Postal Rate Commission
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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
OF FILING OF REVISED PAGE TO THE TESTIMONY
OF WITNESS PIFER (USPS-T-18) -- ERRATA
(August 11, 2006)

The United States Postal Service hereby provides notice of a revision to page 10 of the testimony of witness Pifer, USPS-T-18. On line 7 of page 10, "type 6 and 7" has been changed to "type 5 and 6." The need for this revision was identified in the response to VP/USPS-T18-2, filed May 30, 2006. Attached is a revised page 10. A pdf of the complete and final testimony (as revised) will be filed after the hearing next week.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX -5402
August 11, 2006

E. Identify Product Specific Costs

Product specific costs are non-volume variable costs caused by the provision of a product. Product specific costs for a mail product are incremental to that mail product. Three of the cost pool types identified in section I.C include product specific costs – specific fixed costs in type 2 cost pools and intrinsic costs in type 5 and 6 cost pools.

A variety of sources are used to identify product specific costs, including the statement of revenue and expenses (USPS-LR-L-57), witness Milanovic's workpapers (USPS-T-9, Workpaper B), and special analysis (USPS-LR-L-72).

F. Changes from Base Year 2004

The procedures used to calculate base year incremental cost have not changed since base year 2004. However, the actual implementation of incremental cost may have changed if the methodology used to calculate volume variable costs have changed. A summary of the major changes follows. Greater detail on the incremental cost treatment for each cost pool can be found in Table 1 in the workpapers, which shows the incremental cost treatment given to each cost pool in both base year 2005 and base year 2004.

- Witness Bradley (USPS-T-17) discusses the current method for calculating the variability of window service cost pools. The overall effect on incremental cost methodology is minimal with only three changes. First, the variability of PO Box has changed from base year 2004. The variability is less than one hundred percent and since there is only one mail class in this cost pool, incremental cost equals accrued cost. Second, International Mail now has its own unique variability, which is also less than one hundred percent. Thus, it is moved out of the weigh-and-rate category and now incremental cost equals accrued cost. Third, the incremental cost for Special Services now equals

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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Eric P. Koetting

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Washington, D.C. 20260–1137
(202) 268-2992, FAX: -5402
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