

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

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

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING REPLACEMENT PAGE TO THE TESTIMONY OF WITNESS KANEER (USPS-T-35)

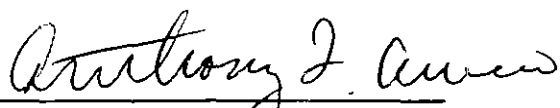
The Postal Service hereby files replacement page 6 to the testimony of witness Kaneer (USPS-T-35). Page 6 was revised on August 14, 1997; however, the sentence that begins on lines 23 and 24, which appears at the bottom of that page, was inadvertently excluded from the hardcopy filed with the Commission. A replacement page is attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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October 17, 1997

1 **B. Nonprofit**

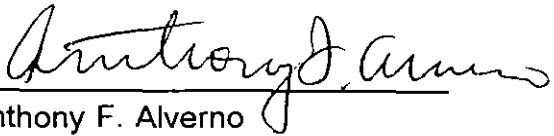
2 The Nonprofit rate design methodology for both pound and piece elements
3 follows the methodology used to develop the corresponding rates in the Regular
4 subclass. In setting Nonprofit discounts, most of the passthroughs are set at or near
5 100 percent; however, a few passthroughs were adjusted to moderate the impact of the
6 rate changes on mailers. For example, the passthrough for 5-digit nonautomation was
7 set at 83 percent of the 5-digit nonautomation cost savings to moderate the downward
8 swing in the 5-digit rate, as well as mitigate the impact on the Basic rate. My
9 workpapers provide detailed information on rate development for Nonprofit Periodicals,
10 including revenue and cost coverage.

11 The proposed rates for Periodicals also incorporate a new and improved
12 methodology for developing the nonadvertising, or "editorial," pound rate. Previously,
13 the editorial pound rate was tied to the zone 1&2 advertising pound rates. The new
14 methodology simply takes the revenue goal for Nonprofit that is to be derived from
15 pound rates, excluding any markup, and divides this figure by the total number of
16 Nonprofit pounds. The new methodology for developing the editorial pound rate is
17 intended to yield a rate that, in combination with the revenue from the advertising pound
18 rate, recovers the assigned revenue goal to be received from pound rates in Nonprofit.
19 In this proceeding, however, the proposed editorial pound rate is made subject to a
20 passthrough of 88.5 percent, in order to mitigate the impact of the rate increase on
21 mailers. With this passthrough, the editorial pound rate would rise from 14.2 cents to
22 15.3 cents (Step 5), which represents an increase of 7.7 percent.

23 Consistent with RFRA, proposed Nonprofit advertising pound rates are
24 identical to those proposed for the Regular Periodicals subclass. Witness Taufique's

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.


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