

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

RATE AND SERVICE CHANGES TO IMPLEMENT
FUNCTIONALLY EQUIVALENT NEGOTIATED
SERVICE AGREEMENT WITH BANK ONE
CORPORATION

Docket No. MC2004-3

UNITED STATES POSTAL SERVICE NOTICE OF ERRATA TO
DIRECT TESTIMONY OF MICHAEL K. PLUNKETT (ERRATA)
(August 6, 2004)

The United States Postal Service hereby provides notice that is filing errata to pages 10 and 11 of Appendix A to witness Plunkett's testimony. The revised pages are attached for inclusion in Appendix A to witness Plunkett's Testimony. An electronic version of Appendix A, incorporating all revisions, has also been provided. The revisions result in relatively minor changes in the financial analysis.

There are three errata. On the Contrib Inputs worksheet, page 10 of Appendix A to witness Plunkett's testimony, the First-Class Marketing Mail Cost per Piece for both Before Rates (line 6) and After Rates (line 7) improperly reference unit costs from the Mtg Unit Cost worksheet, page 5 of Appendix A. The referenced unit costs of \$0.142 for Before Rates (column 14 (cell R24)) and \$0.126 for After Rates (column 16 (cell T24)) are without the application of the contingency. The correct referenced costs on page 5, denoted as Total Unit Cost Estimates, Including Contingency for Before Rates, are \$0.146 (reference 17(cell R27)) and After Rates \$0.129 (reference 18 (cell T27)). The revised page 10 includes the correctly referenced First-Class Marketing Mail Cost per Piece for both Before Rates (line 6) and After Rates (line 7).

The second erratum is on the Contrib Inputs worksheet, page 10 of Appendix A to witness Plunkett's testimony, the First-Class Operational Mail Cost per Piece for both

Before Rates (line 2) and After Rates (line 3) improperly reference unit costs from the Ops Unit Cost worksheet, page 4 of Appendix A. The referenced unit costs of \$0.104 for Before Rates (column 14 (cell R24)) and \$0.104 for After Rates (column 16 (cell T24)) are without the application of the contingency. The correct referenced costs on page 4, denoted as Total Unit Cost Estimates, Including Contingency for Before Rates, are \$0.107 (reference 17(cell R27)) and After Rates \$0.107 (reference 18 (cell T27)). The revised page 10 includes the correctly referenced First-Class Operational Mail Cost per Piece for both Before Rates (line 2) and After Rates (line 3).

The third erratum involves the calculation for Year 3 Contribution from New Volume for Marketing Mail Letter on page 11 of Appendix A, which incorrectly relied on a contribution input for Year 2. The formula for the Year 3 Contribution from New Volume (cell F12, page 11) referenced the Year 2 Contribution of Standard Letter Contribution Per Piece on the Contrib Inputs worksheet (page 10, cell H20) when it should have referenced Year 3 (page 10, Cell I20).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 6, 2004

Bank One Model

Negotiated Service Agreement
Appendix A, page 10 REVISED

Year 1 (13) Year 2 (14) Year 3

First Class Letter

(1) Avg Revenue First-Class Letters	0.292	0.292	0.292
(2) First-Class Operational Letter cost per Piece Before Rates	0.107	0.111	0.115
(3) First-Class Operational Letter cost per Piece After Rates	0.107	0.111	0.115
(4) First-Class Operational Letter avg. Contribution Before Rates	0.185	0.181	0.177
(5) First-Class Operational Letter avg. Contribution After Rates	0.185	0.181	0.177
(6) First-Class Marketing Letter cost per Piece Before Rates	0.146	0.151	0.158
(7) First-Class Marketing Letter cost per Piece After Rates	0.129	0.135	0.140
(8) First-Class Marketing Letter avg. Contribution Before Rates	0.146	0.140	0.134
(9) First-Class Marketing Letter avg. Contribution After Rates	0.163	0.157	0.152

Standard Mail

(10) Standard Revenue per Piece	0.177	0.177	0.177
(11) Standard Cost per Piece	0.084	0.088	0.091
(12) Standard Letter Contribution per Piece	0.093	0.089	0.086

- (1) Revenue per piece (FCM rev calc)
- (2) Current Total Unit Cost Estimates, Including Contingency (Ops unit cost)
- (3) After Rates Total Unit Cost Estimates, Including Contingency (Ops unit cost)
- (4) (1) - (2)
- (5) (1) - (3)
- (6) Current Total Unit Cost Estimates, Including Contingency (Mktg unit cost)
- (7) After Rates Total Unit Cost Estimates, Including Contingency (Mktg unit cost)
- (8) (1) - (6)
- (9) (1) - (7)
- (10) Average Revenue per Piece (SM rev calcs)
- (11) Average Cost per Piece (SM cost calcs)
- (12) (10) - (11)
- (13) Year 1 * Inflation cost adjustment factor Year 2 (Assumptions)
- (14) Year 2 * Inflation cost adjustment factor Year 3 (Assumptions)

Bank One Model

Negotiated Service Agreement

Appendix A, page 11 REVISED

	Year 1	Year 2	Year 3	Total
ACS Savings				
(1) Operational Mail	\$ -	\$ -	\$ -	-
(2) Marketing Mail Letter	\$ 467,606	\$ 486,310	\$ 505,763	1,459,679
(3) Marketing Mail Flat	\$ 2,006,670	\$ 2,086,937	\$ 2,170,414	6,264,022
Contribution from New Volume				
(4) Operational Mail	\$ -	\$ -	\$ -	-
(5) Marketing Mail Letter	\$ 1,332,735	\$ 6,749,828	\$ 6,564,472	14,647,034
(6) Total Exposure	\$ 957,400	\$ 957,400	\$ 957,400	2,872,200
(7) Total Incremental Discounts	\$ 597,325	\$ 3,823,675	\$ 3,823,675	8,244,675
(8) Total USPS Value	\$ 2,252,286	\$ 4,542,000	\$ 4,459,574	11,253,860

- (1) Operational Mail After Rates Return Costs (UAA calcs)
- (2) Marketing Mail Letter Return Costs -Marketing Mail Letter After Rates Return Costs (UAA calcs)
- (3) Marketing Mail Flats - Marketing Mail Flats After Rates Return Costs (UAA calcs)
- (4) (Operational Mail After Rates - Operational Mail Before Rates) * FCM Operational Letter avg. Contribution After Rates
- (5) (Marketing Mail Letter After Rates - Marketing Mail Letter Before Rates) * FCM Marketing Letter avg. Contribution After Rates
- (6) Total Exposure (Disc&Leak)
- (7) Discount Earned - Total Exposure (Disc&Leak)
- (8) (1) + (2) + (3) + (4) + (5) - (6) - (7)

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.

Nan K. McKenzie

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