

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

NOTICE OF UNITED STATES POSTAL SERVICE OF FILING OF
ERRATA TO LIBRARY REFERENCE L-126 [Errata]
(July 13, 2006)

The United States Postal Service hereby provides notice of the filing of errata to library reference L-126. The changes correct inputs, source references, and worksheets. There are also adjustments to revenue and volume figures, as described in the following pages. These changes will be reflected in revisions to witness Tang's testimony (USPS-T-35), also being filed today. See Notice of United States Postal Service of Filing of Errata to Testimony of Witness Tang (USPS-T-35).

The complete replacement electronic files for LR-L-126 are being provided.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -6187

Summary of Changes to LR-L-126

Periodicals Outside County Changes

The after rates volumes have been updated to reflect the most up-to-date volume forecast. In worksheet "Fcst08", the TYAR volume in cells G13, G28, C13, and C28 have been revised as follows:

	Original	Revised
Regular Rate	6,326,091,074	6,290,945,257
Nonprofit	1,710,737,452	1,698,940,905
Classroom	60,398,065	60,068,114
Outside County	8,097,226,591	8,049,954,276

As a result, TY 2008 after-rates volumes for Regular Rate & Science of Agriculture, Nonprofit, and Classroom have been revised, along with the corresponding after-rates revenue calculation. The revised worksheets are:

Worksheet "FY07 RR TYAR"

Worksheet "FY07 NP TYAR"

Worksheet "FY07 CR TYAR"

Worksheet "RR TYAR"

Worksheet "NP TYAR"

Worksheet "CR TYAR"

Worksheet "FY2008 Summary"

In worksheet "Rev. Adj+Ed Cont.", cell A70, the source for the Outside County advertising and editorial pounds distribution by zone has been revised to "Source: USPS-LR-L-87 (Revenue, Pieces, and Weight Estimates by Shape, Weight Increment, and Indicia), Table 6: FY 2005 Periodicals Outside County Advertising and Editorial Pounds by Postal Zone."

In worksheet "Test Year Br w 24pc Adjustm't", the editorial pound adjustment factor should not have been applied to the Science of Agriculture SCF volume in cell B117. By removing the editorial pound adjustment factor from the formula, the revised volume number in cell B117 is now 3,250,229, replacing the original 3,247,295. This change also changes the corresponding revenue from \$659,201 to \$659,796.

The TYAR fees in worksheet "Rate Design Input" have been updated to match the errata filed to USPS-LR-L-123 on July 3, 2006. The original Regular Rate TYAR fees (cell C27) of 14,119,000 has been replaced by 14,972,785; the original Nonprofit TYAR fees (cell C37) of 3,818,000 has been replaced by 4,043,570; and the original Classroom TYAR fees (cell C46) of 135,000 has been replaced by 142,965. These updates are reflected in cell C14, the total TYAR fees. The original total was 18,072,000. The revised total is 19,159,320. However, in worksheet "Piece Discounts", cell C3, "required revenue", the total fees used as an input in the formula has been held at the original 18,072,000, in order to maintain the proposed rates. The revised fees are included in "FY2008 Summary" in the Periodicals Outside County workbook.

In worksheet "Rate Design Input", the estimated ride-along revenue in cell C29 should have been calculated using the proposed rate of \$0.155, not the current \$0.131.

This revision yields \$25,924,804, replacing the former \$21,910,640 in worksheet "Rate Design Input." The original ride-along revenue is used as an input in the formula to derive "required revenue" (cell C3) in worksheet "Piece Discounts," in order to maintain the proposed rates.

In worksheet "Container", the detailed source references for Cells D5, D6, and F6 have been provided under the individual tables.

Worksheet "Pound Data" has been removed from the workbook. As mentioned in the response to POIR 2, Question 9, the data in that worksheet have not been used in any other sheet. All the pound rates have been developed in the worksheets "Pound Data_Adv and "Pound Data_Ed".

In worksheet "Pound Data_Ed", the formula in cell C8 has been updated to " $=\text{Round}((1-0.75)*0.232, 3)$ ", letting 0.232 replace the original 0.203. As a result, the value in cell C22 has been changed from 0.051 to 0.058; cell E22 from 227,827 to 259,097; cells E23 and C5 from 281,764 to 313,034; and cell C6 from 532,078,064 to 532,109,335.

In worksheet "Discounts", links of cells C18, C19, D18, and D19 have been re-established and updated. The changes are as follows:

Original

	TYBR	TYAR	% Change
Revenue	\$2,192,644,125	\$2,511,599,963	114.55%
Pieces	8,332,198,836	8,097,226,591	97.18%
Rev per Piece	\$0.263	\$0.310	117.87%

Revised

	TYBR	TYAR	% Change
Revenue	\$2,200,507,827	\$2,375,166,856	107.94%
Pieces	8,332,198,836	8,049,954,276	96.61%
Rev per Piece	\$0.264	\$0.295	111.72%

Also in worksheet "Discounts", the source references for "Mail Processing and Delivery Discounts" have been updated in lines 34, 46, 54, and 62. The following inputs have been updated as well. The original 9.259 in cells D30-32 has been revised to 9.262; the original 7.077 in cell D33 has been replaced by 7.083; the original 4.848 in cells D40-41 has been replaced by 4.850; the original values in cells D43-45 have been updated to 3.596; the original 9.259 in cells D51-53 is now 9.262; the original 7.077 in cells D59 and 60 has been revised to 7.083; and the original 5.226 in cell D61 is now 5.213. The original 16.214 in cell C41 has been revised to 16.204; 15.675 in cell C42 has been revised to 15.666; and "4.665" in cell C42 has been updated to 5.637.

Because of these changes, in worksheet "Piece Discounts 2", passthroughs on Basic Automation Letters (cell D6) and 5-Digit Automation Letters have been slightly adjusted (cell D12). The passthrough on Basic Automation Letters has been adjusted from 34 percent to 35.3 percent, while that on 5-Digit Automation Letters has been adjusted from 23 percent to 22.3 percent.

In worksheet "NP TYAR", container revenue should have been included in the

revenue total. The formula in cell D87 has been revised and the original values in cells D87-89 have been changed to 361,107,566, 361,131,915, and 364,949,915, respectively.

Likewise, in worksheet "CR TYAR", container revenue should have been included in the revenue total. The formula for calculation in cell D53 has been revised and the original values in cells D53-55 have been changed to 17,583,773, 17,597,213, and 17,732,213, respectively.

Revised TYBR and TYAR costs numbers (see witness Waterbury's errata filed on July 11, 2006) have been included in worksheet "FY2008 Summary". The original 2,262,206,037 in cell E9 has been revised to 2,250,111,030. The original 79,513,462 in cell E11 has been revised to 79,517,168. These two revised inputs also change the values in cell E13, F9, F11, F13, G37, and H37. These updated costs are included only in the final financial summary to show the adjusted cost coverages for both Outside County and Within County. They are not included in the rate design inputs, so that the proposed rates are maintained.

Periodicals Within County Changes

In worksheet "TYAR B.D." for the Within County subclass, cell B23 should have used the base-year volume, not the test-year before-rates volume. Since the formula has been revised, the volume in cell B23 has been adjusted to 597,775, from the original 566,207. As a result, the corresponding postage in cell D23 has been changed from 87,762 to 92,655; cell D24 has been changed from 80,682,878 to 80,687,773; and cell D26 from 82,245,878 to 82,250,773. The Within County revenue adjustment has

also been included in the worksheet "FY2008 Summary" in the Periodicals Outside County workbook.

In worksheet "Rate Design Input", TYAR Fees in cell C14 has been updated to \$1,666,370, replacing the original 1,563,000. This change is also reflected in worksheet "TYAR B.D.", cells D25 and D26. The Within County fees update has been included in "FY2008 Summary" in the Periodicals Outside County workbook.

Since Within County uses the same "Mail Processing and Delivery Discount" as Outside County, all the revisions made in the aforementioned worksheet "Discounts" in the Outside County workbook have been reflected in the corresponding worksheet in the Within County workbook. Accordingly, the following passthroughs in worksheet "Piece Discount 2" have been slightly adjusted to maintain the proposed rates: the passthrough on Basic Automation Letters (cell D6) has been adjusted from 20 percent to 20.2 percent; the passthrough on Carrier Route High Density (cell D16) has been adjusted from 62 percent to 65 percent; and the passthrough on Carrier Rout Saturation (cell D17) has been adjusted from 63 percent to 64 percent.