

DOCKET SECTION

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

**NOTICE OF THE UNITED STATES POSTAL SERVICE
CONCERNING THE FILING OF ERRATA TO THE APPENDIX PROPOSED FOR
FILING AS AN ATTACHMENT TO THE TESTIMONY OF
WITNESS FRONK (USPS-T-32)**

On October 3, 1997, the United States Postal Service filed a proposed two-page appendix to be attached to the testimony of witness Fronk (USPS-T-32). As indicated in that notice, the proposed appendix merely highlights the existence previously filed revisions to cost data which are relevant to the rates which were designed by witness Fronk before the availability of those revised cost data.

Unfortunately, that proposed appendix contains two typographical errors:

On page 2, line 2, "page 24" should read page "23"

On that same page, on line 14, "65 percent" should read "74 percent".

Should the Commission permit the attachment of the appendix, the Postal Service would substitute the corrected pages, copies of which are attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.

Chief Counsel, Rate-making



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October 8, 1997

APPENDIX A: EFFECT OF CHANGES IN COST DATA

Since the completion of the First-Class Mail rate design as presented in the remainder of my testimony, there have been two cost changes that potentially affect that rate design. Each change is discussed in turn below. Although some costs have changed, I believe that the rates proposed in my testimony are still consistent with the statutory pricing requirements. However, it is possible, indeed likely in some instances, that I would have considered some alternative rates in developing my rate design, if the new cost data had been available at the time that I developed the rates I have proposed.

A. Change in the Bulk Metered Benchmark for First-Class Letters

As I noted in footnotes 4 and 5 of my originally filed testimony, shortly before my testimony was filed and after my rate design was complete and approved, the Bulk Metered Benchmark underlying my rate proposals for Basic Automation letters, 3-Digit Letters, and to a lesser extent, Nonautomated Presorted letters, was revised.

1. Effect of Revision on Rate Design for Basic Automation and 3-Digit Letters

In my August 29, 1997 response to ABA/USPS-T32-2, I described and quantified how this revision would change the cost differentials and the implicit passthroughs for Basic Automation letters and 3-Digit letters presented in my testimony.

2. Effect of Revision on Rate Design for Nonautomated Presort Rate

While I also related the nonautomated presort discount to the bulk metered benchmark, this rate is based primarily on the practice that the discount be small enough that it does not present an obstacle to the Postal Service's goal of working toward a mailstream that is barcoded as practicable (please see my September 26, 1997 response to ABA&EEI&NAPM/USPS-T32-5).

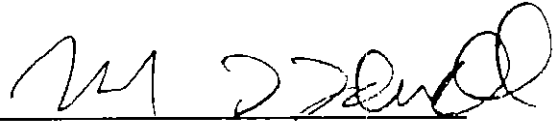
1 As a result of the revised benchmark cost, the cost passthrough goes
2 from close to 90 percent of the measured cost avoidance (as stated on page 23
3 of my testimony at lines 19-20) to an implicit 59 percent.

4
5 B. Change in the Nonstandard Surcharge Costs

6 My rate proposals for the nonstandard surcharge (both single piece and
7 presort) are presented on page 24 (at lines 5-12) of my testimony. The costs
8 referenced in lines 9-12 of that section are now reflected in Exhibit USPS-43A of
9 the supplemental testimony of witness Daniel (USPS-ST-43). These original
10 costs have been revised, as set forth in Exhibit-43C. As a result of these cost
11 revisions, the proposed surcharges are no longer the minimums needed to
12 recover the additional mail processing costs associated with handling
13 nonstandard mail. My single-piece nonstandard surcharge rate proposal now
14 passes through approximately 74 percent of the identifiable cost difference
15 between standard and nonstandard single-pieces. Similarly, my proposed
16 presort nonstandard surcharge rate passes through approximately 75 percent of
17 the identifiable cost difference.

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.

A handwritten signature in black ink, appearing to read "M. Tidwell", written over a horizontal line.

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