

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

RECEIVED

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF ERRATA TO
EXHIBIT OF WITNESS ALEXANDROVICH (USPS-T-5), TESTIMONY OF
WITNESS MUSGRAVE (USPS-T-8), TESTIMONY OF WITNESS BRADLEY (USPS-
T-14), EXHIBITS OF WITNESS PATELUNAS (USPS-T-15), TESTIMONY OF
WITNESS TAUFIQUE (USPS-T-34), WORKPAPERS OF WITNESS PLUNKETT
(USPS-T-40), AND LIBRARY REFERENCES H-120, 121, 125, and 207
(August 18, 1997)

The United States Postal Service hereby provides notice that it is today filing errata to the exhibit of witness Alexandrovich (USPS-T-5), the testimony of witness Musgrave (USPS-T-8), the testimony of witness Bradley (USPS-T-14), the exhibits of witness Patelunas (USPS-T-15), the testimony of witness Taufique (USPS-T-34), the workpapers of witness Plunkett (USPS-T-40), and Library References H-120, 121, 125, and 207. Summary pages listing the changes as well as revised testimony, exhibit, workpaper and library reference pages are attached to this Notice. A revised diskette with witness Plunkett's workpapers is being filed in Library Reference H-207. A diskette containing witness Musgrave's revisions as well as the revisions to Library Reference H-120, 121 and 125 is being filed today as Library Reference H-228. Copies of Library Reference H-228 also will be filed with the Postal Service library.

The revisions to witness Alexandrovich's exhibit (USPS-T-5) consists of corrections to the amounts listed in Volume Variable and All Other Costs columns in Exhibit USPS-5C.

The errata to witness Musgrave's testimony (USPS-T-8) and to Library References H-120, 121, and 125 consist of changes in the price index for consumer spending, disposable income, consumption of nondurables and corresponding changes resulting in revised volume forecasts.

The revisions to witness Bradley's testimony (USPS-T-14) consist of minor changes to the variabilities for BMC sorting and allied activities.

The errata to witness Patelunas's exhibits (USPS-T-15) consist of small changes to Exhibit USPS-15A, adding citations and updating mail volume change factors to conform to the rollforward. Corrections are made to the amounts listed in the Volume Variable and All Other Costs columns in Exhibits USPS-15D, 15G, and 15J.

The revision to witness Taufique's testimony (USPS-T-34) corrects the Table 1 presentation of the test year average rate per piece and percent change in rates for Within County mail.

The errata to witness Plunkett's workpapers (USPS-T-40) consist of corrections to the summary workpaper (WP-13), and the addition of two new workpapers (WP-14 and WP-15) concerning insurance, restricted delivery, and return receipts.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 18, 1997

Exhibit USPS-5C

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Change the following columns to reflect these amounts:

	Volume Variable Indirect	Total	All Other Costs
2. Supervisors and Technicians			
Mail Processing			241705
Local Services			
Elemental Load			33705
Total Supervisors			1736126
3. Clerks and Mailhandlers			
Mail Processing			3144448
Administrative Support and Miscellaneous	706357	706357	595711
Total Clerks	706357	11723707	4732392

Page 12 of 23

Change the following columns to reflect these amounts:

	Volume Variable Indirect	Total	All Other Costs
Total Accrued Cost	11337600	31342951	23633646
Adjusted Grand Total	11271890	31146854	23829743

Revised: 8/18/97

USPS 10-4730
ALA434P1SUMMARY OF ACCRUED COST BY SEGMENT AND COMPONENT DETAILING VOLUME VARIABLE COSTS
BASE YEAR 1996
(IN THOUSANDS)

*****V O L U M E V A R I A B L E / 2 / **		*****		*****		*****	
ACCRUED COSTS	DIRECT	INDIRECT	TOTAL	ALL OTHER COSTS			
COST SEGMENTS & COMPONENTS							
1. POSTMASTERS	\$ 1 664 525	\$ --	\$ 296 508	\$ 296 508	\$ --	\$ 1 368 017	
2. SUPERVISORS AND TECHNICIANS							
MAIL PROCESSING	1 018 294	--	776 589	776 589	--	241 705	
WINDOW SERVICE	178 267	--	85 494	85 494	--	92 773	
ADMINISTRATION AND SUPPORT							
TIME AND ATTENDANCE	62 231	--	35 713	35 713	--	26 518	
LOCAL SERVICES							
CITY CARRIERS							
IN-OFFICE	222 225	--	199 136	199 136	--	23 089	
ELEMENTAL LOAD	100 329	--	66 624	66 624	--	33 705	
OTHER STREET	363 984	--	65 318	65 318	--	298 666	
SPECIAL DELIVERY MESSENGERS							
IN-OFFICE	1 507	--	1 176	1 176	--	331	
STREET	7 209	--	3 374	3 374	--	3 835	
OTHER SUPERVISORS AND TECHNICIANS	1 326 926	--	311 422	311 422	--	1 015 504	
TOTAL SUPERVISORS	3 280 972	--	1 544 846	1 544 846	--	1 736 126	
3. CLERKS AND MAILHANDLERS							
CAG A-J OFFICES							
MAIL PROCESSING	13 247 412	10 102 964	--	10 102 964	--	3 144 448	
WINDOW SERVICE	1 906 619	914 386	--	914 386	--	992 233	
ADMINISTRATIVE SUPPORT AND MISCELLANEOUS	1 302 068	--	706 357	706 357	--	595 711	
TOTAL CLERKS	16 456 099	11 017 350	706 357	11 723 707	--	4 732 392	
4. CLERKS, CAG K OFFICES	9 333	4 002	--	4 002	--	5 331	
6. CITY DELIVERY CARRIERS							
IN-OFFICE	3 710 132	2 788 173	536 482	3 324 655	--	385 477	
7. CITY DELIVERY CARRIERS							
OUT-OF-OFFICE	7 751 343	1 112 236	1 090 429	2 202 665	--	5 548 678	
TOTAL CITY CARRIERS	\$ 11 461 475	\$ 3 900 409	\$ 1 626 911	\$ 5 527 320	\$ --	\$ 5 934 155	

USPS 10-4730
ALA434P1SUMMARY OF ACCRUED COST BY SEGMENT AND COMPONENT DETAILING VOLUME VARIABLE COSTS
BASE YEAR 1996
(IN THOUSANDS)

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*****
*****V O L U M E V A R I A B L E /2/ **
*****DIRECT INDIRECT TOTAL*****
*****ACCURRED COSTS*****ALL OTHER*****
*****COSTS*****COSTS*****
*****
18. ADMINISTRATION AND
REGIONAL OPERATIONS
HEADQUARTERS $ 561 956 $ -- -- $ 561 956
USPS PERSONNEL 3 776 591 -- -- -- 2 088 055
TOTAL ADMIN. AND
REGIONAL OPERATIONS 4 338 547 1 688 536 1 688 536 2 650 011
19. SUPPORT SERVICES 35 654 -- -- -- 35 654
20. DEPRECIATION AND
SERVICE WIDE COSTS
DEPRECIATION 1 332 782 -- -- -- 430 582
INTEREST 1 875 139 -- -- -- 813 980
OTHER MISCELLANEOUS 130 949 17 082 1 061 159 113 867
TOTAL DEPRECIATION &
SERVICE WIDE COSTS 3 338 870 17 082 1 963 359 1 980 441 1 358 429
TOTAL ACCRUED COST 54 976 597 20 005 351 11 337 600 31 342 951 23 633 646
FINAL ADJUSTMENTS -- 130 387- 65 710- 196 097- 196 097
ADJUSTED GRAND TOTAL$ 54 976 597 $ 19 874 964 $ 11 271 890 $ 31 146 854 $ 23 829 743
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COST SEGMENTS & COMPONENTS

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*** PAGE 12 ***
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Errata- MUSGRAVE (USPS-T-8)

Testimony USPS-T-8 Change the following:

- Page 6 of 44** **Substitute revised Table 1 for original Table 1.
Revised values 1997:3 to 1999:1.**
- Page 8 of 44** **Line 11
From 1,123 million (1,123.257) to 1,131 million (1,131.156)
Line 12
From thirteen to fourteen
Line 13
From (0.1332) to 0.1411)
Line 14
From 8.2 percent (0.0822) to 8.7 percent (0.0870)
Line 15
From 1,087.342 to 1,094.946
Line 16
From (35.915) to (36.210)
Line 19
From 64 million (64.170) to 65 million (64.623)
Line 20
From nine percent (0.0929) to ten percent (0.1006)
Line 22
From 5.8 percent (0.0577) to 6.2 (0.0624)
Line 23
From 63.2 million (63.206) to 63.7 million (63.652)**
- Page 9 of 44** **Line 1
From 64.170 to 64.623
Line 2
From 63.206 to 63.652
Line 3
From (0.964) to (0.971)**
- Page 15 of 44** **Substitute revised Figure 1 for original Figure 1.
Revised test year values.**
- Page 27 of 44** **Line 18
From 1,123 million (1,123.257) to 1,131 million (1,131.156)
Line 20
From 1,087 to 1,095
Line 21 from (1087.342) to (1,094.946)**
- Page 32 of 44** **Substitute revised Figure 2 for original Figure 2.
Revised test year values.**

Errata- MUSGRAVE (USPS-T-8)

Testimony USPS-T-8 Change the following:

Page 44 of 44

Line 3

From 64 million (64.170) to 65 million (64.623)

Line 4

From 63 to 64

Line 5

From (63.206) to (63.652)

Appendix A

Page 10 of 39

Table A.3 Substitute revised page A10 for original page A10.
Revised values 1997:3-4; PIDC, YPERM, YPCN92.

Page 11 of 39

Table A.3 Substitute revised page A11 for original page A11.
Revised values 1998:1-2000:1; PIDC, YPERM, YPCN92.

Page 22 of 39

Table A.5 Substitute revised page A22 for original page A22.
Revised values 1997:3-4; YD92C, CN92C.

Page 23 of 39

Table A.5 Substitute revised page A23 for original page A23.
Revised values 1998:1-2000:1; YD92C, CN92C.

Library Reference -H-120

Page 60 of 61

page 60.
Prices.

Priority Mail Table Substitute revised page 60 for original
Revised values Permanent Income, Own Price, and Cross

Page 61 of 61

page 61.
Prices.

Priority Mail Table Substitute revised page 61 for original
Revised values Permanent Income, Own Price, and Cross

Library Reference -H-121

Page 45 of 46

page 45.
Prices.

Express Mail Table Substitute revised page 45 for original
Revised values Permanent Income, Own Price, and Cross

Page 46 of 46

page 46.
Prices.

Express Mail Table Substitute revised page 46 for original
Revised values Permanent Income, Own Price, and Cross

Library Reference -H-125

Pages 1-2 of 2

Section I. Priority Mail After Rates Table
Substitute revised pages 1-2 for original 1-2.
Revised values 1997:3-2000:1.

Errata- MUSGRAVE (USPS-T-8)

Testimony USPS-T-8 Change the following:

Pages 1-2 of 2

Section II. Express Mail Before Rates Volume Table
Substitute revised pages 1-2 for original 1-2.
Revised values 1997:3-2000:1.

Library Reference -H-125

Pages 1-2 of 2

Section III. Priority Mail After Rates Volume Table
Substitute revised pages 1-2 for original 1-2.
Revised values 1997:3-2000:1.

Pages 1-2 of 2

Section IV. Express Mail After Rates Volume Table
Substitute revised pages 1-2 for original 1-2.
Revised values 1997:3-2000:1.

TABLE 1
VOLUME PROJECTIONS
(MILLION PIECES)

BASE YEAR: Postal Quarter 96:3 - 97:2

Priority Mail 991.266

Express Mail 58.718

Before-Rates

Postal Qtr	Priority	Express	Postal Year	Priority	Express
1997:3	249.876	14.380	1997	1051.126	60.465
1997:4	317.631	18.612	1998	1123.852	64.228
1998:1	262.599	13.821			
1998:2	259.969	15.118			
1998:3	264.988	15.421	GFY	Priority	Express
1998:4	336.295	19.868	1997	1059.882	60.811
1999:1	277.736	14.667	1998	1131.156	64.623

After-Rates

Postal Qtr	Priority	Express	Postal Year	Priority	Express
1997:3	249.876	14.380	1997	1051.126	60.465
1997:4	317.631	18.612	1998	1089.726	63.303
1998:1	259.709	13.747			
1998:2	253.528	14.898			
1998:3	254.771	15.158	GFY	Priority	Express
1998:4	321.719	19.499	1997	1059.290	60.796
1999:1	265.557	14.390	1998	1094.946	63.652

1 Additional specific factors also affect demand for Express Mail, as well as Priority
2 Mail. For those factors that are quantifiable, and for which predicted values are available,
3 an elasticity is estimated and used in connection with the projected percentage change for
4 that factor. All of the variables, except those noted in the testimony, are in natural
5 logarithms.

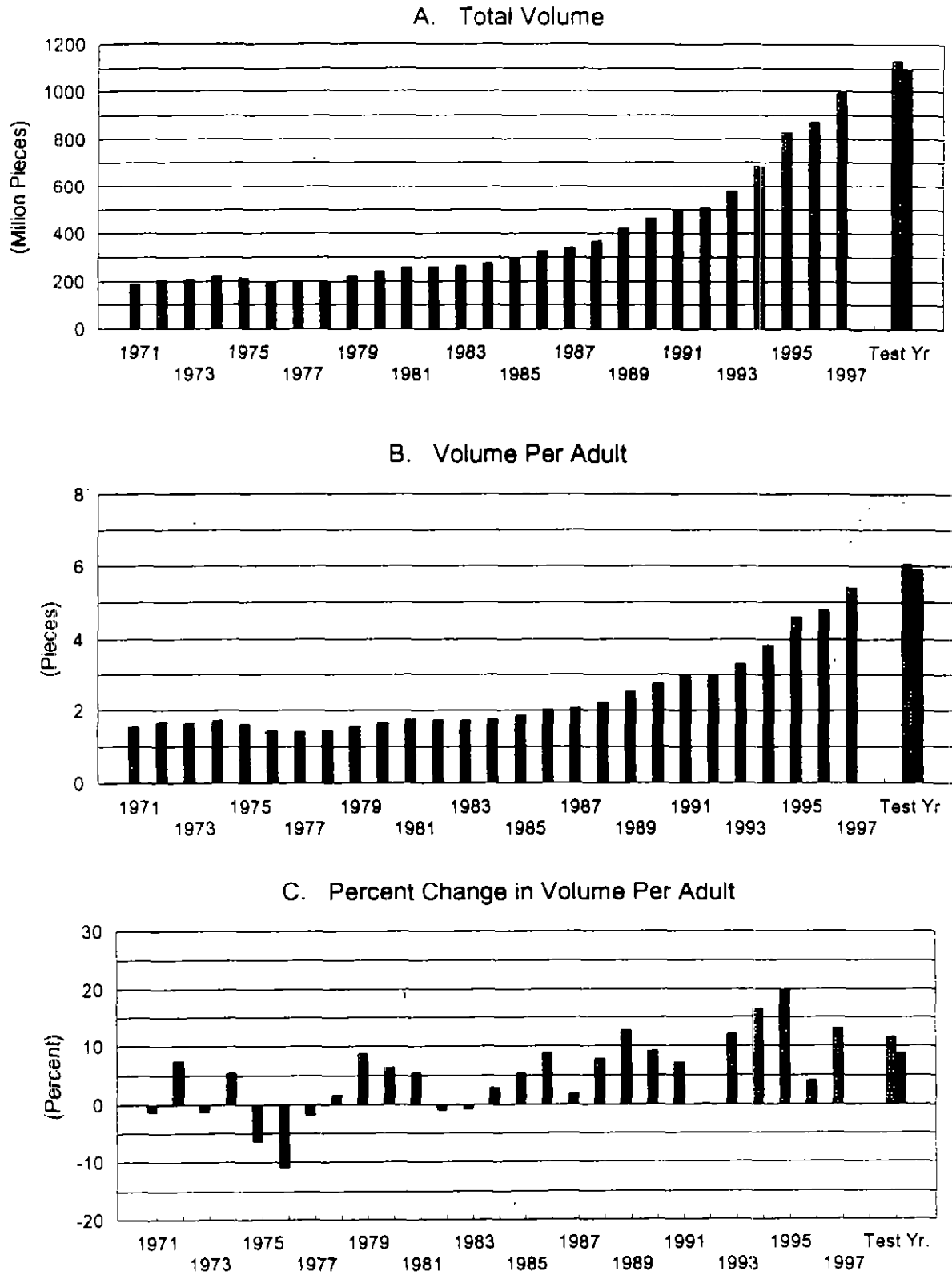
6 The text of this testimony presents a discussion of factors that affect the demand for
7 Express Mail, and Priority Mail. It also presents the resulting volume projections. A
8 Technical Appendix and Workpapers are provided giving a detailed description of the
9 methods used and the Choice Trail.

10 In the case of Priority Mail, Table 1 shows that volume is projected to increase from
11 991 million (991.266) pieces in the Base-Year period to 1,131 million (1,131.156) pieces in
12 the before-rates environment in the Test Year. The increase is approximately fourteen
13 percent (0.1411) for Priority Mail in the 19 month period, corresponding to an average
14 annual compound growth rate of 8.7 percent (0.0870). The projection for Priority Mail
15 volume in the after-rates environment is 1,094.946 million pieces, which totals a 3.2
16 percent (0.0320) decrease or a reduction of 36 million (36.210) pieces from what it
17 otherwise would have been.

18 Table 1 shows that Express Mail volume is projected to increase from 59 million
19 (58.718) pieces in the Base Year period to 65 million (64.623) pieces in the before-rates
20 environment in the Test Year. The increase is approximately ten percent (0.1006) for
21 Express Mail over the 19 month period, corresponding to an average annual growth rate of
22 6.2 percent (0.0624). The projection for Express Mail volume in the after-rates
23 environment is 63.7 million (63.652) pieces, which totals a 1.5 percent (0.0150) decrease.

1 Express Mail volume would be reduced from 64.623 million pieces in the before-rates
2 environment to 63.652 million pieces in the after-rates Test Year environment, a reduction
3 of approximately one million pieces (0.971), which represents virtually no growth over the
4 period.

FIGURE 1 HISTORICAL AND FORECAST PRIORITY MAIL VOLUME



Before Rates After Rates

Test Year: GFY 1998

1
2 BYP1997 the increase in Priority Mail due to population growth was approximately 5.6
3 percent (0.0563), and from BYP1994 to BYP1997 it was about 2.9 percent (0.0292).

4 f. Government Volume

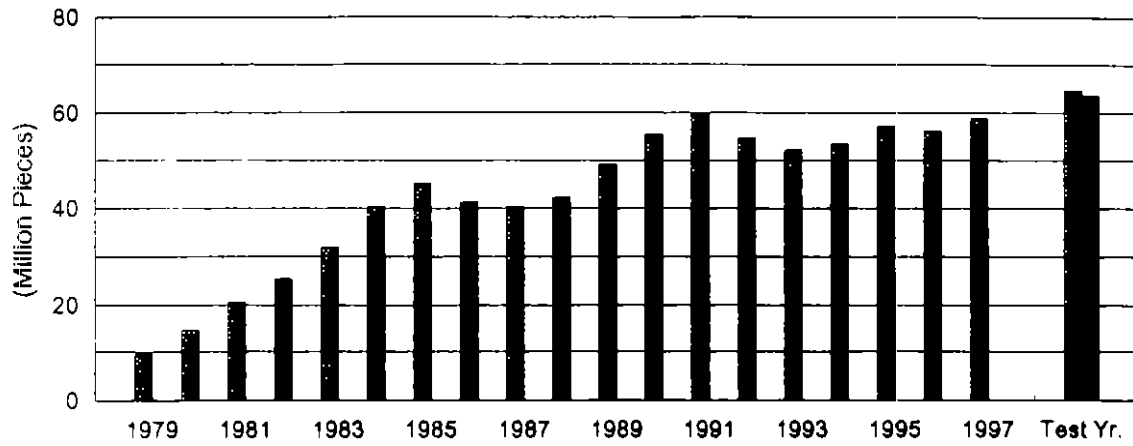
5 Previous models were based on volume data that did not include
6 government volume. As explained in the Choice Trail, in future years only "with
7 government" volume data will be available. So that future projections would include
8 forecasts of the "with government" volume data, the two data sets were combined. Data
9 including government volume begins in postal quarter one 1994. To account for the fact
10 that the early data did not include government volumes, a binary variable was added with
11 its value set equal to one from the beginning of the sample up to and including postal
12 quarter four 1993. Beginning in quarter one of fiscal 1994, the value is set to zero, to the
13 end of the estimation period. Its estimated value is -0.069 indicating that the previous
14 data without government volume was lower. The variable continues to remain at zero
15 through the Test Year and does not alter the forecast.

16 E. Volume Forecast

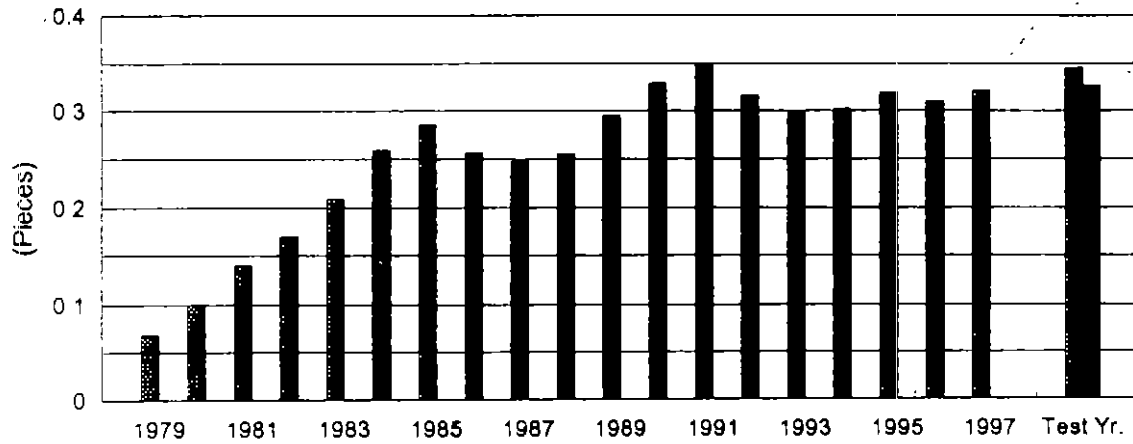
17 Projecting the combined influences of prices, incomes, and population gives a
18 projection of 1,131 million (1,131.156) pieces of Priority Mail for the Test Year beginning
19 October 1, 1997, if present postal rates are continued (before-rates forecast). If the rates
20 proposed by the Postal Service are recommended, the forecast is 1,095 million
21 (1,094.946) pieces (after-rates forecast).

FIGURE 2. HISTORICAL AND FORECAST EXPRESS MAIL VOLUME

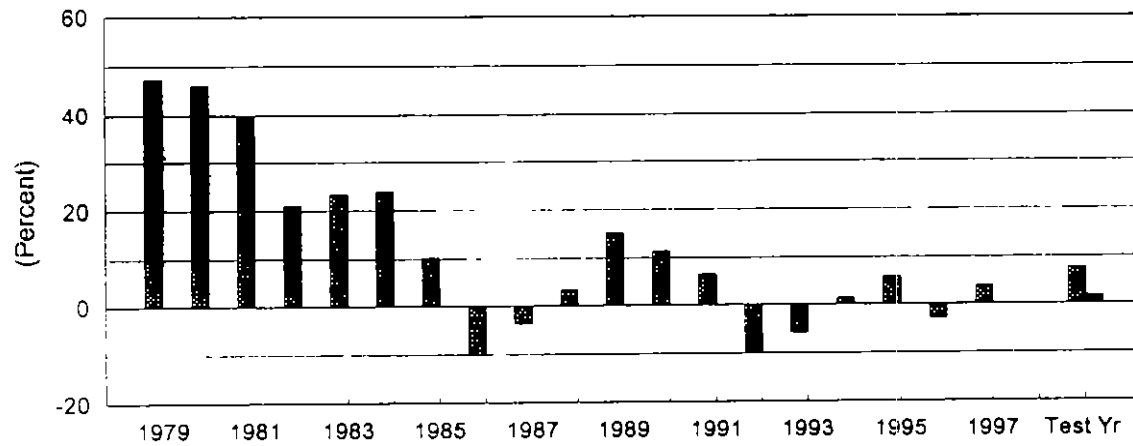
A. Total Volume



B. Volume Per Adult



C. Percent Change in Volume Per Adult



Before Rates After Rates

Test Year: GFY 1998

1 E. Volume Forecast

2 Projecting the influences of own price, cross prices, long run income, and
3 population, results in a projection of 65 million (64.623) pieces of Express Mail for the
4 Test Year beginning October 1, 1997, if present postal rates are continued (before-rates
5 forecast). If the rates recommended by the Postal Service are adopted, the forecast is 64
6 million (63.652) pieces of Express Mail (after-rates forecast).

7

8

TABLE A.3 (Continued)
GENERAL ECONOMIC VARIABLES USED IN REGRESSIONS

PQtrs	PIDC	N22	YPERM92	YPCN92	JS_PNS
1988:3	0.834405	166.345000	25.646982	7.553262	261.248333
1988:4	0.846509	166.822569	25.758075	7.586676	267.748661
1989:1	0.857417	167.296403	25.864431	7.637473	274.166071
1989:2	0.866940	167.762536	25.978748	7.677436	287.556429
1989:3	0.879095	168.217000	26.073062	7.692572	304.686905
1989:4	0.887313	168.658657	26.161234	7.714300	336.968214
1990:1	0.896583	169.097697	26.242860	7.735315	345.037976
1990:2	0.907155	169.547138	26.337150	7.748459	338.274048
1990:3	0.918417	170.020000	26.429589	7.748026	342.974762
1990:4	0.932134	170.525614	26.510890	7.754041	343.652679
1991:1	0.947738	171.058559	26.560348	7.727684	314.531071
1991:2	0.955940	171.609725	26.589654	7.675769	342.862619
1991:3	0.961560	172.170000	26.619987	7.643473	377.030119
1991:4	0.969545	172.741061	26.651112	7.612268	383.493125
1992:1	0.978762	173.321945	26.672326	7.559823	386.827500
1992:2	0.986821	173.910174	26.712143	7.544692	408.334048
1992:3	0.994798	174.503274	26.759956	7.535458	409.949881
1992:4	1.001473	175.097613	26.801023	7.525709	414.578036
1993:1	1.010048	175.685583	26.858219	7.546130	420.077381
1993:2	1.016345	176.260814	26.899747	7.570113	438.372976
1993:3	1.023405	176.816939	26.922829	7.574144	445.994762
1993:4	1.026714	177.348912	26.954128	7.592665	451.148661
1994:1	1.033821	177.856987	26.991334	7.614229	463.062143
1994:2	1.038786	178.342742	27.015726	7.627144	470.322857
1994:3	1.045000	178.807755	27.054812	7.661774	453.738929
1994:4	1.052679	179.253946	27.119769	7.703480	458.077679
1995:1	1.060131	179.684596	27.194923	7.748835	462.411429
1995:2	1.064798	180.103329	27.281914	7.790850	469.168333
1995:3	1.072619	180.513767	27.356000	7.825052	507.911429
1995:4	1.077464	180.919484	27.443966	7.848767	554.391987
1996:1	1.081655	181.323853	27.545458	7.855528	589.696115
1996:2	1.086202	181.730195	27.649712	7.866837	626.975214
1996:3	1.094143	182.141835	27.738186	7.882311	651.151429
1996:4	1.099241	182.560576	27.849255	7.886141	660.414228
1997:1	1.105762	182.982146	27.960947	7.895855	711.293135
1997:2	1.110702	183.400755	28.091057	7.918302	770.105998
1997:3	1.121921	183.810613	28.222187	7.946315	798.169629
1997:4	1.128501	184.208212	28.361685	7.976131	801.836124

(Table continued on next page)

TABLE A.3 (Continued)
GENERAL ECONOMIC VARIABLES USED IN REGRESSIONS

PQtrs	PIDC	N22	YPERM92	YPCN92	JS_PNS
1998:1	1.135544	184.599173	28.498534	8.012348	806.182500
1998:2	1.142959	184.991397	28.638682	8.050806	804.763257
1998:3	1.150464	185.392788	28.768716	8.082256	799.635415
1998:4	1.158170	185.809008	28.893201	8.106450	795.515922
1999:1	1.165961	186.236758	29.010939	8.126808	791.450931
1999:2	1.174208	186.670501	29.129685	8.144633	788.063033
1999:3	1.182653	187.104697	29.240244	8.153702	786.189939
1999:4	1.191072	187.535177	29.348314	8.159168	788.528953
2000:1	1.199593	187.963247	29.451678	8.164554	789.815428

DATA LEGEND

PIDC	Price Deflator: Personal Consumption Expenditures (1992=1.0) (chained).
N22	Civilian Population 22 Years and Older (Millions)
YPERM92	Permanent Income per Adult in 1992 Dollars based on Disposable Income.
YPCN92	Permanent Income per Adult in 1992 Dollars based on Personal Consumption Expenditures on Nondurable Goods.
JS_PNS	Standard and Poor's Composite Index of Common Stock Prices.

TABLE A.5 (Continued)
 VARIABLES USED TO CONSTRUCT PERMANENT INCOME VARIABLES

PQtrs	YD92C	CN92C
1988:3	4293.25119	1266.36355
1988:4	4327.46071	1277.96976
1989:1	4349.39048	1294.20235
1989:2	4392.75952	1296.79638
1989:3	4387.92857	1292.55505
1989:4	4403.94732	1305.33397
1990:1	4418.20000	1313.44448
1990:2	4465.83929	1319.02810
1990:3	4490.47857	1316.11310
1990:4	4499.13304	1321.10089
1991:1	4469.47619	1310.42619
1991:2	4455.78929	1298.43095
1991:3	4477.06786	1308.71071
1991:4	4498.41250	1307.73929
1992:1	4500.72857	1296.48095
1992:2	4553.51310	1311.63095
1992:3	4590.39286	1312.38690
1992:4	4601.72143	1317.47768
1993:1	4653.87619	1336.79524
1993:2	4649.87381	1340.48907
1993:3	4637.41905	1339.29062
1993:4	4670.61429	1351.20208
1994:1	4700.39643	1359.31529
1994:2	4695.66429	1365.37956
1994:3	4739.68929	1383.31632
1994:4	4806.94286	1393.40428
1995:1	4848.99167	1406.60988
1995:2	4895.73333	1414.76596
1995:3	4897.61905	1419.13014
1995:4	4947.92143	1424.86774
1996:1	5000.12143	1422.81038
1996:2	5034.40954	1432.86892
1996:3	5034.00114	1441.66593
1996:4	5104.45507	1440.11138
1997:1	5137.07218	1448.37149
1997:2	5204.05358	1458.99651
1997:3	5240.75310	1470.74591
1997:4	5291.59712	1480.35145

(Table continued on next page)

TABLE A.5 (Continued)
VARIABLES USED TO CONSTRUCT PERMANENT INCOME VARIABLES

Appendix A

PQtrs	YD92C	CN92C
1998:1	5322.57183	1489.55358
1998:2	5364.73933	1500.25207
1998:3	5381.80500	1506.35537
1998:4	5406.41022	1511.94616
1999:1	5428.06596	1518.18324
1999:2	5463.91363	1524.69227
1999:3	5482.01399	1527.47052
1999:4	5509.75588	1530.80086
2000:1	5532.67492	1535.66820

DATA LEGEND

YD92C Disposable Personal Income in 1992 Dollars
CN92C Personal Consumption Expenditures on Nondurable Goods 1992 Dollars.

PRIORITY MAIL BEFORE RATE MULTIPLIERS

LR-H-120

Base Year: Postal Quarters 96:3 - 97:2

Base Year Priority Mail Volume 991.266

Postal Quarters	Quarter Multiplier	Seasonal Multiplier	Adult Population	Permanent Income	S & P Stock price	VOLWT	United Parcel Service		
							Strikes	Market	Dummy
1997:3	0.230769	1.011968	1.005775	1.009389	1.019271	1.000000	1.000000	1.000000	1.000000
1997:4	0.307692	0.952349	1.007951	1.013515	1.019917	1.000000	1.000000	1.000000	1.000000
1998:1	0.230769	1.038784	1.010090	1.017560	1.020680	1.000000	1.000000	1.000000	1.000000
1998:2	0.230769	1.012782	1.012236	1.021698	1.020432	1.000000	1.000000	1.000000	1.000000
1998:3	0.230769	1.011968	1.014433	1.025535	1.019529	1.000000	1.000000	1.000000	1.000000
1998:4	0.307692	0.952349	1.016710	1.029205	1.018801	1.000000	1.000000	1.000000	1.000000
1999:1	0.230769	1.038784	1.019051	1.032673	1.018079	1.000000	1.000000	1.000000	1.000000
1999:2	0.230769	1.012782	1.021424	1.036169	1.017475	1.000000	1.000000	1.000000	1.000000
1999:3	0.230769	1.011968	1.023800	1.039422	1.017140	1.000000	1.000000	1.000000	1.000000
1999:4	0.307692	0.952349	1.026156	1.042599	1.017558	1.000000	1.000000	1.000000	1.000000
2000:1	0.230769	1.038784	1.028498	1.045636	1.017788	1.000000	1.000000	1.000000	1.000000

Postal Quarters	Priority Mail Own Price				Parcel Post Cross Price			
	Lag (0)	Lag (1)	Lag (2)	Lag (3)	Lag (0)	Lag (1)	Lag (2)	Lag (3)
1997:3	1.005231	1.003024	1.002752	1.000526	0.998839	0.999687	0.999977	1.000000
1997:4	1.006960	1.005395	1.003664	1.000750	0.998457	0.999442	0.999969	1.000000
1998:1	1.008802	1.006778	1.005722	1.000919	0.998050	0.999300	0.999952	1.000000
1998:2	1.010734	1.008250	1.006922	1.001299	0.997625	0.999148	0.999942	1.000000
1998:3	1.012680	1.009793	1.008200	1.001521	0.997198	0.998990	0.999931	1.000000
1998:4	1.014669	1.011347	1.009538	1.001757	0.996763	0.998830	0.999920	1.000000
1999:1	1.016670	1.012934	1.010886	1.002003	0.996325	0.998668	0.999909	1.000000
1999:2	1.018778	1.014531	1.012263	1.002251	0.995866	0.998505	0.999898	1.000000
1999:3	1.020926	1.016212	1.013647	1.002504	0.995399	0.998333	0.999886	1.000000
1999:4	1.023056	1.017925	1.015105	1.002759	0.994937	0.998159	0.999874	1.000000
2000:1	1.025202	1.019623	1.016589	1.003026	0.994473	0.997987	0.999862	1.000000

Postal Quarters	United Parcel Service Cross Price				UPS Cross Price Interacted with Dummy			
	Lag (0)	Lag (1)	Lag (2)	Lag (3)	Lag (4)	Lag (5)	Lag (6)	Lag (7)
1997:3	1.002825	1.000374	0.999969	1.000000	1.007171	1.004587	1.007450	1.009958
1997:4	1.002047	1.001482	1.000127	1.000000	1.004809	1.007538	1.008680	1.009169
1998:1	1.001219	1.001120	1.000415	1.000000	1.001811	1.006457	1.011312	1.010379
1998:2	1.001477	1.000736	1.000321	1.000001	1.006802	1.005083	1.010348	1.012966
1998:3	1.002825	1.000856	1.000221	1.000001	1.015969	1.007369	1.009123	1.012018
1998:4	1.001936	1.001482	1.000252	1.000000	1.012972	1.011552	1.011161	1.010814
1999:1	1.001045	1.001069	1.000415	1.000000	1.009794	1.010186	1.014891	1.012818
1999:2	1.001342	1.000656	1.000308	1.000001	1.010782	1.008736	1.013674	1.016484
1999:3	1.002825	1.000793	1.000200	1.000000	1.015969	1.009187	1.012381	1.015288
1999:4	1.001881	1.001482	1.000236	1.000000	1.012549	1.011552	1.012783	1.014017
2000:1	1.000933	1.001044	1.000415	1.000000	1.009125	1.009993	1.014891	1.014412

PRIORITY MAIL AFTER RATE MULTIPLIERS

Base Year: Postal Quarters 96:3 - 97:2

Base Year Priority Mail Volume 991.266

Postal Quarters	Quarter Multiplier	Seasonal Multiplier	Adult Population	Permanent Income	S & P Stock price	VOLWT	United Parcel Service		
							Strikes	Market	Dummy
1997:3	0.230769	1.011968	1.005775	1.009389	1.019271	1.000000	1.000000	1.000000	1.000000
1997:4	0.307692	0.952349	1.007951	1.013515	1.019917	1.000000	1.000000	1.000000	1.000000
1998:1	0.230769	1.038784	1.010090	1.017560	1.020680	1.000000	1.000000	1.000000	1.000000
1998:2	0.230769	1.012782	1.012236	1.021698	1.020432	1.000000	1.000000	1.000000	1.000000
1998:3	0.230769	1.011968	1.014433	1.025535	1.019529	1.000000	1.000000	1.000000	1.000000
1998:4	0.307692	0.952349	1.016710	1.029205	1.018801	1.000000	1.000000	1.000000	1.000000
1999:1	0.230769	1.038784	1.019051	1.032673	1.018079	1.000000	1.000000	1.000000	1.000000
1999:2	0.230769	1.012782	1.021424	1.036169	1.017475	1.000000	1.000000	1.000000	1.000000
1999:3	0.230769	1.011968	1.023800	1.039422	1.017140	1.000000	1.000000	1.000000	1.000000
1999:4	0.307692	0.952349	1.026156	1.042599	1.017558	1.000000	1.000000	1.000000	1.000000
2000:1	0.230769	1.038784	1.028498	1.045636	1.017788	1.000000	1.000000	1.000000	1.000000

Postal Quarters	Priority Mail Own Price				Parcel Post Cross Price			
	Lag (0)	Lag (1)	Lag (2)	Lag (3)	Lag (0)	Lag (1)	Lag (2)	Lag (3)
1997:3	1.005231	1.003024	1.002752	1.000526	0.998839	0.999687	0.999977	1.000000
1997:4	1.006960	1.005395	1.003664	1.000750	0.998457	0.999442	0.999969	1.000000
1998:1	0.992105	1.006778	1.005722	1.000919	1.003676	0.999300	0.999952	1.000000
1998:2	0.989895	0.994887	1.006922	1.001299	1.004625	1.001242	0.999942	1.000000
1998:3	0.991801	0.993115	0.996595	1.001521	1.004195	1.001594	1.000078	1.000000
1998:4	0.993749	0.994643	0.995055	0.999607	1.003756	1.001434	1.000103	1.000000
1999:1	0.995709	0.996205	0.996383	0.999320	1.003316	1.001271	1.000092	1.000000
1999:2	0.997773	0.997775	0.997740	0.999568	1.002853	1.001108	1.000080	1.000000
1999:3	0.999877	0.999428	0.999105	0.999820	1.002383	1.000936	1.000069	1.000000
1999:4	1.001963	1.001112	1.000541	1.000074	1.001918	1.000761	1.000057	1.000000
2000:1	1.004065	1.002782	1.002004	1.000340	1.001450	1.000588	1.000045	1.000000

Postal Quarters	United Parcel Service Cross Price				UPS Cross Price Interacted with Dummy			
	Lag (0)	Lag (1)	Lag (2)	Lag (3)	Lag (4)	Lag (5)	Lag (6)	Lag (7)
1997:3	1.002825	1.000374	0.999969	1.000000	1.007171	1.004587	1.007450	1.009958
1997:4	1.002047	1.001482	1.000127	1.000000	1.004809	1.007538	1.008680	1.009169
1998:1	1.001219	1.001120	1.000415	1.000000	1.001811	1.006457	1.011312	1.010379
1998:2	1.001477	1.000736	1.000321	1.000001	1.006802	1.005083	1.010348	1.012966
1998:3	1.002825	1.000856	1.000221	1.000001	1.015969	1.007369	1.009123	1.012018
1998:4	1.001936	1.001482	1.000252	1.000000	1.012972	1.011552	1.011161	1.010814
1999:1	1.001045	1.001069	1.000415	1.000000	1.009794	1.010186	1.014891	1.012818
1999:2	1.001342	1.000656	1.000308	1.000001	1.010782	1.008736	1.013674	1.016484
1999:3	1.002825	1.000793	1.000200	1.000000	1.015969	1.009187	1.012381	1.015288
1999:4	1.001881	1.001482	1.000236	1.000000	1.012549	1.011552	1.012783	1.014017
2000:1	1.000933	1.001044	1.000415	1.000000	1.009125	1.009993	1.014891	1.014412

EXPRESS MAIL BEFORE RATE MULTIPLIERS

LR-H-121

Base Year: Postal Quarters 96:3 - 97:2

Base Year Express Mail Volume 58.718

Postal Quarters	Quarter Multiplier	Seasonal Multiplier	Adult Population	Permanent Income	Z-Variable	Express Mail Own Price			
						Lag (0)	Lag (1)	Lag (2)	Lag (3)
1997:3	0.230769	1.033492	1.005775	1.013922	1.000000	1.009294	1.006912	1.003543	1.002948
1997:4	0.307692	0.985137	1.007951	1.022045	1.000000	1.012374	1.012349	1.004717	1.004221
1998:1	0.230769	0.957435	1.010090	1.031959	1.000000	1.015662	1.015527	1.007369	1.005181
1998:2	0.230769	1.028891	1.012236	1.042542	1.000000	1.019112	1.018918	1.008915	1.007351
1998:3	0.230769	1.033492	1.014433	1.051238	1.000000	1.022594	1.022478	1.010563	1.008615
1998:4	0.307692	0.985137	1.016710	1.057955	1.000000	1.026158	1.026071	1.012290	1.009962
1999:1	0.230769	0.957435	1.019051	1.063624	1.000000	1.029749	1.029748	1.014029	1.011373
1999:2	0.230769	1.028891	1.021424	1.068601	1.000000	1.033538	1.033455	1.015806	1.012794
1999:3	0.230769	1.033492	1.023800	1.071138	1.000000	1.037405	1.037365	1.017594	1.014245
1999:4	0.307692	0.985137	1.026156	1.072668	1.000000	1.041247	1.041357	1.019477	1.015705
2000:1	0.230769	0.957435	1.028498	1.074178	1.000000	1.045122	1.045323	1.021395	1.017241

Postal Quarters	Priority Mail Cross Price				Federal Express Cross Price			
	Lag (0)	Lag (1)	Lag (2)	Lag (3)	Lag (0)	Lag (1)	Lag (2)	Lag (3)
1997:3	0.997294	0.998522	0.998460	0.998907	0.999303	0.996505	0.995251	1.000036
1997:4	0.996404	0.997368	0.997952	0.998443	0.999067	0.997336	0.995052	0.999879
1998:1	0.995458	0.996698	0.996806	0.998094	0.998816	0.996612	0.995995	0.999874
1998:2	0.994470	0.995984	0.996140	0.997306	0.998553	0.995842	0.995173	0.999899
1998:3	0.993477	0.995239	0.995432	0.996848	0.998290	0.995038	0.994299	0.999877
1998:4	0.992465	0.994490	0.994692	0.996361	0.998020	0.994230	0.993385	0.999855
1999:1	0.991450	0.993726	0.993949	0.995851	0.997750	0.993406	0.992467	0.999831
1999:2	0.990384	0.992960	0.993191	0.995339	0.997466	0.992579	0.991532	0.999807
1999:3	0.989301	0.992155	0.992430	0.994817	0.997178	0.991711	0.990593	0.999783
1999:4	0.988230	0.991338	0.991631	0.994293	0.996892	0.990829	0.989608	0.999759
2000:1	0.987155	0.990529	0.990819	0.993743	0.996605	0.989956	0.988607	0.999733

EXPRESS MAIL AFTER RATE MULTIPLIERS

LR-H-121

Base Year: Postal Quarters 96:3 - 97:2

Base Year Express Mail Volume 58.718

Postal Quarters	Quarter Multiplier	Seasonal Multiplier	Adult Population	Permanent Income	Z-Variable	Express Mail Own Price			
						Lag (0)	Lag (1)	Lag (2)	Lag (3)
1997:3	0.230769	1.033492	1.005775	1.013922	1.000000	1.009294	1.006912	1.003543	1.002948
1997:4	0.307692	0.985137	1.007951	1.022045	1.000000	1.012374	1.012349	1.004717	1.004221
1998:1	0.230769	0.957435	1.010090	1.031959	1.000000	1.001516	1.015527	1.007369	1.005181
1998:2	0.230769	1.028891	1.012236	1.042542	1.000000	1.001362	1.004328	1.008915	1.007351
1998:3	0.230769	1.033492	1.014433	1.051238	1.000000	1.004783	1.004169	1.003454	1.008615
1998:4	0.307692	0.985137	1.016710	1.057955	1.000000	1.008284	1.007697	1.003376	1.004148
1999:1	0.230769	0.957435	1.019051	1.063624	1.000000	1.011813	1.011309	1.005100	1.004084
1999:2	0.230769	1.028891	1.021424	1.068601	1.000000	1.015536	1.014949	1.006862	1.005495
1999:3	0.230769	1.033492	1.023800	1.071138	1.000000	1.019336	1.018789	1.008634	1.006936
1999:4	0.307692	0.985137	1.026156	1.072668	1.000000	1.023111	1.022709	1.010500	1.008385
2000:1	0.230769	0.957435	1.028498	1.074178	1.000000	1.026919	1.026604	1.012402	1.009911

Postal Quarters	Priority Mail Cross Price				Federal Express Cross Price			
	Lag (0)	Lag (1)	Lag (2)	Lag (3)	Lag (0)	Lag (1)	Lag (2)	Lag (3)
1997:3	0.997294	0.998522	0.998460	0.998907	0.999303	0.996505	0.995251	1.000036
1997:4	0.996404	0.997368	0.997952	0.998443	0.999067	0.997336	0.995052	0.999879
1998:1	1.004125	0.996698	0.996806	0.998094	0.998816	0.996612	0.995995	0.999874
1998:2	1.005289	1.002513	0.996140	0.997306	0.998553	0.995842	0.995173	0.999899
1998:3	1.004285	1.003389	1.001914	0.996848	0.998290	0.995038	0.994299	0.999877
1998:4	1.003262	1.002634	1.002783	1.000817	0.998020	0.994230	0.993385	0.999855
1999:1	1.002236	1.001864	1.002033	1.001413	0.997750	0.993406	0.992467	0.999831
1999:2	1.001159	1.001091	1.001269	1.000899	0.997466	0.992579	0.991532	0.999807
1999:3	1.000064	1.000280	1.000502	1.000374	0.997178	0.991711	0.990593	0.999783
1999:4	0.998982	0.999456	0.999697	0.999847	0.996892	0.990829	0.989608	0.999759
2000:1	0.997895	0.998640	0.998878	0.999293	0.996605	0.989956	0.988607	0.999733

Priority Mail Before Rates Volume Forecasts

PQ	Priority Mail Volume
1988:1	103.330
1988:2	90.688
1988:3	104.100
1988:4	134.969
1989:1	106.964
1989:2	106.539
1989:3	114.878
1989:4	140.784
1990:1	122.553
1990:2	118.688
1990:3	124.454
1990:4	151.445
1991:1	131.845
1991:2	124.303
1991:3	120.156
1991:4	152.766
1992:1	132.191
1992:2	134.295
1992:3	141.319
1992:4	170.850
1993:1	149.122
1993:2	147.294
1993:3	173.151
1993:4	190.615
1994:1	174.600
1994:2	168.601
1994:3	199.236
1994:4	226.158
1995:1	196.060
1995:2	205.768
1995:3	206.576
1995:4	240.804
1996:1	209.083
1996:2	212.417
1996:3	221.151
1996:4	286.496

PFY	Priority Mail Volume
1988	433.087
1989	469.165
1990	517.140
1991	529.070
1992	578.655
1993	660.182
1994	768.595
1995	849.208
1996	929.147
1997	1051.126
1998	1123.852
1999	1180.704

GFY	Priority Mail Volume
1993	666.302
1994	774.817
1995	852.963
1996	937.674
1997	1059.882
1998	1131.156
1999	1187.641

Priority Mail Before Rates Volume Forecasts

PQ	Priority Mail Volume
1997:1	237.380
1997:2	246.239
1997:3	249.876
1997:4	317.631
1998:1	262.599
1998:2	259.969
1998:3	264.988
1998:4	336.295
1999:1	277.736
1999:2	273.906
1999:3	277.677
1999:4	351.385
2000:1	289.357

Express Mail Before Rates Volume Forecasts

PQ	Express Mail Volume
1988:1	9.536
1988:2	10.045
1988:3	10.863
1988:4	14.799
1989:1	11.514
1989:2	12.074
1989:3	12.911
1989:4	16.524
1990:1	12.687
1990:2	13.380
1990:3	14.140
1990:4	18.242
1991:1	13.729
1991:2	13.624
1991:3	13.527
1991:4	16.852
1992:1	12.085
1992:2	12.228
1992:3	12.561
1992:4	16.015
1993:1	11.455
1993:2	12.231
1993:3	12.436
1993:4	16.077
1994:1	11.927
1994:2	13.174
1994:3	13.448
1994:4	17.312
1995:1	12.880
1995:2	13.610
1995:3	13.284
1995:4	16.962
1996:1	12.362
1996:2	13.516
1996:3	13.729
1996:4	17.516

PFY	Express Mail Volume
1988	45.243
1989	53.023
1990	58.449
1991	57.732
1992	52.889
1993	52.199
1994	55.861
1995	56.736
1996	57.123
1997	60.465
1998	64.228
1999	67.576

GFY	Express Mail Volume
1993	52.444
1994	56.201
1995	56.743
1996	57.449
1997	60.811
1998	64.623
1999	67.941

Express Mail Before Rates Volume Forecasts

PQ	Express Mail Volume
1997:1	13.096
1997:2	14.377
1997:3	14.380
1997:4	18.612
1998:1	13.821
1998:2	15.118
1998:3	15.421
1998:4	19.868
1999:1	14.667
1999:2	15.956
1999:3	16.189
1999:4	20.764
2000:1	15.274

Priority Mail After Rates Volume Forecasts

PQ	Priority Mail Volume
1988:1	103.330
1988:2	90.688
1988:3	104.100
1988:4	134.969
1989:1	106.964
1989:2	106.539
1989:3	114.878
1989:4	140.784
1990:1	122.553
1990:2	118.688
1990:3	124.454
1990:4	151.445
1991:1	131.845
1991:2	124.303
1991:3	120.156
1991:4	152.766
1992:1	132.191
1992:2	134.295
1992:3	141.319
1992:4	170.850
1993:1	149.122
1993:2	147.294
1993:3	173.151
1993:4	190.615
1994:1	174.600
1994:2	168.601
1994:3	199.236
1994:4	226.158
1995:1	196.060
1995:2	205.768
1995:3	206.576
1995:4	240.804
1996:1	209.083
1996:2	212.417
1996:3	221.151
1996:4	286.496

PFY	Priority Mail Volume
1988	433.087
1989	469.165
1990	517.140
1991	529.070
1992	578.655
1993	660.182
1994	768.595
1995	849.208
1996	929.147
1997	1051.126
1998	1089.726
1999	1128.930

GFY	Priority Mail Volume
1993	666.302
1994	774.817
1995	852.963
1996	937.674
1997	1059.290
1998	1094.946
1999	1135.563

Priority Mail After Rates Volume Forecasts

PQ	Priority Mail Volume
1997:1	237.380
1997:2	246.239
1997:3	249.876
1997:4	317.631
1998:1	259.709
1998:2	253.528
1998:3	254.771
1998:4	321.719
1999:1	265.557
1999:2	261.895
1999:3	265.501
1999:4	335.977
2000:1	276.669

Express Mail After Rates Volume Forecasts

PQ	Express Mail Volume
1988:1	9.536
1988:2	10.045
1988:3	10.863
1988:4	14.799
1989:1	11.514
1989:2	12.074
1989:3	12.911
1989:4	16.524
1990:1	12.687
1990:2	13.380
1990:3	14.140
1990:4	18.242
1991:1	13.729
1991:2	13.624
1991:3	13.527
1991:4	16.852
1992:1	12.085
1992:2	12.228
1992:3	12.561
1992:4	16.015
1993:1	11.455
1993:2	12.231
1993:3	12.436
1993:4	16.077
1994:1	11.927
1994:2	13.174
1994:3	13.448
1994:4	17.312
1995:1	12.880
1995:2	13.610
1995:3	13.284
1995:4	16.962
1996:1	12.362
1996:2	13.516
1996:3	13.729
1996:4	17.516

PFY	Express Mail Volume
1988	45.243
1989	53.023
1990	58.449
1991	57.732
1992	52.889
1993	52.199
1994	55.861
1995	56.736
1996	57.123
1997	60.465
1998	63.303
1999	66.300

GFY	Express Mail Volume
1993	52.444
1994	56.201
1995	56.743
1996	57.449
1997	60.796
1998	63.652
1999	66.658

Express Mail After Rates Volume Forecasts

PQ	Express Mail Volume
1997:1	13.096
1997:2	14.377
1997:3	14.380
1997:4	18.612
1998:1	13.747
1998:2	14.898
1998:3	15.158
1998:4	19.499
1999:1	14.390
1999:2	15.654
1999:3	15.883
1999:4	20.372
2000:1	14.985

ERRATA TO TESTIMONY OF MICHAEL D BRADLEY (USPS-T-14)

<u>Page</u>	<u>Line</u>	<u>Change</u>
65	5	0.9679 to 0.9676
65	5	0.8418 to 0.8379
65	5	0.7105 to 0.7115
65	5	0.6487 to 0.6483
65	5	0.7161 to 0.7165
65	7	0.0231 to 0.0229
65	7	0.0172 to 0.0161
65	7	0.0116 to 0.0117
65	7	-0.0399 to -0.0393
65	7	0.0691 to 0.0692
65	7	0.0372 to 0.0377
65	9	-0.0003 to -0.0004
65	9	-0.0002 to -0.0004
65	9	-0.0002 to -0.0003
65	9	-0.0019 to -0.0016
65	11	0.0002 to -0.0001
65	11	0.0111 to -0.0112
65	11	0.0044 to -0.0047
65	16	1,736 to 1,737
65	16	1,877 to 1,878
65	16	1,837 to 1,838
65	16	1,806 to 1,807
65	16	1,563 to 1,564
65	16	1,644 to 1,645
65	20	0.858 to 0.854
65	20	0.671 to 0.672
65	20	0.753 to 0.754
67	8	0.4594 to 0.4652
67	8	0.2174 to 0.2171
67	9	0.1128 to 0.1129
67	9	0.1294 to 0.1302
67	10	-0.1054 to -0.1038
67	10	0.2066 to 0.2069
67	11	0.0633 to 0.0624
67	12	0.0006 to 0.0013
67	13	-0.0137 to -0.0131
67	14	0.0004 to 0.0006
67	14	-0.0012 to -0.0011
67	15	0.0038 to 0.0041
67	15	0.0021 to 0.0023
67	19	1,755 to 1,756
67	19	1,639 to 1,640
67	23	0.526 to 0.533
67	23	0.604 to 0.605

Table 9 Econometric Results for BMC Sorting Activities						
	Mechanized Sack Sorting	Mechanized Primary Parcel Sorting	Mechanized Secondary Parcel Sorting	NMOs	BBM Sack Opening	Irregular Parcel Post
Pieces	0.9676	0.8379	0.9577	0.7115	0.6483	0.7165
Lagged Pieces				-0.0393	0.0692	
Time Trend 1				-0.0016	-0.0012	
Time Trend 2	0.0048		-0.0112	0.0047	-0.0074	0.0035
p	0.798	0.834	0.862	0.824	0.799	0.702
S.E.R.	0.051	0.059	0.064	0.081	0.089	0.114
R ²	.9343	.9173	.8155	.8866	.9564	.8877
# of Obs.	1,737	1,878	1,838	1,807	1,564	1,645
# of Sites	20	20	20	20	19	20
Avg. Pieces (1,000s)	1,844	5,680	3,383	643	293	444
Elasticity	0.991	0.854	0.969	0.672	0.718	0.754

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1 sorting volume from the "other" volume category. I corrected this omission and
 2 re-estimated the equation. The corrected version appears in my workpapers
 3 and in Table 10.

4

5 **Table 10**

6 **Econometric Results for BMC Allied Activities**

Platform		Floor Labor	
Total Pieces	0.4652	Parcel Sorting	0.2171
Cross Dock	0.1129	IPP Sorting	0.1302
Lag Total Pieces		Other	0.2069
Lag Cross Dock	-0.0312	Lag Parcel Sorting	0.0624
		Lag IPP Sorting	
		Lag Other	
Time Trend 1		Time Trend 1	0.0011
Time Trend 2	0.0041	Time Trend 2	0.0035
ρ	0.8402	ρ	0.8471
S.E.R.	0.0594	S.E.R.	0.0947
R ²	0.8239	R ²	0.7188
# of Obs.	1,756	# of Obs.	1,640
# of Sites	20	# of Sites	19
Average Hours	18,017	Average Hours	54,168
Elasticity	0.533	Elasticity	0.605

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Errata - Patelunas (USPS-T-15)

Exhibit USPS-15A Change the following:

Cover Page: further identify these references

SOURCES:

Pages 1-4: USPS LR-H-12 Pages 51-52 & 54-55

Pages 5-6: Tolley USPS-T-6 Table 1

Volume Mix Adjustment: USPS LR-H-126 Page II-4

Parcel Post Adjustment: USPS LR-H-126 Pages I-2 through II-4

Workyear Mix Adjustment: USPS LR-H-12 Page 61

Page 4 of 6 Add the following rows to the bottom of the page:

			FY 1997	TY 1998BR	TY 1998AR
3	Volume Mix Adjustment	35	-77,452	0	0
3	Parcel Post Adjustment	35	-5,788	-4,041	-11,466
	Parcel Post Adjustment	40	-988	-690	-1,042
14	Parcel Post Adjustment	143	-27,898	-19,291	-25,072
3	Workyear Mix Adjustment	253	-7,005	-31,149	-39,628
6/7	Workyear Mix Adjustment	256/257	-21,692	-29,394	-25,176

Page 5 of 6 change the following columns:

1997 RAT2FACT MV change column:

104. P-CARD NONPRSRT from -0.121894438 to 0.01895759

Page 6 of 6 change the following columns:

1997 RAT2FACT MV change column:

104. P-CARD NONPRSRT from -0.121894438 to 0.01895759

GFY 1998 AR column:

110. PRIORITY from 1,082.417 to 1,087.829

111. EXPRESS from 63.625 to 63.410

113. WITHIN COUNTY from 836.306 to 901.870

118. 2ND NONPROFIT from 2,157.802 to 2,161.077

119. CLASSROOM from 47.184 to 47.452

117. 2ND REGULAR from 7,138.398 to 7,147.574

123. TOTAL SECOND from 10,179.690 to 10,257.973

136. TOT ZONE RATE from 228.647 to 231.879

165. INSURANCE from 31.440 to 30.600

171. P.O. BOX from 15064.943 to 15099.805

Page 6 of 6 continued:

1998 RAT2FACT MV change column:

- 110. PRIORITY from 0.022189589 to 0.027300457
- 111. EXPRESS from 0.045088699 to 0.041557162
- 113. WITHIN COUNTY from -0.104607017 to -0.034410766
- 118. 2ND NONPROFIT from -0.018087416 to -0.016597120
- 119. CLASSROOM from -0.230402871 to -0.226031642
- 117. 2ND REGULAR from 0.000773601 to 0.002060037
- 136. TOT ZONE RATE from -0.005969046 to 0.008081906
- 165. INSURANCE from -0.026766869 to -0.021426287
- 171. P.O. BOX from -0.168125944 to -0.166200893

USPS-T-15 Revised: 8/18/97

EXHIBIT USPS-15A

ROLLFORWARD FACTORS

SOURCES:

Pages 1-4: USPS LR-H-12 Pages 51-52 & 54-55

Pages 5-6: Tolley USPS-T-6 Table 1

Volume Mix Adjustment: USPS LR-H-126 Page II-4

Parcel Post Adjustment: USPS-LR-H-126 Pages I-2 through I-4

Workyear Mix Adjustment: USPS LR-H-12 Page 61

Final Adjustments: O'Hara USPS-T-30

ROLL FORWARD MODEL FACTORS FY 1998

[illegible]

			<u>FY 1997</u>	<u>TY 1998BR</u>	<u>TY 1998AR</u>
3	Volume Mix Adjustment	35	-77,452	0	0
3	Parcel Post Adjustment	35	-5,788	-4,041	-11,466
	Parcel Post Adjustment	40	-988	-690	-1,042
14	Parcel Post Adjustment	143	-27,898	-19,291	-25,072
3	Workyear Mix Adjustment	253	-7,005	-31,149	-39,628
6/7	Workyear Mix Adjustment	256/257	-21,692	-29,394	-25,176

	1996 GFY	1997 GFY	1997 RAT2FACT MV change	GFY 1998 BR	1998 RAT2FACT MV change
101 LETTER NP	54,150.759	54,340.030	0.003495260	54,394.310	0.000998895
	10,027.904	5,839.900		5,369.390	
	29,418.831	33,696.930		36,137.600	
102. TOTAL PRESORT	39,057.193	39,536.830	0.012280376	41,506.990	0.049831006
103. POSTAL CARD	461.550	631.120		594.890	
104 P-CARD NONPRSRT	3,052.105	2,454.240	0.010895759	2,546.540	0.018172920
	749.480	664.920		643.730	
	1,392.759	1,719.150		1,907.950	
105. TOTAL PRST CDS	1,956.017	2,384.070	0.218839100	2,551.680	0.070304144
107. TOTAL FIRST	98,216.074	99,346.290		101,594.410	
110. PRIORITY	937.273	1,058.920	0.129788226	1,123.760	0.061232199
111 EXPRESS	57.573	60.880	0.057440120	64.380	0.057490145
112. MAILGRAM	4.204	5.770	0.372502379	4.760	-0.175043328
113 WITHIN COUNTY	877.829	934.010	0.063999936	911.200	-0.024421580
118. 2ND NONPROFIT	2,205.180	2,197.550	-0.003460035	2,186.680	-0.004946418
119. CLASSROOM	58.885	61.310	0.041181965	51.190	-0.165062796
117 2ND REGULAR	6,984.301	7,132.880	0.021273281	7,172.570	0.005564372
123 TOTAL SECOND	10,126.195	10,325.750		10,321.640	
125 3RD SINGLE PC.	145.807	163.120	0.118739155	165.700	0.015816577
127. TOT REG OTHER	30,150.508	32,241.470	0.069350805	34,359.010	0.065677526
126. REG C-RTE	29,180.737	31,090.290	0.065438820	32,424.240	0.042905679
132. TOT NP BASIC	9,300.466	9,954.110	0.070280779	10,123.230	0.016989967
131 NONPROF. C-RTE	2,908.617	3,082.490	0.059778582	3,132.000	0.016061690
TOTAL THIRD	71,686.135	76,531.480		80,204.180	
136 TOT ZONE RATE	212.828	230.020	0.080778845	241.600	0.050343448
137. BND PRNT MATTER	516.111	536.140	0.038807543	567.900	0.059238259
139 SPECIAL 4TH	189.793	194.730	0.026012551	200.560	0.029938890
140 LIBRARY RATE	30.133	27.530	-0.086383699	30.250	0.098801308
142. USPS PENALTY	360.114	339.090	-0.058381513	297.820	-0.121708101
147 FREE BLIND	49.969	51.620	0.033040485	56.390	0.092406044
	182,524.871	188,927.939		195,938.021	
161. TOT INTERNATL	1,053.071	962.670	-0.085845114	1,025.250	0.065006700
	183,577.942	189,890.606		196,963.267	
163. REGISTRY	18.623	17.320	-0.069967245	16.200	-0.064665127
165 INSURANCE	28.724	31.270	0.088636680	31.440	0.005436521
164 CERTIFIED	270.832	291.380	0.075869912	304.150	0.043825932
166 COD	4.866	4.350	-0.106041924	3.940	-0.094252874
168 MONEY ORDERS	214.029	218.170	0.019347845	236.660	0.084750424
167 SPEC DELIVERY	0.382	0.110	-0.712041885	0.000	-1.000000000
169. STMPD ENVEL.	536.861	460.000	-0.143167412	452.000	-0.017391304
170. SPEC HNDLG	68.175	68.175	0.000000000	71.922	0.054961496
171 P.O. BOX	17211.937	18109.644	0.052156071	17661.29	-0.024757748

	1996 GFY	1997 GFY	1997 RAT2FACT MV change	GFY 1998 AR	1998 RAT2FACT MV change
101 LETTER NP	54,150.759	54,340.030	0.003495260	54,413.387	0.001349962
	10,027.904	5,839.900		4,855.407	
	29,418.831	33,696.930		36,177.775	
102. TOTAL PRESORT	39,057.193	39,536.830	0.012280376	41,033.182	0.037847040
103. POSTAL CARD	461.550	631.120		583.005	
104 P-CARD NONPRSRT	3,052.105	2,454.240	0.010895759	2,476.656	-0.008329336
	749.480	664.920		667.024	
	1,392.759	1,719.150		1,796.361	
105. TOTAL PRST CDS	1,956.017	2,384.070	0.218839100	2,463.385	0.033268738
107. TOTAL FIRST	98,216.074	99,346.290		100,969.615	
110. PRIORITY	937.273	1,058.920	0.129788226	1,087.829	0.027300457
111. EXPRESS	57.573	60.880	0.057440120	63.410	0.041557162
112. MAILGRAM	4.204	5.770	0.372502379	4.757	-0.175563258
113. WITHIN COUNTY	877.829	934.010	0.063999936	901.870	-0.034410766
118. 2ND NONPROFIT	2,205.180	2,197.550	-0.003460035	2,161.077	-0.016597120
119. CLASSROOM	58.885	61.310	0.041181965	47.452	-0.226031642
117. 2ND REGULAR	6,984.301	7,132.880	0.021273281	7,147.574	0.002060037
123. TOTAL SECOND	10,126.195	10,325.750		10,257.973	
125. 3RD SINGLE PC.	145.807	163.120	0.118739155	161.574	-0.009477685
127. TOT REG OTHER	30,150.508	32,241.470	0.069350805	37,627.554	0.167054542
126. REG C-RTE	29,180.737	31,090.290	0.065438820	28,686.181	-0.077326683
132. TOT NP BASIC	9,300.466	9,954.110	0.070280779	10,550.968	0.059960961
131. NONPROF C-RTE	2,908.617	3,082.490	0.059778582	2,571.283	-0.165842225
TOTAL THIRD	71,686.135	76,531.480		79,597.560	
136. TOT ZONE RATE	212.828	230.020	0.080778845	231.879	0.008081906
137. BND PRNT MATTER	516.111	536.140	0.038807543	561.718	0.047707688
139. SPECIAL 4TH	189.793	194.730	0.026012551	200.511	0.029687259
140. LIBRARY RATE	30.133	27.530	-0.086383699	28.709	0.042826008
142. USPS PENALTY	360.114	339.090	-0.058381513	297.820	-0.121708101
147. FREE BLIND	49.969	51.620	0.033040485	56.390	0.092406044
	182,524.871	188,927.939		193,278.688	
161. TOT INTERNATL	1,053.071	962.670	-0.085845114	1,006.682	0.045718678
	183,577.942	189,890.606		194,285.370	
163. REGISTRY	18.623	17.320	-0.069967245	14.288	-0.175057737
165. INSURANCE	28.724	31.270	0.088636680	30.600	-0.021426287
164. CERTIFIED	270.832	291.380	0.075869912	293.118	0.005964720
166. COD	4.866	4.350	-0.106041924	3.886	-0.106666667
168. MONEY ORDERS	214.029	218.170	0.019347845	236.570	0.084337902
167. SPEC DELIVERY	0.382	0.110	-0.712041885	0.000	-1.000000000
169. STMPD ENVEL.	536.861	460.000	-0.143167412	452.000	-0.017391304
170. SPEC HNDLG	68.175	68.175	0.000000000	71.922	0.054961496
171. P.O. BOX	17211.937	18109.644	0.052156071	15099.805	-0.166200893

Errata - Patelunas (USPS-T-15)

Exhibit USPS-15D

Page 9 of 23

Change the following columns to reflect these amounts:

	Volume Variable Indirect	Total	All Other Costs
2. Supervisors and Technicians			
Mail Processing			244353
Local Services			
Elemental Load			34075
Total Supervisors			1757894
3. Clerks and Mailhandlers			
Mail Processing			3239519
Administrative Support and Miscellaneous	745069	745069	614802
Total Clerks	745069	12186152	4876553

Page 12 of 23

Change the following columns to reflect these amounts:

	Volume Variable Indirect	Total	All Other Costs
Total Accrued Cost	11676526	32582736	24628212
Adjusted Grand Total	11613535	32392563	24818385

USPS 10-4730
ALA434P1

SUMMARY OF ACCRUED COST BY SEGMENT AND COMPONENT DETAILING VOLUME VARIABLE COSTS
FY97RCM (VOLADJ MIXADJ)
(IN THOUSANDS)

ACCRUED COSTS *****V O L U M E V A R I A B L E /2/ ** ALL OTHER COSTS
 DIRECT INDIRECT TOTAL

COST SEGMENTS & COMPONENTS

1. POSTMASTERS	\$ 1 668 936	\$ --	\$ 304 591	\$ 304 591	\$ --	\$ 1 364 345
2. SUPERVISORS AND TECHNICIANS						
MAIL PROCESSING	1 044 443	--	800 090	800 090	--	244 353
WINDOW SERVICE	181 885	--	88 095	88 095	--	93 790
ADMINISTRATION AND SUPPORT						
TIME AND ATTENDANCE	63 886	--	36 797	36 797	--	27 089
LOCAL SERVICES						
CITY CARRIERS						
IN-OFFICE	230 523	--	207 181	207 181	--	23 342
ELEMENTAL LOAD	104 216	--	70 141	70 141	--	34 075
OTHER STREET	372 238	--	67 957	67 957	--	304 281
SPECIAL DELIVERY MESSENGERS						
IN-OFFICE	1 544	--	1 210	1 210	--	334
STREET	7 353	--	3 476	3 476	--	3 877
OTHER SUPERVISORS AND TECHNICIANS	1 349 431	--	322 678	322 678	--	1 026 753
TOTAL SUPERVISORS	3 355 519	--	1 597 625	1 597 625	--	1 757 894
3. CLERKS AND MAILHANDLERS						
CAG A-J OFFICES						
MAIL PROCESSING	13 721 453	10 481 934	--	10 481 934	--	3 239 519
WINDOW SERVICE	1 981 381	959 149	--	959 149	--	1 022 232
ADMINISTRATIVE SUPPORT AND MISCELLANEOUS	1 359 871	--	745 069	745 069	--	614 802
TOTAL CLERKS	17 062 705	11 441 083	745 069	12 186 152	--	4 876 553
4. CLERKS, CAG K OFFICES	9 723	4 215	--	4 215	--	5 508
6. CITY DELIVERY CARRIERS						
IN-OFFICE	3 717 351	2 752 250	568 307	3 320 557	--	396 794
7. CITY DELIVERY CARRIERS						
OUT-OF-OFFICE	8 098 978	1 192 199	1 110 530	2 302 729	--	5 751 447
TOTAL CITY CARRIERS	\$ 11 816 329	\$ 3 944 449	\$ 1 678 837	\$ 5 623 286	\$ --	\$ 6 148 241

USPS 10-4730
ALA434P1

SUMMARY OF ACCRUED COST BY SEGMENT AND COMPONENT DETAILING VOLUME VARIABLE COSTS
FY97RCM (VOLADJ MIXADJ)
(IN THOUSANDS)

Exhibit-150
Revised: 8/18/97

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*****
ACCRUED      *****V O L U   M E   V A R I   A B L E /2/ **      ALL OTHER
COSTS        DIRECT      INDIRECT      TOTAL      COSTS
*****

COST SEGMENTS & COMPONENTS
-----

18. ADMINISTRATION AND
    REGIONAL OPERATIONS
    HEADQUARTERS      $    606 267      $    --      $    --      $    --      $    606 267
    USPS PERSONNEL    3 560 051      --      1 704 692      1 704 692      --      1 855 359

    TOTAL ADMIN. AND
    REGIONAL OPERATIONS 4 166 318      --      1 704 692      1 704 692      --      2 461 626

19. SUPPORT SERVICES      36 405      --      --      --      --      36 405

20. DEPRECIATION AND
    SERVICE WIDE COSTS
    DEPRECIATION      1 538 144      --      974 625      974 625      --      563 519
    INTEREST          1 920 346      --      1 075 781      1 075 781      --      844 565
    OTHER MISCELLANEOUS 188 813      18 157      --      18 157      --      170 656

    TOTAL DEPRECIATION &
    SERVICE WIDE COSTS 3 647 303      18 157      2 050 406      2 068 563      --      1 578 740

TOTAL ACCRUED COST      57 255 750      20 906 210      11 676 526      32 582 736      --      24 628 212

FINAL ADJUSTMENTS      --      127 182-      62 991-      190 173-      --      190 173

ADJUSTED GRAND TOTALS $ 57 255 750      $ 20 779 028      $ 11 613 535      $ 32 392 563      $    --      $ 24 818 385
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Errata - Patelunas (USPS-T-15)

Exhibit USPS-15G

Page 9 of 23

Change the following columns to reflect these amounts:

	Volume Variable Indirect	Total	All Other Costs
2. Supervisors and Technicians			
Mail Processing			252765
Local Services			
Elemental Load			35248
Total Supervisors			1821292
3. Clerks and Mailhandlers			
Mail Processing			3321193
Administrative Support and Miscellaneous	780577	780577	631772
Total Clerks	780577	12695494	5011973

Page 12 of 23

Change the following columns to reflect these amounts:

	Volume Variable Indirect	Total	All Other Costs
Total Accrued Cost	12806386	34397699	26281186
Adjusted Grand Total	12747147	34224167	26454718

USPS 10-4730
ALA434P1

SUMMARY OF ACCRUED COST BY SEGMENT AND COMPONENT DETAILING VOLUME VARIABLE COSTS
FY98RCBM (MIXADJ)
(IN THOUSANDS)

ACCURED COSTS	*****V O L U	M E	V A R I	A B L E./2/ **	ALL OTHER COSTS	
	DIRECT	INDIRECT	TOTAL			

COST SEGMENTS & COMPONENTS						

1. POSTMASTERS	\$ 1 714 555	\$ --	\$ 320 607	\$ 320 607	\$ --	\$ 1 393 948
2. SUPERVISORS AND TECHNICIANS						
MAIL PROCESSING	1 100 170	--	847 405	847 405	--	252 765
WINDOW SERVICE	189 609	--	92 590	92 590	--	97 019
ADMINISTRATION AND SUPPORT						
TIME AND ATTENDANCE	67 219	--	38 763	38 763	--	28 456
LOCAL SERVICES						
CITY CARRIERS						
IN-OFFICE	244 371	--	220 225	220 225	--	24 146
ELEMENTAL LOAD	110 364	--	75 116	75 116	--	35 248
OTHER STREET	389 319	--	72 117	72 117	--	317 202
SPECIAL DELIVERY MESSENGERS						
IN-OFFICE	1 657	--	1 312	1 312	--	345
STREET	7 784	--	3 774	3 774	--	4 010
OTHER SUPERVISORS AND TECHNICIANS	1 404 233	--	342 132	342 132	--	1 062 101
TOTAL SUPERVISORS	3 514 726	--	1 693 434	1 693 434	--	1 821 292
3. CLERKS AND MAILHANDLERS						
CAG A-J OFFICES						
MAIL PROCESSING	14 227 224	10 906 031	--	10 906 031	--	3 321 193
WINDOW SERVICE	2 067 894	1 008 886	--	1 008 886	--	1 059 008
ADMINISTRATIVE SUPPORT AND MISCELLANEOUS	1 412 349	--	780 577	780 577	--	631 772
TOTAL CLERKS	17 707 467	11 914 917	780 577	12 695 494	--	5 011 973
4. CLERKS, CAG K OFFICES	10 053	4 402	--	4 402	--	5 651
6. CITY DELIVERY CARRIERS						
IN-OFFICE	3 564 280	2 558 162	599 068	3 157 230	--	407 050
7. CITY DELIVERY CARRIERS						
OUT-OF-OFFICE	8 423 450	1 266 137	1 128 658	2 394 795	--	5 941 318
TOTAL CITY CARRIERS	\$ 11 987 730	\$ 3 824 299	\$ 1 727 726	\$ 5 552 025	\$ --	\$ 6 348 368

Errata - Patelunas (USPS-T-15)

Exhibit USPS-15J

Page 9 of 23

Change the following columns to reflect these amounts:

	Volume Variable		All Other
	Indirect	Total	Costs
2. Supervisors and Technicians			
Mail Processing			252763
Local Services			
Elemental Load			35248
Total Supervisors			1821281
3. Clerks and Mailhandlers			
Mail Processing			3319599
Administrative Support and Miscellaneous	781118	781118	631499
Total Clerks	781118	12749923	5009682

Page 12 of 23

Change the following columns to reflect these amounts:

	Volume Variable		All Other
	Indirect	Total	Costs
Total Accrued Cost	12776247	34345665	26260888
Adjusted Grand Total	12717181	34172335	26434218

USPS 10-4730
ALA434P1

SUMMARY OF ACCRUED COST BY SEGMENT AND COMPONENT DETAILING VOLUME VARIABLE COSTS
FY98RCAM (MIXADJ)
(IN THOUSANDS)

Exhibit-15J
Revised: 8/18/97

	ACCRUED COSTS	*****V O L U DIRECT	M E INDIRECT	V A R I TOTAL	A B L E /2/ **	ALL OTHER COSTS
COST SEGMENTS & COMPONENTS						
1. POSTMASTERS	\$ 1 712 615	\$ --	\$ 318 667	\$ 318 667	\$ --	\$ 1 393 948
2. SUPERVISORS AND TECHNICIANS						
MAIL PROCESSING	1 106 473	--	853 710	853 710	--	252 763
WINDOW SERVICE	188 206	--	91 188	91 188	--	97 018
ADMINISTRATION AND SUPPORT						
TIME AND ATTENDANCE	67 268	--	38 802	38 802	--	28 466
LOCAL SERVICES						
CITY CARRIERS						
IN-OFFICE	244 080	--	219 935	219 935	--	24 145
ELEMENTAL LOAD	109 255	--	74 007	74 007	--	35 248
OTHER STREET	388 938	--	71 741	71 741	--	317 197
SPECIAL DELIVERY MESSENGERS						
IN-OFFICE	1 637	--	1 292	1 292	--	345
STREET	7 726	--	3 716	3 716	--	4 010
OTHER SUPERVISORS AND TECHNICIANS	1 404 362	--	342 273	342 273	--	1 062 089
TOTAL SUPERVISORS	3 517 945	--	1 696 664	1 696 664	--	1 821 281
3. CLERKS AND MAILHANDLERS						
CAG A-J OFFICES						
MAIL PROCESSING	14 295 566	10 975 967	--	10 975 967	--	3 319 599
WINDOW SERVICE	2 051 422	992 838	--	992 838	--	1 058 584
ADMINISTRATIVE SUPPORT AND MISCELLANEOUS	1 412 617	--	781 118	781 118	--	631 499
TOTAL CLERKS	17 759 605	11 968 805	781 118	12 749 923	--	5 009 682
4. CLERKS, CAG K OFFICES	10 073	4 422	--	4 422	--	5 651
6. CITY DELIVERY CARRIERS						
IN-OFFICE	3 559 091	2 553 404	598 495	3 151 899	--	407 192
7. CITY DELIVERY CARRIERS						
OUT-OF-OFFICE	8 401 441	1 247 985	1 126 489	2 374 474	--	5 943 399
TOTAL CITY CARRIERS	\$ 11 960 532	\$ 3 801 389	\$ 1 724 984	\$ 5 526 373	\$ --	\$ 6 350 591

USPS 10-4730
ALA434P1

SUMMARY OF ACCRUED COST BY SEGMENT AND COMPONENT DETAILING VOLUME VARIABLE COSTS
FY98RCAM (MIXADJ)
(IN THOUSANDS)

Exhibit-15J
Revised: 8/18/97

```
*****
          ACCRUED      *****V O L U   M E   V A R I   A B L E /2/ **          ALL OTHER
          COSTS        DIRECT      INDIRECT      TOTAL          COSTS
*****

COST SEGMENTS & COMPONENTS
-----

18. ADMINISTRATION AND
    REGIONAL OPERATIONS
    HEADQUARTERS          $    672 044      $    --      $    --      $    --      $    --      $    672 044
    USPS PERSONNEL        3 923 657      --      1 834 863      1 834 863      --      2 088 794

    TOTAL ADMIN. AND
    REGIONAL OPERATIONS  4 595 701      --      1 834 863      1 834 863      --      2 760 838

19. SUPPORT SERVICES          38 973      --      --      --      --      38 973

20. DEPRECIATION AND
    SERVICE WIDE COSTS
    DEPRECIATION          1 924 692      --      1 184 856      1 184 856      --      739 836
    INTEREST              1 953 476      --      1 099 957      1 099 957      --      853 519
    OTHER MISCELLANEOUS    220 683      17 699      --      17 699      --      202 984

    TOTAL DEPRECIATION &
    SERVICE WIDE COSTS  4 098 851      17 699      2 284 813      2 302 512      --      1 796 339

TOTAL ACCRUED COST      60 690 121      21 569 418      12 776 247      34 345 665      --      26 260 888

FINAL ADJUSTMENTS        138 628-      114 264-      59 066-      173 330-      --      173 330

ADJUSTED GRAND TOTAL$ 60 551 493      $ 21 455 154      $ 12 717 181      $ 34 172 335      $    --      $ 26 434 218
*****
```

USPS-T-34
Witness Altaf H. Taufique
SUMMARY OF REVISIONS

I. Testimony p1 - Table 1:

Within County Proposed Avg \$/Piece

change \$0.092 to \$0.091,

Within County Percent Change in Rates

change 3.4% to 2.2%

PURPOSE

The purpose of my testimony is to present the Postal Service's rate and classification proposals for the Regular Rate and Within County Periodicals subclasses. My testimony begins with proposal highlights, which include the proposed rates for both Regular and Within County subclasses, followed by a short description of the characteristics of these subclasses, and a summary of recent changes that have taken place in these subclasses. I then discuss the classification change proposed for these subclasses, which consists of splitting the existing 3/5-digit rate category into 3-digit and 5-digit rate categories. Finally, my testimony presents the rate design methodology employed for the two subclasses.

II. PROPOSAL HIGHLIGHTS

The average price changes for the classes are as follows¹:

Table 1

	TEST YEAR RATES COMPARISON		
	Current	Proposed	Percent
	Avg.\$/Piece	Avg.\$/Piece	Change in Rates
Regular Rate	\$ 0.226	\$ 0.234	3.5%
Within County	\$ 0.089	\$ 0.091	2.2%

¹ The average rates do not include fees. Within County rates are phase 5 rates applicable in the test year.

ERRATA
Docket No. R97-1, USPS-T-40
WORKPAPERS OF MICHAEL K. PLUNKETT

WP-13: Revised workpaper contains a corrected test year after rates cost of \$48,399,491 for insurance (Worksheet cell G13), which is explained in WP-15 (see below). The revision also clarifies footnotes 2 and 3.

WP-14: This workpaper supplements the workpapers filed with my original testimony and in USPS-LR-H-207. This workpaper provides information on the growth in costs from the base year to the test year for return receipts and restricted delivery.

WP-15; This workpaper supplements the workpapers filed with my original testimony and in USPS-LR-H-207. This workpaper explains the basis for the adjustment to total insurance costs, necessitated by the extension of the indemnity limit to \$5,000 in Docket No. MC96-3.

TEST YEAR AFTER RATES
SPECIAL SERVICES COST COVERAGES AND PERCENTAGE INCREASES

Service	After Rates Volume 1/	Cost Per Piece 2/ (\$)	Total Cost 3/	After Rates Revenue 1/	Cost Coverage (Col 4/Col 3)	After Rates Revenue Per Piece (Col 4/Col 1)	Before Rates Revenue 1/	Before Rates Volume 1/	Before Rates Revenue Per Piece (Col 7/Col 8)	After Rates Percentage Increase (Col 6/Col 9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8)	(10)
CERTIFICATE OF MAILING	11,828,669	0.29	3,480,366	4,599,371	132.2%	0.39	4,013,043	11,891,493	0.337	15.2%
INSURANCE	31,975,642	1.51	48,399,491	74,452,911	153.8%	2.33	64,817	32,526	1.993	16.8%
RESTRICTED DELIVERY	4,056,785	1.71	7,006,473	11,156,158	159.2%	2.75	11,754,002	4,274,182	2.750	0.0%
RETURN RECEIPTS	245,248,268	1.00	244,529,619	359,496,074	147.0%	1.47	289,941	260,356	1.114	31.6%
DELIVERY CONFIRMATION	66,608,086	0.33	22,139,260	23,563,212	106.4%	0.35	NA	NA	NA	NA
MAILING FEES										
First-Class Presorted Mailing Fee	60,689	87.73	5,377,516	6,068,931	112.9%	100.00	5,183,405	60,981	85.000	17.6%
Periodicals Application Fees	9,764	61.12	596,821	767,249	128.6%	78.58	775,024	9,764	79.372	-1.0%
Standard (A) Bulk Mailing Fee	790,882	87.73	70,077,896	79,088,175	112.9%	100.00	67,790,460	797,535	85.000	17.6%
Standard (B) Special Mail Presort	908	87.73	80,413	90,752	112.9%	100.00	77,159	908	85.000	17.6%
Authorization to Use Permit Imprint	91,966	87.73	8,148,893	9,196,639	112.9%	100.00	7,817,143	91,966	85.000	17.6%
Merchandise Return Permit Fee	1,307	87.73	115,799	130,688	112.9%	100.00	111,085	1,307	85.000	17.6%
Destination Bulk Mail Center Fee	170	87.73	15,086	17,025.88	112.9%	100.00	14,472.00	170	85.000	17.6%

1/ From the special services workpapers USPS T-40 WP 1-12

2/ From Special Services Cost Studies LR-H-107, or (3)/(1) for insurance and delivery confirmation

3/ The cost per piece in Column 2 multiplied by the volume in Column 1 plus 1% Contingency, except insurance (WP-15) and delivery confirmation (WP-5)

**Special Services Other Cost Adjustments
Test Year 1998 (000s)**

	FY 96 Volume 1/	FY 98 AR Volume /1	Change	Cost Per Piece /2	Cost Change
Return Receipts					
Non-Merchandise	228,439	241,436	12,997	\$ 0.97	\$ 12,633
Merchandise	3,017	3,259	241	1.16	280
After Mailing	<u>517</u>	<u>553</u>	<u>37</u>	<u>6.61</u>	<u>241</u>
Subtotal	231,974	245,248	13,275	\$ 0.99	\$ 13,154
Restricted Delivery	3,873	4,057	184	\$ 1.71	\$ 315
Total	235,846	249,305	13,459	\$ 1.00	\$ 13,469

	FY 96 Volume	FY 98 BR Volume	Change	Cost Per Piece	Cost Change
Return Receipts					
Non-Merchandise	228,439	256,211	27,772	\$ 0.97	\$ 26,994
Merchandise	3,017	3,565	547	1.16	635
After Mailing	<u>517</u>	<u>581</u>	<u>64</u>	<u>6.61</u>	<u>420</u>
Subtotal	231,974	260,356	28,383	\$ 0.99	\$ 28,049
Restricted Delivery	3,873	4,274	401	\$ 1.71	\$ 686
Total	235,846	264,630	28,784	\$ 1.00	\$ 28,736

1/ See USPS-T-40 WP3 & WP4

2/ See Library Reference H-107, page 55

Insurance Cost Adjustment

Indemnity Value (A)	Indemnity Limit (B)	After Rates Volume 1/ (C)	Cost Per Piece			Total Costs		
			Indemnity 2/ (D)	Other Costs 3/ (E)	Total (D+E)	Indemnity (C*D)	Other Costs (C*E)	Total (C*F)
50 01 to 50	50	13,141	0 11	0 56	0 67	1,470,495	7,358 779	8,829 274
50 01 to 100	100	8,766	0 24	1 16	1 40	2,120 823	10,167 984	12,288 807
100 01 to 200	200	4,010	0 61	1 18	1 77	2,447 755	4,651 371	7,099 127
200 01 to 300	300	1,465	1 17	1 18	2 33	1,717 602	1,899 071	3,416 673
300 01 to 400	400	538	2 01	1 16	3 17	1,084 330	624 435	1,708 765
400 01 to 500	500	674	1 89	1 16	3 05	1,277 087	782 379	2,059 467
500 01 to 600	600	543	3 82	1 16	4 78	1,962 395	629 481	2,591 857
600 01 to 700	700	75	3 50	1 16	4 66	263 597	87 364	350 961
700 01 to 800	800	75	4 00	1 16	5 16	301 254	87 364	388 618
800 01 to 900	900	75	4 50	1 16	5 66	338 911	87 364	426 275
900 01 to 1,000	1000	75	5 00	1 16	6 16	376 568	87 364	463 932
1,000 01 to 1,100	1100	75	5 50	1 16	6 66	414 225	87 364	501 588
1,100 01 to 1,200	1200	75	6 00	1 16	7 16	451 881	87 364	539 245
1,200 01 to 1,300	1300	75	6 50	1 16	7 66	489 538	87 364	576 902
1,300 01 to 1,400	1400	75	7 00	1 16	8 16	527 195	87 364	614 559
1,400 01 to 1,500	1500	75	7 50	1 16	8 66	564 852	87 364	652 216
1,500 01 to 1,600	1600	75	8 00	1 16	9 16	602 509	87 364	689 872
1,600 01 to 1,700	1700	75	8 50	1 16	9 66	640 165	87 364	727 529
1,700 01 to 1,800	1800	75	9 00	1 16	10 16	677 822	87 364	765 186
1,800 01 to 1,900	1900	75	9 50	1 16	10 66	715 479	87 364	802 843
1,900 01 to 2,000	2000	75	10 00	1 16	11 16	753 136	87 364	840 499
2,000 01 to 2,100	2100	1	10 50	1 16	11 66	5 950	0 657	6 607
2,100 01 to 2,200	2200	1	11 00	1 16	12 16	6 233	0 657	6 891
2,200 01 to 2,300	2300	1	11 50	1 16	12 66	6 517	0 657	7 174
2,300 01 to 2,400	2400	1	12 00	1 16	13 16	6 800	0 657	7 457
2,400 01 to 2,500	2500	1	12 50	1 16	13 66	7 083	0 657	7 741
2,500 01 to 2,600	2600	1	13 00	1 16	14 16	7 367	0 657	8 024
2,600 01 to 2,700	2700	1	13 50	1 16	14 66	7 650	0 657	8 307
2,700 01 to 2,800	2800	1	14 00	1 16	15 16	7 933	0 657	8 591
2,800 01 to 2,900	2900	1	14 50	1 16	15 66	8 217	0 657	8 874
2,900 01 to 3,000	3000	1	15 00	1 16	16 16	8 500	0 657	9 157
3,000 01 to 3,100	3100	1	15 50	1 16	16 66	8 783	0 657	9 441
3,100 01 to 3,200	3200	1	16 00	1 16	17 16	9 067	0 657	9 724
3,200 01 to 3,300	3300	1	16 50	1 16	17 66	9 350	0 657	10 007
3,300 01 to 3,400	3400	1	17 00	1 16	18 16	9 633	0 657	10 291
3,400 01 to 3,500	3500	1	17 50	1 16	18 66	9 917	0 657	10 574
3,500 01 to 3,600	3600	1	18 00	1 16	19 16	10 200	0 657	10 857
3,600 01 to 3,700	3700	1	18 50	1 16	19 66	10 483	0 657	11 141
3,700 01 to 3,800	3800	1	19 00	1 16	20 16	10 767	0 657	11 424
3,800 01 to 3,900	3900	1	19 50	1 16	20 66	11 050	0 657	11 707
3,900 01 to 4,000	4000	1	20 00	1 16	21 16	11 333	0 657	11 991
4,000 01 to 4,100	4100	1	20 50	1 16	21 66	11 617	0 657	12 274
4,100 01 to 4,200	4200	1	21 00	1 16	22 16	11 900	0 657	12 557
4,200 01 to 4,300	4300	1	21 50	1 16	22 66	12 183	0 657	12 841
4,300 01 to 4,400	4400	1	22 00	1 16	23 16	12 467	0 657	13 124
4,400 01 to 4,500	4500	1	22 50	1 16	23 66	12 750	0 657	13 407
4,500 01 to 4,600	4600	1	23 00	1 16	24 16	13 033	0 657	13 691
4,600 01 to 4,700	4700	1	23 50	1 16	24 66	13 317	0 657	13 974
4,700 01 to 4,800	4800	1	24 00	1 16	25 16	13 600	0 657	14 257
4,800 01 to 4,900	4900	1	24 50	1 16	25 66	13 883	0 657	14 541
4,900 01 to 5,000	5000	1	25 00	1 16	26 16	14 167	0 657	14 824
Total Domestic		30,207				19,499	27,158	46,656
International Insurance		819				529	736	1,265
Totals		31,026				20,028	27,892	47,920
Contingency						200	279	479
Totals including Contingency						20,228	28,171	48,399
Roll Forward Costs 4/						14,267	26,938	41,205
Adjustment (Totals - Roll Forward Costs)						5,618	685	6,303

1/ Source: Docket No. R97-1, USPS-T-40 WP 2

2/ Indemnity per piece for items valued at \$600 or less from Docket No. R97-1, USPS-T-40, p.6 For other pieces = 0.005*(Col B)

3/ LR H-107

4/ USPS-T-15, Exhibit USPS-15H, p. 8, Exhibit USPS-15I, p.2

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.



Susan M. Duchek

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August 18, 1997