

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 MICHAEL W. MILLER (USPS-T-20) (ERRATA)
(June 21, 2005)

The United States Postal Service hereby provides notice that it is filing errata to the direct testimony of Michael W. Miller, USPS-T-20, 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 three pages of USPS-T-20 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

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1 **I. PURPOSE AND SCOPE OF TESTIMONY**

2 This testimony describes the test year 2006 Parcel Post, Bound Printed Matter,
3 and Media Mail / Library Mail cost estimates, which are being provided in light of the
4 Postal Rate Commission's views expressed in Docket No. R94-1, paragraph [1034].
5 The aggregate (machinable, Non Machinable Outside (NMO), and oversize) volume
6 variable mail processing unit cost estimates for the Parcel Post rate categories are
7 relied upon as a means to calculate final adjustments, which are reported by witness
8 Page (USPS-T-23).

1 **II. GUIDE TO TESTIMONY**

2 The parcels mail processing cost models can be found in USPS-LR-K-46. In
3 addition to USPS-LR-K-46, I am sponsoring library reference USPS-LR-K-47, which
4 contains Parcel Post volume, cubic feet, and weight data.

5 The parcels cost models also rely on data inputs that have been generated by
6 other postal witnesses. Witness Van-Ty-Smith (USPS-T-11) provides wage rates
7 (USPS-LR-K-55), premium pay factors (USPS-LR-K-55), and volume variability factors
8 (USPS-T-11, Table 1); witness Bozzo (USPS-T-12) provides base year Management
9 Operating Data System (MODS) productivity figures (USPS-LR-K-56); witness Smith
10 (USPS-T-13) provides piggyback factors (USPS-LR-K-52) and mail processing unit cost
11 estimates by shape (USPS-LR-K-53); witness Meehan (USPS-T-9) provides base year
12 cost data (USPS-LR-K-5); witness Waterbury (USPS-T-10) provides test year cost data;
13 and witness Cutting (USPS-T-26) provides Parcel Post window service costs and
14 Bound Printed Matter mail processing costs (USPS-LR-K-86). Billing determinants data
15 are used in the models and can be found in USPS-LR-K-77. Base Year 2004 Revenue,
16 Pieces and Weights (RPW) mail volumes by shape and Government Fiscal Year (GFY)
17 2003 Productivity Information Management System (PIMS) data are also contained in
18 the models. The remaining assumptions used in the cost models are identical to the
19 Docket No. R2001-1 assumptions found in USPS-LR-J-64 and described in USPS-T-25.

20 The aggregate test year volume variable mail processing unit cost estimates for
21 the Parcel Post rate categories are relied upon for purposes of calculating final
22 adjustments, which are reported by witness Page (USPS-T-23). The cost estimates
23 from the Parcel Post, Bound Printed Matter, and Media Mail / Library Mail cost models
24 have also been provided to witnesses Robinson (USPS-T-27) and Taufique (USPS-T-
25 28).

the piggyback factor for each operation are divided by the product of the productivity figure and conversion factor for that operation.

The sixth column displays the total operation cost, or cost per facility. These figures are calculated by multiplying the operation cost by the number of handlings for that operation.

The sum of the operation costs per facility is the model cost for that particular mail stream. A weighted model cost estimate is then developed by multiplying the base year volume percentage for that particular mail stream by the model cost estimate.

After the weighted model cost estimates for all mail streams have been developed, they are summed and compared to the sum of the CRA mail processing proportional cost pools.¹ A proportional adjustment factor is calculated by dividing the sum of the CRA mail processing proportional cost pools by the aggregate weighted model cost for all mail streams. The sum of the non-proportional (non-modeled) cost pools is used as a fixed adjustment factor.

For each Parcel Post mail stream, the CRA-adjusted total mail processing unit cost estimate is calculated by adding the CRA fixed adjustment factor to the product of the CRA proportional adjustment factor and the model cost for that mail stream.

These data are used to develop aggregate (machinable, NMO, and oversize) total mail processing unit cost estimates by rate category, which support the final adjustments analysis reported by witness Page (USPS-T-23). Furthermore, these figures are used to calculate cost savings estimates and additional cost estimates as indicated in Table 1. There are, however, four instances in which a more narrowly defined cost avoidance methodology has been relied upon, as indicated in the next section.

B. COST AVOIDANCE METHODOLOGY

The four cost analyses described below are savings estimates that were developed using a more narrowly defined cost avoidance methodology.

1. DBMC Window Service Unit Cost Savings Estimate

The DBMC window service unit cost savings estimate is calculated using the same methodology described in Docket No. R2001-1, USPS-T-25, and is shown in
