Postal Rate Commission
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

PARCEL RETURN SERVICE

Docket No. MC2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

The United States Postal Service hereby provides its responses to Presiding Officer's Information Request No. 1, filed on December 12, 2005.

Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

1. Please refer to USPS-T-2, attachment B, page 4. The value given for "Docket No. MC2003-2 Unit Cost Estimate" is $0.014. However, in Docket MC2003-2, USPS-T-2, Attachment B, page 4, which is footnoted as the source for the above mentioned value, the unit cost estimate is listed as $0.015. Please explain this difference and supply updated attachments if the unit cost should not have been listed as $0.014.

RESPONSE:

The original figure was incorrect. The attachment has been updated accordingly.

Intra-BMC Bulk Acceptance/Verification Cost Methodology

Docket No. MC2003-2 Unit Cost Estimate	1/	$0.015
TY 2003 Window Service Wage Rate	2/	$32.306
TY 2006 Window Service Wage Rate	3/	$36.344
Cost Escalation Factor	4/	1.125
TY 2006 Unit Cost Estimate	5/	$0.016

Sources

1/: Docket No. MC2003-2, USPS-T-2, Attachment B, page 4
2/: Docket No. MC2003-2, USPS-T-2, Attachment C, page 4
3/: Docket No. MC2006-1, USPS-T-2, Attachment C, page 4
4/: (3) / (2)

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2. Please refer to Excel file USPS-T-2_Attachments_FINAL, sheet "Convers_C6". Column [3] computes "Cubic Feet Per Container", using the measurements given in column [2]. Please confirm that cell G13 should contain the equation =46.5/12*38.5/12*__70__/12 (with 70 replacing 69), due to the measurements in column 2 being 46.5X38.5X70. If confirmed, please update the workpaper accordingly. If not confirmed, please explain the rationale for using 69.

RESPONSE:

Confirmed. The attachment has been updated accordingly. I have also included a revised sheet B4 to make the change pointed out regarding the PRC version in question 7.

Conversion Factor Calculations

Container Type	Outside Dim. Per Container (Inches) [1]	Inside Dim. Per Container (Inches) [2]	Cubic Feet Per Container [3]	Effective Parcel Capacity (# of Parcels) [4]	Capacity at Average Fullness (# of Parcels) [5]	Average % FULL [6]
Machinable						
Pallet	48x40x48	48x40x48	53.3	125.6	106.8	85%
Postal Pak	48x40x69	46.5x38.5x69	71.5	153.1	130.1	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	153.1	134.7	88%
Pallet Box (for space)	48x40x70	46.5x38.5x70	72.5	155.3	116.5	75%
Sacks on In-house Container	65x41.5x36	65x41.5x36	56.2	120.3	102.3	85%
NMOs						
Pallet	48x40x48	48x40x48	53.3	19.2	19.2	100%
Pallet Box	48x40x69	46.5x38.5x69	71.5	23.4	19.9	85%
In-house Container	65x41.5x36	65x41.5x36	56.2	18.4	15.6	85%
Oversize NMOs						
108"-130" on Pallet	48x40x48	48x40x48	53.3	6.7	6.7	100%
108"-130" in IHC	65x41.5x36	65x41.5x36	56.2	6.4	6.4	100%

Pieces Per Container	Machinable R2000-1 (FY98) [7]	Machinable R2005-1 (FY04) [8]	Nonmachinable R2000-1 (FY98) [9]	Nonmachinable R2005-1 (FY04) [10]	108"-130" R2005-1 (FY04) [11]
Sack	5.1	7.0	n/a	n/a	n/a
Sack in OTR	81.8	112.0	n/a	n/a	n/a
OTR	69.0	94.5	27.1	19.5	6.8
APC	35.7	48.8	14.0	10.1	3.5
Hamper	23.0	31.5	9.0	6.5	2.3

	Cubic Feet Per Parcel Post: Machinable [12]	Cubic Feet Per Parcel Post: NMO [13]	Cubic Feet Per Parcel Post: 108"-130" [14]	No. of Sacks on IHC [15]	No. of Sacks on Postal Pak [16]
R2005-1 (BY04)	0.425	2.777	7.94	14.61	18.59
R2000 (BY98)	0.581	1.992			

Sources

Columns [1 & 2]: Container Methods, Handbook PO-502 (September 1992), USPS LR-H-133.
Column [3]: (Length * width * height) / (12*12*12).
Column [4]: (Column [3]) / ((column [13]) * air factor), to account for "effective cube" and (column [3]) / ((column [14]) * air factor) and (column [3]) / ((column [16]) * air factor).
Air factor =1 for pallets, and 1.1 for all else.
Column [5]: Effective cubic capacity (column [4]) * average % fullness (column [6]).
Column [6]: Pallets, postal paks and IHCs should be as full as practicable before dispatch so it is reasonable to assume these containers will be at least 85% full.
The majority of pallet boxes come from mailers who must have 75 percent full boxes, and tend to fill them to maximize capacity.
Therefore 88 percent, the average of 75 and 100 percent was used.
Column [7]: Docket No. R84-1, Exhibit USPS-14I.
Column [8]: Pieces per container in Docket No. R84-1 (column [7]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14]).
Column [9]: Docket No. R84-1, Exhibit USPS-14I.
Column [10]: Pieces per container in Docket No. R84-1 (column [9]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14]).
Column [11]: Column [10] * column [13] / column [15].
Column [12]: Attachment C, page 5, column [7], machinable parcels.
Column [13]: Attachment C, page 5 column [7], non-machinable parcels.
Column [14]: Attachment C, page 5, column [7], oversize parcels.
Column [15]: No. of parcels on IHC (column 5) divided by no. of parcels in a sack (column 8).
Column [16]: No of parcels on a parcel (column5) divided by no. of parcels in a sack (column 8).

Piggyback Factors, Wages, Mail Flow Operating Assumptions

Wage Rate with Premium Pay Factor Applied	$35.371	1/
Premium Pay Factor	0.989	2/
TY Other mail processing wage rate	$35.772	3/
Window Service Adjustment Factor	1.075	4/
Window Service Base year wage rate	33.804	5/
Window Service Test year wage rate	36.344	6/
Mail Processing Operation Specific Piggyback Factors		
NMO Sorting at BMC	1.571	7/
Other Operations at BMCs	1.545	7/
Platform BMC	1.622	7/
Primary Parcel Sorting Machine	2.145	7/
Secondary Parcel Sorting Machine	5.391	7/
Sack Sorting Machine - BMC	2.159	7/
NMO Sorting at SCF	1.419	7/
Platform Non-BMC	1.458	7/
NonMODS Allied	1.738	7/
NonMODSMANP	1.510	7/
Window Service Piggyback factor (Parcel Post)	1.348	8/
Mail Flow Operating Assumptions		
Percent with direct transportation to destinating delivery unit from BMC	12.3%	9/
Percent Sorted to 5-Digits by Primary Parcel Sorting Machine	20.1%	10/
Destinating BMCs will feed barcoded destinating mail unfiltered to secondary	20.8%	11/
Probability that mail fed directly to nonspecific secondary will receive more than one sort	50.0%	12/
Probability that barcode on secondary will not be readable	3.0%	13/
Proportion of parcel singulators (SSIU) being at secondary	100.0%	14/
Proportion sent from secondary to primary due to SSIU	0.0%	15/
Probability of Inter-BMC parcel going to primary psm at destination BMC	83.4%	16/
Probability of Inter-BMC parcel being handled by SSIU in destination BMC	94.5%	17/
Probability of Intra-BMC and DBMC parcels going to primary psm (or get keyed)	100.00%	18/
Probability of Intra-BMC and DBMC on secondary psm	79.9%	19/
Probability that NMOs will NOT be inducted on the conveyor system (not used for NMOs over 10	41.2%	20/
Probability that NMOs will be NOT be moved using towveyor (not used for pallets)	31.4%	20/
Probability that PRS machinable mail pieces are processed on the PPSM	97.4%	21/
Probability that PRS machinable mail pieces are processed on the SPSM	24.8%	21/

Sources

1/: (2) x (3).
2/: Docket No. R2005-1, USPS-LR-K-55
3/: Docket No. R2005-1, USPS-LR-K-55
4/: (6) / (5).
5/: Docket No. R2005-1, USPS-LR-K-55
6/: Docket No. R2005-1, USPS-LR-K-55
7/: Docket No. R2005-1, USPS-LR-K-52
8/: Docket No. R2005-1, USPS-LR-K-52
9/: USPS LR-PCR-40, page 64.
10/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [10].
11/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [9].
12/: Assumption that mail going to secondary PSM will be evenly split between scheme 1 and scheme 2.
13/: Assumption used by Operations.
14/: Assumption used by Operations.
15/: (14) x (15).
16/: [1 - (12)] + [(16) x (12)]+{[(1) - (12)] x [(1) - (11)] x (16)}+{(11) x (12) x [(1) - (16)]}.
17/: (12) + [(11) x (13)] + [1-(12)] x [(1-(11)].
18/: 1 + [1-(11)] * (16).
19/: 1 - (11).
20/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [11].

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KOROMA TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

3. Please refer to Excel workbook "USPS-T-3_Workpapers," sheet "RDU Savings Calculation." Cells H16 to H50 follow the same basic equation template: (Intra-BMC rate for that weight class) * (RDU volume associated with that weight class). Please confirm that the equation should have added the nonmachinable surcharge associated with Intra-BMC parcels that weigh 36 – 70 lbs. In other words, confirm that the equation for cells H16 to H50 should be: (Intra-BMC rate for that weight class + nonmachinable surcharge) * (RDU volume associated with that weight class). If you do not confirm, please explain why the nonmachinable surcharge is not added in, even though it is applied for all Intra-BMC mail that weighs 36 – 70 lbs. If you do confirm, please provide conforming worksheets.

RESPONSE:

Confirmed. In addition, nonmachinable surcharge revenue for pieces weighing 1-35 pounds was inadvertently excluded. Adding that nonmachinable surcharge revenue increases the total RDU "revenue reduction" from $4,197,467 to $4,452,029 (as presented in USPS-T-3, WP-PRS-13). As a result, the RDU savings passthrough increases from 47.2 percent to 50.1 percent. Conforming worksheets are attached.

USPS-T-3
WP-PRS-6
REVISED 12/21/05

Calculation of RDU Cost Savings by Weight

Calculation of Savings[1]

Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]	Weight (Pounds)	Projected RDU-Volume-Weighted Intra-BMC Local Revenue [A]
1	3,504,391	36	964
2	2,978,943	37	897
3	1,756,365	38	773
4	1,007,156	39	910
5	574,377	40	765
6	345,513	41	626
7	216,106	42	539
8	141,593	43	517
9	98,898	44	387
10	71,833	45	376
11	57,335	46	352
12	38,490	47	368
13	26,728	48	293
14	20,294	49	311
15	15,560	50	296
16	12,509	51	219
17	10,266	52	264
18	8,445	53	217
19	7,382	54	138
20	6,142	55	175
21	5,617	56	184
22	5,171	57	167
23	4,940	58	150
24	4,193	59	178
25	3,838	60	115
26	3,132	61	106
27	2,702	62	111
28	2,524	63	89
29	2,037	64	42
30	1,684	65	61
31	1,423	66	66
32	1,212	67	76
33	1,047	68	53
34	981	69	53
35	835	70	19
		Balloon	89

		Machinable Pieces [B]	Non-machinable Pieces [C]	Balloon-Rate Pieces [D]	All Regular-Size Pieces Combined [E]
[a]	Average Cubic Feet Per Piece	0.425	2.777	2.777	
[b]	Transportation Savings ($ Per Cubic Foot)	2.442	2.442	2.442	
[c]	Transportation Savings ($ Per Wt. Avg. Piece)	1.038	6.781	6.781	1.357
[d]	Non Transportation Savings ($ Per Piece)	1.233	4.600	4.600	1.420
[e]	RDU Projected Regular-Sized Volumes	3,021,939	178,010	17	3,199,966
[f]	Total RDU-Volume-Weighted Revenue Using Benchmark (Intra-BMC Local) Rates:				11,203,381
[g]	Weighted Average Benchmark Revenue Per Piece				3.501
[h]	Weighted Average Savings Per Piece				2.778
[j]	Proposed Price				2.11

Notes

[1] Calculation: Column [A], rows 1 Pound to 70 Pounds = (Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local Rate by weight) * (Current Volumes (WP-PRS-3), RDU pieces by weight)
Calculation: Column [A], Balloon row = (Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local 15-pound Rate) * (Current Volumes (WP-PRS-3), RDU Balloon pieces)
Source: [Ba]: (WP-PRS-1, Input [14])
[Ca], [Da]: (WP-PRS-1, Input [15])
[Bb] to [Db]: (WP-PRS-1, Input [5])
Calculation: Row [c], Columns [B] to [D] = Row [a] * Row [b], Columns [B] to [D]
[Ec] = ([Bc]*[Be] + [Cc]*[Ce] + [Dc]*[De]) / [Ee]
Source: [Bd]: (WP-PRS-1, -Input [7])
[Cd], [Dd]: (WP-PRS-1, -Input [8])
Calculation: [Ed] = ([Bd]*[Be] + [Cd]*[Ce] + [Dd]*[De]) / [Ee]
Calculation: [Be] = (WP-PRS-1, Input [3]) * (1 - (Current Volumes (WP-PRS-3), Sum of RDU Balloon and Oversize volumes) / (Current Volumes (WP-PRS-3), Total RDU volume)) * (1 - WP-PRS-1, Input [2])
[Ce] = [Be] / (1 - (WP-PRS-1, Input [2])) * (WP-PRS-1, Input [2])
[De] = (WP-PRS-1, Input [3]) * (Current Volumes (WP-PRS-3), RDU Balloon volume) / (Current Volumes (WP-PRS-3), Total RDU volume)
[Ee] = Sum of [Be], [Ce], [De].
Calculation: [Ef] = (Sum of Column [A], Rows 1 pound to Balloon)
Calculation: [Eg] = [Ef] / (Current Volumes (WP-PRS-3), Sum of RDU volumes for 1 pound to Balloon)
Calculation: [Eh] = [Ec] + [Ed]
Calculation: [Ej]: Input [17]* Current PRS Rate for RDU ($2.00)

USPS-T-3
WP-PRS-12

Revenue Impacts

REVISED 12/21/05

Summary of Revenue Impacts[1]

		[A]
[a]	PSRS RDU	(4,452,029)
[b]	PSRS RBMC	(8,719,734)

Return BMC Revenue Impact Detail[2]

Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]	Weight (Pounds)	RBMC Zones 1 & 2 [A]	RBMC Zone 3 [B]	RBMC Zone 4 [C]	RBMC Zone 5 [D]
1	(2,379,952)	(519,216)	(258,437)	(65,845)	36	(199)	(53)	(43)	(15)
2	(1,901,353)	(346,339)	(168,321)	(44,047)	37	(215)	(38)	(24)	(16)
3	(1,016,709)	(189,107)	(87,966)	(24,744)	38	(165)	(42)	(35)	(16)
4	(539,107)	(100,050)	(45,388)	(14,418)	39	(216)	(41)	(37)	(14)
5	(286,213)	(52,425)	(24,696)	(9,124)	40	(188)	(37)	(14)	(22)
6	(161,521)	(30,142)	(14,324)	(5,444)	41	(148)	(40)	(21)	(9)
7	(98,143)	(18,320)	(8,648)	(3,144)	42	(146)	(19)	(22)	(3)
8	(63,040)	(11,584)	(5,489)	(1,942)	43	(137)	(24)	(21)	(3)
9	(42,518)	(7,778)	(3,970)	(1,393)	44	(93)	(25)	(15)	(8)
10	(30,242)	(5,374)	(2,805)	(1,079)	45	(101)	(25)	(9)	(3)
11	(24,414)	(3,958)	(2,071)	(818)	46	(91)	(27)	(13)	(2)
12	(15,660)	(2,834)	(1,489)	(566)	47	(101)	(26)	(8)	(5)
13	(10,425)	(2,110)	(1,066)	(435)	48	(69)	(21)	(20)	(2)
14	(7,782)	(1,520)	(797)	(324)	49	(81)	(29)	(12)	-
15	(5,882)	(1,167)	(640)	(250)	50	(92)	(19)	(3)	(2)
16	(4,629)	(830)	(548)	(206)	51	(50)	(19)	(16)	(2)
17	(3,684)	(728)	(429)	(200)	52	(84)	(11)	(9)	(4)
18	(3,000)	(644)	(325)	(145)	53	(69)	(13)	(4)	(4)
19	(2,571)	(519)	(305)	(134)	54	(44)	(9)	(4)	-
20	(2,111)	(438)	(234)	(133)	55	(58)	(9)	(2)	(4)
21	(1,881)	(406)	(212)	(120)	56	(61)	(10)	(4)	(4)
22	(1,654)	(399)	(240)	(108)	57	(50)	(8)	(8)	(6)
23	(1,562)	(400)	(188)	(95)	58	(47)	(10)	(4)	(4)
24	(1,336)	(290)	(193)	(84)	59	(52)	(10)	(2)	(14)
25	(1,174)	(313)	(153)	(71)	60	(38)	(6)	(4)	(2)
26	(968)	(213)	(158)	(52)	61	(39)	(4)	(2)	(2)
27	(804)	(189)	(132)	(55)	62	(42)	(6)	(2)	-
28	(723)	(198)	(121)	(59)	63	(29)	(8)	(2)	-
29	(562)	(179)	(93)	(42)	64	(13)	-	(4)	(2)
30	(494)	(120)	(76)	(28)	65	(22)	-	(2)	(4)
31	(381)	(105)	(71)	(44)	66	(15)	(9)	(2)	(4)
32	(330)	(85)	(56)	(33)	67	(20)	(9)	(7)	-
33	(295)	(68)	(55)	(15)	68	(25)	-	-	-
34	(266)	(64)	(37)	(33)	69	(16)	(5)	(5)	-
35	(224)	(61)	(41)	(15)	70	(2)	(2)	(5)	-
					Balloon	(44)	-	(1)	-
					Oversized	(510)	(131)	(235)	(26)

Notes

[1] Calculation: [Aa] = (RDU Savings Calculation (WP-PRS-6), [Ee]) *
(Proposed PRS Rates (WP-PRS-10), 1-pound rate -
RDU Savings Calculation (WP-PRS-6), [Eg]) +
(WP-PRS-1, Input [3] - (RDU Savings Calculation (WP-PRS-7), [Ee])) *
(Proposed PRS Rates (WP-PRS-10), RDU Oversize Rate -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Local Oversize Rate)
[Ab] = Sum of Columns [A] to [D], 1-pound row to Oversized row

[2] Calculation: Columns [A] to [D], 1-pound to 35 pounds, and Oversize row =
(Proposed PRS Rates (WP-PRS-10), Columns [B] to [E] -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Zoned Rates) *
(Volume Distribution (WP-PRS-5), Return BMC Pieces, Zones 1 to 5)
Columns [A] to [D], 36-pounds to 70 pounds =
(Parcel Select Returns Rates (WP-PRS-10), Columns [B] to [E] -
Proposed Parcel Post Rates (WP-PRS-2), (Intra-BMC Zoned Rates +
Intra-BMC Nonmachinable Surcharge)) *
(Volume Distribution (WP-PRS-6), Return BMC Pieces, Zones 1 to 5)
Columns [A] to [D], Balloon row =
(Proposed PRS Rates (WP-PRS-10), Cols. [B] to [E], Balloon row -
Proposed Parcel Post Rates (WP-PRS-2), Intra-BMC Zoned 15-Pound Rates) *
(Volume Distribution (WP-PRS-5), RBMC Balloon Pcs., Zones 1 to 5)

USPS-T-3
WP-PRS-13
REVISED 12/21/05

Financial Summary

		Volume [1] [A]	Projected Revenue[2] [B]	Cost Savings [3] [C]	Revenue Reduction [4] [D]	Savings Passthrough [5] [E]
	Parcel Select					
[a]	RDU	3,200,000	$6,752,195	$8,889,600	$4,452,029	50.1%
[b]	RBMC	9,600,000	$28,418,984	$16,982,312	$8,719,734	51.3%

Notes

[1] Source: [Aa]: (WP-PRS-1, Input [3])
[Ab]: RBMC Forecast (WP-PRS-5), [Ae]
[2] Calculation: [Ba] = (Projected Revenue Calculation (WP-PRS-11), [Aa]
[Bb] = (Projected Revenue Calculation (WP-PRS-11), [Bb]
[3] Calculation: [Ca] = (RDU Savings Calculation (WP-PRS-7), [Ee] *
(RDU Savings Calculation (WP-PRS-6), [Ec] + [Ed]) +
((WP-PRS-1, Input [3]) - (RDU Savings Calculation (WP-PRS-6), [Ee])) *
(Oversized Cost Savings (WP-PRS-8), [Aa] + [Ab])
Calculation: [Cb] = (RBMC Savings Calculation (WP-PRS-7), [Cd] + [Dd] + [Ed]) +
(RBMC Savings Calculation (WP-PRS-7), [Ce]) * (WP-PRS-1, Input [13]) *
(1 - Volume Distribution RBMC (WP-PRS-6), RBMC Nonmachinables share < 35 pounds) +
(Oversized Cost Savings (WP-PRS-8), [Ae] + [Af]) *
(Volume Distribution RBMC (WP-PRS-6), RBMC Total column, Oversized row)
[4] Source: [Da] to [Db]: Revenue Impacts (WP-PRS-12), [Aa] to [Ab]
[5] Calculation: [D] = [D] / [C]

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

4. Please refer to the response to OCA/USPS-T1-8c. The question asked which party is responsible when damage occurs to a returned parcel while in the custody of the Postal Service, to which witness Daniel responded, "The Postal Service does not assume responsibility for the loss, but can work with mailers to identify systemic loss issues."
   (a) If the USPS is not responsible for the loss/damage, which party typically is responsible for it?
   (b) What percentage of returned parcels was lost or damaged while in the custody of the USPS during the experiment?
   (c) What work has been done with mailers to identify systemic loss issues?

RESPONSE:

a) A merchant and its agent determine responsibility between themselves in particular instances.

b) Since the parcels do not carry postal insurance, the Postal Service has no data on loss or damage.

c) There have been no systemic loss issues. In the event such a situation developed, the same procedures applicable to loss of any type of mail would be engaged, with the involvement of Postal Inspectors as appropriate.

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5. Please refer to the Excel file that was provided with the answers to OCA/USPS-T2-9-10, sheet "Avg Storage Days." To calculate the storage days for each BMC, six (the number of delivery days per week) is divided by the number of participant 2's pickup days, taken from the sheet entitled, "Survey Results." Why were participant 1's data never used in the calculation of the average storage days?

RESPONSE:

The Postal Service has not been reporting data due to the fact that there are currently only two PRS participants. It is my understanding that these data have therefore not been maintained at the mailer level. In order to be conservative, I relied on the figures for participant 2, which retrieved its mail slightly less frequently.

RESPONSE OF UNITED STATES POSTAL SERVICE
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6. Please refer to the cost sheets that were supplied with the supplemental responses to OCA/USPS-13 and 15, Attachment F, column [3] (piggyback factors.) The source for the piggyback factors is listed as PRC-LR-6, file "PRC MPPG TY06.XLS", worksheet A, cell M49, which is the piggyback factor for "LDC 43 – Unit Distribution – Manual." However, the USPS version of the cost sheets that was originally supplied with T-2 did not use this piggyback factor; it used the piggyback factor for "Parcels – Manual." Why was the piggyback factor used from PRC-LR-6 "LDC 43 – Unit Distribution - Manual" instead of "Parcels – Manual" in the cost sheets supplied for these supplemental responses?

RESPONSE:

The piggyback factor for "Parcels - Manual" should have been used. The attachment has been updated accordingly. The updated attachment also addresses the issues raised in POIR No. 1, Questions 1 and 2.

Scanning Cost Estimates

PRS Rate Category	Transaction Time (hours) [1]	Wage Rate [2]	Piggyback Factor [3]	Cost per active scan [4]	Number of active scans [5]	Scan Cost [6]
RBMC - Machinable	0.0007	$35.371	1.508	$0.036	0	$0.000
RBMC - Non-machinable	0.0007	$35.371	1.508	$0.036	0	$0.000
RBMC - Oversize	0.0007	$35.371	1.508	$0.036	0	$0.000
RDU - Machinable	0.0007	$35.371	1.508	$0.036	2	$0.073
RDU - Non-machinable	0.0007	$35.371	1.508	$0.036	2	$0.073
RDU - Oversize	0.0007	$35.371	1.508	$0.036	3	$0.109

Sources

[1]: Docket No. R2000-1, USPS-T-30, Section A, Data Sheet A-8
[2]: Attachment C, page 4. Premium Pay Adjusted Wage Rate.
[3]: Docket No. R2005-1, PRC-LR-6, file "PRC MPPG TY06.XLS", worksheet A, cell M22
[4]: [1] x [2] x [3]. Follows methodology shown in Docket No. R2001-1 LR-J-135.
[5]: Assumption taken from USPS product description.
[6]: [4] x [5].

Intra-BMC Bulk Acceptance/Verification Cost Methodology

Docket No. MC2003-2 Unit Cost Estimate	1/	$0.015
TY 2003 Window Service Wage Rate	2/	$32.306
TY 2006 Window Service Wage Rate	3/	$36.344
Cost Escalation Factor	4/	1.125
TY 2006 Unit Cost Estimate	5/	$0.016

Sources

1/: Docket No. MC2003-2, USPS-T-2, Attachment B, page 4
2/: Docket No. MC2003-2, USPS-T-2, Attachment C, page 4
3/: Docket No. MC2006-1, USPS-T-2, Attachment C, page 4
4/: (3) / (2)

Conversion Factor Calculations

Container Type	Outside Dim. Per Container (Inches) [1]	Inside Dim. Per Container (Inches) [2]	Cubic Feet Per Container [3]	Effective Parcel Capacity (# of Parcels) [4]	Capacity at Average Fullness (# of Parcels) [5]	Average % FULL [6]
Machinable						
Pallet	48x40x48	48x40x48	53.3	125.6	106.8	85%
Postal Pak	48x40x69	46.5x38.5x69	71.5	153.1	130.1	85%
Pallet Box	48x40x69	46.5x38.5x69	71.5	153.1	134.7	88%
Pallet Box (for space)	48x40x70	46.5x38.5x70	72.5	155.3	116.5	75%
Sacks on In-house Container	65x41.5x36	65x41.5x36	56.2	120.3	102.3	85%
NMOs						
Pallet	48x40x48	48x40x48	53.3	19.2	19.2	100%
Pallet Box	48x40x69	46.5x38.5x69	71.5	23.4	19.9	85%
In-house Container	65x41.5x36	65x41.5x36	56.2	18.4	15.6	85%
Oversize NMOs						
108"-130" on Pallet	48x40x48	48x40x48	53.3	6.7	6.7	100%
108"-130" in IHC	65x41.5x36	65x41.5x36	56.2	6.4	6.4	100%

Pieces Per Container	Machinable R2000-1 (FY98) [7]	Machinable R2005-1 (FY04) [8]	Nonmachinable R2000-1 (FY98) [9]	Nonmachinable R2005-1 (FY04) [10]	108"-130" R2005-1 (FY04) [11]
Sack	5.1	7.0	n/a	n/a	n/a
Sack in OTR	81.8	112.0	n/a	n/a	n/a
OTR	69.0	94.5	27.1	19.5	6.8
APC	35.7	48.8	14.0	10.1	3.5
Hamper	23.0	31.5	9.0	6.5	2.3

	Cubic Feet Per Parcel Post: Machinable [12]	Cubic Feet Per Parcel Post: NMO [13]	Cubic Feet Per Parcel Post: 108"-130" [14]	No. of Sacks on IHC [15]	No. of Sacks on Postal Pak [16]
R2005-1 (BY04)	0.425	2.777	7.94	14.61	18.59
R2000 (BY98)	0.581	1.992			

Sources

Columns [1 & 2]: Container Methods, Handbook PO-502 (September 1992), USPS LR-H-133.
Column [3]: (Length * width * height) / (12*12*12).
Column [4]: (Column [3]) / ((column [13]) * air factor), to account for "effective cube" and (column [3]) / ((column [14]) * air factor) and (column [3]) / ((column [16]) * air factor).
Air factor =1 for pallets, and 1.1 for all else.
Column [5]: Effective cubic capacity (column [4]) * average % fullness (column [6]).
Column [6]: Pallets, postal paks and IHCs should be as full as practicable before dispatch so it is reasonable to assume these containers will be at least 85% full.
The majority of pallet boxes come from mailers who must have 75 percent full boxes, and tend to fill them to maximize capacity.
Therefore 88 percent, the average of 75 and 100 percent was used.
Column [7]: Docket No. R84-1, Exhibit USPS-14I.
Column [8]: Pieces per container in Docket No. R84-1 (column [7]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14]).
Column [9]: Docket No. R84-1, Exhibit USPS-14I.
Column [10]: Pieces per container in Docket No. R84-1 (column [9]) * FY82 cubic feet per piece (column [14]) / FY98 cubic feet per piece (column [14]).
Column [11]: Column [10] * column [13] / column [15].
Column [12]: Attachment C, page 5, column [7], machinable parcels.
Column [13]: Attachment C, page 5 column [7], non-machinable parcels.
Column [14]: Attachment C, page 5, column [7], oversize parcels.
Column [15]: No. of parcels on IHC (column 5) divided by no. of parcels in a sack (column 8).
Column [16]: No of parcels on a parcel (column5) divided by no. of parcels in a sack (column 8).

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7. Please refer to the cost sheets that were supplied with the supplemental response to OCA/USPS-13 and 15, attachment C, page 4. The value listed in cell C34 for the "Proportion sent from secondary to primary due to SSIU" is 3.0%. (SSIU = parcel singulators.) This percentage is calculated by taking the product of two assumptions, which are listed directly above it ("Probability that barcode on secondary will not be readable," and, "Proportion of parcel singulators (SSIU) being at secondary"). However, according to PRC-LR-9, "PPfinaladj.xls", sheet "Other Inputs", the proportion sent from the secondary to primary due to SSIU is 0.0%. Since these sheets are supposed to reflect PRC methodology, please confirm that 0.0% should have been used and revise the sheets accordingly. If not confirmed, please explain why the value found in PRC-LR-9 should not be used.

RESPONSE:

Confirmed. It should be noted that the cost results do not change when the value of cell C34 in attachment C, page 4 is changed to 0.0%.

Piggyback Factors, Wages, Mail Flow Operating Assumptions

Wage Rate with Premium Pay Factor Applied	$35.371	1/
Premium Pay Factor	0.989	2/
TY Other mail processing wage rate	$35.772	3/
Window Service Adjustment Factor	1.075	4/
Window Service Base year wage rate	33.804	5/
Window Service Test year wage rate	36.344	6/
Mail Processing Operation Specific Piggyback Factors		
NMO Sorting at BMC	1.633	7/
Other Operations at BMCs	1.567	7/
Platform BMC	1.664	7/
Primary Parcel Sorting Machine	2.068	7/
Secondary Parcel Sorting Machine	4.923	7/
Sack Sorting Machine - BMC	2.346	7/
NMO Sorting at SCF	1.359	7/
Platform Non-BMC	1.495	7/
NonMODS Allied	1.839	7/
NonMODSMANP	1.684	7/
Window Service Piggyback factor (Parcel Post)	1.129	8/
Mail Flow Operating Assumptions		
Percent with direct transportation to destinating delivery unit from BMC	12.3%	9/
Percent Sorted to 5-Digits by Primary Parcel Sorting Machine	20.1%	10/
Destinating BMCs will feed barcoded destinating mail unfiltered to secondary	20.8%	11/
Probability that mail fed directly to nonspecific secondary will receive more than one sort	50.0%	12/
Probability that barcode on secondary will not be readable	3.0%	13/
Proportion of parcel singulators (SSIU) being at secondary	100.0%	14/
Proportion sent from secondary to primary due to SSIU	0.0%	15/
Probability of Inter-BMC parcel going to primary psm at destination BMC	83.4%	16/
Probability of Inter-BMC parcel being handled by SSIU in destination BMC	94.5%	17/
Probability of Intra-BMC and DBMC parcels going to primary psm (or get keyed)	100.00%	18/
Probability of Intra-BMC and DBMC on secondary psm	79.9%	19/
Probability that NMOs will NOT be inducted on the conveyor system (not used for NMOs over 10	41.2%	20/
Probability that NMOs will be NOT be moved using towveyor (not used for pallets)	31.4%	20/
Probability that PRS machinable mail pieces are processed on the PPSM	97.4%	21/
Probability that PRS machinable mail pieces are processed on the SPSM	24.8%	21/

Sources

1/: (2) x (3).
2/: Docket No. R2005-1, USPS-LR-K-55
3/: Docket No. R2005-1, USPS-LR-K-55
4/: (6) / (5).
5/: Docket No. R2005-1, USPS-LR-K-55
6/: Docket No. R2005-1, USPS-LR-K-55
7/: Docket No. R2005-1, PRC-LR-9
8/: Docket No. R2005-1, PRC-LR-9
9/: USPS LR-PCR-40, page 64.
10/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [10].
11/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [9].
12/: Assumption that mail going to secondary PSM will be evenly split between scheme 1 and scheme 2.
13/: Assumption used by Operations.
14/: Assumption used by Operations.
15/: (14) x (15).
16/: [1 - (12)] + [(16) x (12)]+{[(1) - (12)] x [(1) - (11)] x (16)}+{(11) x (12) x [(1) - (16)]}.
17/: (12) + [(11) x (13)] + [1-(12)] x [(1-(11)].
18/: 1 + [1-(11)] * (16).
19/: 1 - (11).
20/: Docket R2001-1, USPS LR-J-64, Attachment J, page 1, [11].

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.

Scott L. Reiter

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December 21, 2005