

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2008-1

NOTICE OF UNITED STATES POSTAL SERVICE
OF ERRATA TO MARKET-DOMINANT
PRICE ADJUSTMENT FILING (**ERRATA**)
(February 29, 2008)

The Postal Service is hereby filing notice of revisions to its Market-Dominant Price Adjustment filing of February 11, 2008. Several of these revisions were discovered as a result of informal discussions with the Commission, as it has reviewed the Notice and its accompanying materials. In addition, the Postal Service filed revisions, on February 21, 2008, to USPS-FY07-14 in Docket No. ACR2007 as a result of Commission inquiries.

The following paragraphs detail the revisions being made to the filed materials. None of the revisions result in a change to any price proposed by the Postal Service, or result in the Postal Service piercing the price cap. The only material affect of these revisions is to change the overall percentage increase for First-Class Mail, Periodicals, and Package Services, and thus the amount of the banked percentage. For First-Class Mail, the overall percentage increase is reduced slightly from 2.889 percent to 2.886 percent, resulting in an increase from the banked amount from 0.011 to 0.014 percent. For Periodicals, the overall percentage increase changes from 2.710 percent to 2.724 percent, and the banked amount declines from 0.190 percent to 0.176 percent. For Package Services, the overall percentage increase declines from 2.876 percent to

2.875 percent, which increases the unused price authority for Package Services from 0.024 percent to 0.025 percent.

First-Class Mail

The following corrections should be made in the spreadsheet “CAPCALC-FCM-FY2008v4” in Attachment USPS-R2008-1/1, “First-Class Mail Cap Compliance”:

Tab: *Adjustments*; Cell: E54

This cell is supposed to reflect additional *ounces* for parcel-shaped pieces for the 3rd quarter after-rates period in FY2007; instead it reflected the *number* of parcel-shaped pieces for that period. Cell E54 was 64,819 but should be 211,260. The original link was to E10 in the same Tab, but it should be linked to E14 in the *Adjustments* tab. This change does not affect the overall percent increase or the banking amount for First-Class Mail.

Tab: *Adjustments*; Cell: E13

This cell used incorrect information from the tab *FCM SP Nonauto Addl Ozs* to calculate the additional ounces for single-piece flats for the 3rd quarter after-rates period in FY2007. Cell E13 was 1,107,157 (linked to cells T85 through T87 in tab *FCM SP Nonauto Addl Ozs.*), but should be 1,130,951. The corrected link is to cells T85, T87 and T75 in tab *FCM SP Nonauto Addl Ozs*. This change has a minor impact on the overall percent change; from 2.889 percent to 2.886 percent. Consequently the banking amount increases from 0.011 to 0.014 percent.

Tab: *Adjustments*; Cells: K7, L7 and M12

Two of these cells (K7 and L7) reflect the First-Class Mail single piece letter-shaped nonmachinable pieces for the after-rates 3rd quarter and 4th quarter of FY 2007, respectively. The corrected cells retrieve the information from tab *FCM SP Nonauto Shp & Wt. Incr* as a replacement for formerly hard-wired figures. Cell M12 was also hard-wired, but should be linked to cell L7. Cell K7 does not change. The nonmachinable pieces for 3rd quarter after-rates are 35,228 but should be linked to cell C93 in tab *FCM SP Nonauto Shp & Wt. Incr*. Cell L7 was 71,009 but should change to 70,992 and should be linked to cell T99 in tab *FCM SP Nonauto Shp & Wt. Incr*. Cell M12 is linked to cell L7 and the new value is 70,992 changing from 71,009. These changes do not affect the overall percent increase or the banking amount for First-Class Mail.

Periodicals

The following corrections should be made in the spreadsheet named "CAPCALC-PER-FY2008" in Attachment USPS-R2008-1/3, "Periodicals Cap Compliance".

Tab: *Outside County*; Cell: E9

This cell reflects the destination ADC dropship editorial pounds. Inadvertently, it only picked up Regular Rate ADC dropship pounds from the tab *Regular Rate*. The corrected formula now adds the appropriate Nonprofit and Classroom volumes from tabs *Nonprofit* and *Classroom*, as well. The incorrect value was 445,632; the corrected value is 44,203,914 includes cells E19 from three tabs: *Regular Rate*, *Nonprofit* and *Classroom*.

This change does not affect the overall percent increase or the banked amount for Periodicals.

Tab: *Outside County*; Cell: I136

This cell reflects the estimate of revenue leakage resulting from the new discount offered to Limited Circulation Outside County publications. The revenue leakage estimate was \$3,745,379. The correct number is \$3,404,203. As a result of this change, the overall increase changes from 2.710 percent to 2.724 percent and a decline in the banked residual amount from 0.190 percent to 0.176 percent.

Incidentally, as additional information, this revenue leakage estimate for Limited Circulation Outside County publications is based on actual postage statement data and accounts for 95 to 98 percent of Outside County publications.

Standard Mail

In workbook "STD-HDSatCR Crosswalk-2007a.xls", two changes should be made, both in worksheet (tab) "FY2007 BR Comm. Pieces & Pounds." The formula in cell K13 should be changed to "'ECR HD SAT SUM P. G2-2a'!H24-'ECR HD SAT SUM P. G2-2a'!H60-K17" and the formula in cell L13 should be changed to "'ECR HD SAT SUM P. G2-2a'!H25-'ECR HD SAT SUM P. G2-2a'!H61-L17."

The original formulas incorrectly used the after-rates period (after May 13, 2007) distribution for High Density heavy letters volume to develop the before-rates period (before May 14, 2007) distribution of pound rated flats. The after-rates period letters distribution puts all heavy letters entered at the DDU during the before-rates period into the DSCF pricing category. Using this distribution to develop before-rates pound-rated flats volumes yields incorrect volumes for the DSCF and DDU pound-rated flats pricing categories. The correct formula was used to distribute the before-rates pounds. Since both DSCF and DDU have the same per-piece price, this correction does not change the calculated revenue or the percent change in prices.

In workbook "STD-HDSatCR Crosswalk-2007b.xls", two changes should be made, both in worksheet (tab) "FY2007 BR Comm. Pieces & Pounds." The value in cell K13 should be changed to 246,182,066, and the value in cell L13 should be changed to 394,084,746. These changes result from the corrected formulas in worksheet (tab) "FY2007 BR Comm. Pieces & Pounds" in workbook "STD-HDSatCR Crosswalk-2007a.xls." These two changed cells feed into cells K13 and L13 in worksheet "HD-Sat-CR Com. Cap Wts. FY 2007", the combined pieces and pounds for the full fiscal year. The new value in cell K13 becomes 388,417,680 and the new value in cell L13 becomes 640,944,692.

In workbook "CAPCALC-STD-FY2008.xls", two changes should be made, both in worksheet (tab) "HD-Sat-CR Com. Cap Wts." The value in cell K13 should be changed to 388,417,680, and the value in cell L13 should be changed to 640,944,692. These

changes result from the corrected formulas in worksheet (tab) "FY2007 BR Comm. Pieces & Pounds" in workbook "STD-HDSatCR Crosswalk-2007a.xls". The results of these changes are then copied into workbook "STD-HDSatCR Crosswalk-2007b.xls", and then the resulting full year volumes and pounds are copied into workbook "CAPCALC-STD-FY2008.xls." None of the changes affect the calculated revenue or the percentage price change for Standard Mail.

Package Services

In Attachment USPS-R2008-1/4, two formulas in workbook "FY2008SPParcelPost.xls" should be changed. In worksheet (tab) "New Intra-BMC Prices", the formula in cell AA96 should be changed to "=U96*42/41." In worksheet "New Inter-BMC Prices", the formula in cell AI92 should be changed to "=AA92*42/41."

These changes increase the combination enclosures revenue by the same percentage as the First-Class Mail single-piece first-ounce letter rate, rather than by the average increases for Single-Piece Parcel Post. This approach departs from the traditional rate case methodology of treating enclosure revenue as a fixed percentage of other Parcel Post revenue, both before and after rates. It is now recognized that enclosures are most likely to be letters. Accordingly, the assumption is made that the typical enclosure is a one-ounce First-Class Mail letter, which will have a price increase of $(42-41)/41 = 2.44\%$.

The effect of this change is to lower Single-Piece Parcel Post revenue calculated using the fixed weights and the new prices by \$13,511 to \$814,446,277.

As a result, worksheet (tab) "All Package Services Summary" in workbook "CAPCALC-PSVC-FY2008.xls" should also be changed to reflect the revised Single-Piece Parcel Post revenue. Cell E4 now reads \$814,446,277. The impact of this change lowers the percentage increase for all Package Services from 2.876 percent to 2.875 percent and increases the unused price authority for Package Services from 0.024 percent to 0.025 percent.

New Prices and Fees (Appendix A)

A typographical error has been discovered in Appendix A, Pricing Schedule 1230, Standard Mail Non Flat-Machinable / Parcels. In the table titled "Commercial Parcels (over 3.3 ounces)", the per-piece price for ADC Irregular parcels has been corrected to read 0.929. As originally filed, this price read .0929, caused by the inadvertent shift of the decimal point one position to the left. A revised page 14 to Appendix A is attached.

Workshare Table (Appendix B)

In workbook "App. B PassthroughTables.xls", cell H9 in worksheet (tab) "Standard Mail Letters" (the presort passthrough for automation 3-digit letters) and cell H9 in worksheet (tab) "Standard Mail Nonprofit Letters" (the presort passthrough for automation 3-digit nonprofit letters) each should read 87.6 percent instead of 87.5 percent. This change reflects the correct calculation of the passthrough if unrounded values from the FY 2007

Annual Compliance Report (ACR) are used to develop the cost differentials. If some of the unit costs from the FY 2007 ACR are rounded before being used to develop the cost differentials, the resulting passthrough would round down to the original figure in the filing, 87.5 percent.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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STANDARD MAIL

1230 Not Flat-Machinable / Parcels

Prices:

Commercial Parcels (3.3 ounces or less)

Entry Point	Machinable			Irregular			
	5-Digit	BMC	Mixed BMC	5-Digit	3-Digit	ADC	Mixed ADC
Origin	--	--	--	\$0.708	\$0.761	\$1.080	\$1.330
DBMC	--	--	--	0.675	0.728	1.047	1.297
DSCF	--	--	--	0.665	0.718	1.037	
DDU	--	--	--	0.640			

Commercial Parcels (over 3.3 ounces)

Entry point	Machinable			Irregular			
	5-Digit	BMC	Mixed BMC	5-Digit	3-Digit	ADC	Mixed ADC
	per pound	per pound	per pound	per pound	per pound	per pound	per pound
Origin	\$0.733	\$0.733	\$0.733	\$0.733	\$0.733	\$0.733	\$0.733
DBMC	0.574	0.574		0.574	0.574	0.574	0.574
DSCF	0.524			0.524	0.524	0.524	
DDU	0.402			0.402			
plus (all points)	per piece	per piece	per piece	per piece	per piece	per piece	per piece
	0.400	0.799	1.007	0.557	0.610	0.929	1.179

Nonprofit Parcels (3.3 ounces or less)

Entry Point	Machinable			Irregular			
	5-Digit	BMC	Mixed BMC	5-Digit	3-Digit	ADC	Mixed ADC
Origin	--	--	--	\$0.528	\$0.581	\$0.900	\$1.150
DBMC	--	--	--	0.495	0.548	0.867	1.117
DSCF	--	--	--	0.485	0.538	0.857	
DDU	--	--	--	0.460			

Nonprofit Parcels (over 3.3 ounces)

Entry point	Machinable			Irregular			
	5-Digit	BMC	Mixed BMC	5-Digit	3-Digit	ADC	Mixed ADC
	per pound	per pound	per pound	per pound	per pound	per pound	per pound
Origin	\$0.633	\$0.633	\$0.633	\$0.633	\$0.633	\$0.633	\$0.633
DBMC	0.474	0.474		0.474	0.474	0.474	0.474
DSCF	0.424			0.424	0.424	0.424	
DDU	0.302			0.302			
plus (all points)	per piece	per piece	per piece	per piece	per piece	per piece	per piece
	0.280	0.679	0.887	0.397	0.450	0.769	1.019

Nonbarcoded Surcharge \$0.050