

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

NOTICE OF THE UNITED STATES POSTAL SERVICE REGARDING
THE FILING OF THE FINAL VERSION OF THE TESTIMONY OF WITNESS O'HARA
AND THE INCORPORATION OF ERRATA (USPS-T-31) [ERRATA]
(August 25, 2006)

The United States Postal Service hereby gives notice that it is filing errata to the final version of the testimony of witness Donald O'Hara (USPS-T-31) and accompanying exhibits. Attached to this notice is a list of the changes to the narrative portion of USPS-T-31, as well as an explanation of the basis for those changes.

The listed changes are incorporated into narrative portion of the revised copy of USPS-T-31 filed today. To the greatest extent possible, changed cells in the spreadsheets and tables in the revised exhibits that accompany USPS-T-31 have been shaded to highlight the revisions.

In revising his testimony and exhibits, witness O'Hara incorporates the results of errata in the testimonies of other witnesses, as well as errata that are his alone. Some of the errata were provided previously in response to Presiding Officer's Information Request No. 3, Question 4, parts a, b, e, f and ,g. POIR and intervenor interrogatories were very helpful in identifying where corrections were needed.

Cost Changes

Two changes on the cost side affect volume-variable cost for virtually all subclasses: (1) savings from Automated Postal Centers (APCs) were shifted from Mail

Processing (as originally filed) to Window Service; (2) savings from a program focused on reducing Periodicals air transportation costs were changed from being distributed across all air-transportation-using subclasses (as originally filed) to Periodicals alone. The effects of these changes are now reflected in the revised exhibits accompanying the revisions to the narrative portion of USPS-T-31 filed today.

For each subclass, the change in volume-variable cost resulting from these two cost changes combined is less than one percent, and for most subclasses less than one-tenth of one percent. Only for Outside-County Periodicals does the change (-0.53%) round to one percent.

Revenue Changes

On the revenue side, six changes have been made.

In the first instance, the First-Class Mail rate design testimony of witness Taufique (USPS-T-32) originally assumed that the new shaped-based rate structure would lead 36 percent of single-piece parcels becoming presorted. However, no adjustment reflecting this shift was made to TY08 AR costs, as originally filed. To align costs and revenues, the parcel volume assumed to shift was returned to single-piece; revenues for both single-piece and presort were adjusted accordingly. Also, witness Taufique applied the appropriate rate for flats to non-machinable letter-shape pieces, conforming to the proposed shape-based rate-structure; in the original filing these pieces had been rated as ordinary (machinable) letters. See USPS LR-L-129 (revised August 24, 2006).

In Periodicals, witness Tang (USPS-T-35) corrected the volume detail used for calculating revenue in the original filing. REV 7-13-2006 LR-L-126 (see Outside County Revised.xls, FY2008 Summary sheet, which also includes a Within-County summary.

In Standard, witness Kiefer (USPS-T-36) originally assumed that the new DAL charge for Saturation ECR would cause a 50 percent reduction in the use of DALs. However, no adjustment reflecting this shift was made to TY08 AR costs, as originally filed. To align costs and revenues, witness Kiefer changed to an assumption that DAL usage in the test-year would not be affected by the DAL charge, increasing ECR revenue somewhat. See USPS-T-36—FINAL, p. 35, Table 4.

In Parcel Post, witness Kiefer also corrected a minor error in revenue calculation. USPS-LR-L-82, WP-ParcelPost-REVISED.xls.

Witness Loutsch (USPS-T-6) added an estimate of capital gains from the sale of real estate in the test year, which increases Other Revenue. See USPS-T-6--FINAL.

There were numerous small changes in fee revenues, many previously reported and all included in USPS-LR-L-123-Revision-2 (August 23, 2006).

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Summary of Changes to USPS-T-31

<u>Page</u>	<u>Line</u>	
7	5-7	<p>Replace: "While some operational details are yet to be resolved, witness Taufique (USPS-T-32) presents an estimate of the financial impact of this proposal in his testimony."</p> <p>with: "Additional information is contained in the testimony of witness Taufique (USPS-T-48), filed on July 14, 2006."</p>
17	15	"7.0" to "7.1"
	18-19	Replace: "are very nearly equal – 6.9 percent for single-piece and 7.1 percent for workshare"

Summary of Changes to USPS-T-31

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17	18-19	with: "are 8.2 percent for single-piece and 5.9 percent for workshare, reflecting the greater proportion of flats and parcels in single-piece."
19	10	"Mail" to "Mail Letters"
	11	"\$35,798" to "\$35,871"
	17	"177" to "176"
	20	"11.8" to "12.0"
		"9.2" to "9.3"
21	1	"164" to "163"
	2	"13.8" to "13.6"
	19	"13.8" to "13.6"
23	1	"\$5,235" to "\$5,189"
	2	"\$3,955" to "\$3,434"
	8	"171" to "191"
24	7	"\$830" to "\$796"
	8	"\$598" to "\$526"
	9	"\$232" to "\$270"
	16	"105" to "106"
	18	"11.4" to "11.7"
26	4	"\$2,385" to "\$2,394"
	5	"\$95 million (criterion 3)." to "\$105 million (criterion 3). ² "
	18-19	Insert: "Within-County revenue is \$82.4 million, above its incremental cost of \$79.6 million."

Summary of Changes to USPS-T-31

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26	bottom	Add footnote: ⁴² As explained in the footnote to Exhibit USPS-T31E-Revised, the revised distribution of air transportation savings should reduce the Periodicals incremental cost shown above by about \$12 million."

The above-referenced changes to page 26 cause the remaining text of USPS-T-31 to lose its original page/line orientation. For purposes of tracking the remaining errata, original and revised page/line references are provided. Original references are in parentheses.

<u>Page</u>	<u>Line</u>	
(26) 27	(21) 3	"167" to "176"
(27) 28	(19) 1	"177" to "176"
(28) 29	(19) 2	"213" to "214"
(28) 29	(20) 3	"8.3" to "8.9"
(28) 29	(21) 4	"below" to "above"
(28) 29	(13) 19	"8.3" to "8.9"
30	(4) 10	"\$5,924" to "\$5,956"
	(16) 22	"(9.7cents and 9.9 cents)" to "(both round to 10.0 cents)"
	(17) 23	"213%" to "214%"
31	(4) 8	"13.7" to "13.2"
	(14) 18	"13.7" to "13.2"
(31) 32	(19) 1	"13.7" to "13.2"
32	(6) 11	"\$150" to "\$175"

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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