inputs from USPS-  
13 LR-K-9. Chapters III-VI of this testimony, which discuss each respective  
14 analysis, list the specific inputs used by each analysis.

15

16 The window service cost by shape estimates and the saturation savings  
17 estimates are used in developing final adjustments to the rollforward model, which  
18 are reported by witness Page (USPS-T-23). The results of the Periodicals pallet  
19 analysis are supplied to witnesses Robinson (USPS-T-27) and Taufique (USPS-  
20 T-28). Witness Miller (USPS-T-20) uses the results of the Bound Printed Matter  
21 and Parcel Post studies as inputs for the Bound Printed Matter and Parcel Post  
22 mail processing cost models.

1 **III. WINDOW SERVICE COSTS BY SHAPE**

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3 In this testimony I sponsor library reference USPS-LR-K-83, *Development*  
4 *of Window Service Costs by Shape*, which focuses on shape-based costs for  
5 First-Class Mail Presort, Standard Mail Regular, and Standard Mail ECR. The  
6 results of this study are used in developing final adjustments to the rollforward  
7 model, which are reported by witness Page (USPS-T-23). The methodology  
8 used in this library reference follows the window service costing methodology of  
9 the Postal Service while preserving shape detail. First, direct labor volume-  
10 variable costs for clerks and mail handlers are developed by shape using a cost  
11 distribution program similar to that used by witness Van-Ty-Smith (USPS-T-11).  
12 Next, volume-variable costs for clerk and mail handler activities associated with  
13 stamped envelopes, stamped and metered mail, and stamped cards are  
14 distributed to shape using shape-based volume keys. For each of the  
15 subclasses of interest, the cost associated with wait time is spread  
16 proportionately across the non-wait time costs before being distributed to shape.  
17 Finally, the appropriate test year controls and piggyback factors are applied. The  
18 results of this analysis, which are presented in USPS-LR-K-83, are summarized  
19 in Table 1 below.

1 **IV. STANDARD MAIL ECR MAIL PROCESSING SATURATION SAVINGS**

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3 In this testimony I sponsor library reference USPS-LR-K-84, *Development of*  
 4 *ECR Mail Processing Saturation Savings*. This library reference is not related to  
 5 any other analysis described above. The results of this study are used in  
 6 developing final adjustments to the rollforward model, which are reported by  
 7 witness Page (USPS-T-23). This library reference updates the analysis done in  
 8 library reference USPS-LR-J-59/R2001-1, *Development of ECR Mail Processing*  
 9 *Saturation Savings*, which was sponsored by witness Schenk (USPS-T-  
 10 43/R2001-1). The methodology used in this library reference is the same as that  
 11 described in witness Schenk's testimony. The study was updated to incorporate  
 12 test year costs and volumes. The results of this analysis, which are presented in  
 13 USPS-LR-K-84, are summarized in Table 2 below.

14

<b>Table 2</b>	
<b>Standard Mail ECR Dropship-Adjusted Unit Costs</b>	
<b>Test Year 2006</b>	
<u>ECR Rate Category</u>	<u>Cost per Piece (cents)</u>
Auto Basic Letters	1.457
Basic Letters	3.776
High Density Letters	0.967
Saturation Letters	0.967
Basic Flats	2.889
Basic Parcels	1041.914
Total Basic Nonletters	3.003
High Density/Saturation Flats	1.225
High Density/Saturation Parcels	300.944
Total High Density/Saturation Nonletters	1.234
Source: USPS-LR-K-84	

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