

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

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2010-4R

STATEMENT OF
STEPHEN J. NICKERSON
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

1 **I. Biographical Sketch**

2 My name is Stephen J. Nickerson. I was appointed Manager, Finance
3 (Headquarters), of the United States Postal Service in July 2013, reporting to the Vice
4 President for Finance and Planning. I am responsible for forward-looking financial
5 information, including budgets and multi-year financial forecasts. I have been employed
6 by the Postal Service since 1990, serving in a variety of professional and management
7 positions within the finance and accounting functions.

8 I have 28 years of experience in financial management. Prior to being appointed
9 to my present position, I was Manager, Corporate Accounting, since 2007. I began my
10 career in 1984 with Big Four accounting firm Touche Ross & Co., predecessor to
11 Deloitte & Touche.

12 I graduated cum laude from Lebanon Valley College with a Bachelor of Science
13 degree in Accounting. I also earned a Masters in Accounting Science degree from the
14 University of Illinois at Urbana-Champaign.

15 **II. Overview of Statement**

16 The purpose of this statement is to provide a financial context for the Postal
17 Service's request for exigent price increases for market dominant products. I begin by
18 calculating the amount of contribution that the Postal Service lost due to the recent
19 recession, as well as the amount of contribution that the Postal Service expects to gain
20 from the proposed price increases. Next, I show why the expected additional
21 contribution is necessary to ensure that the Postal Service continues to provide prompt,
22 reliable, and effective universal postal services. Then, I discuss the initiatives and other
23 measures that the Postal Service has undertaken to improve its financial position, and

1 will continue to pursue going forward. I close by explaining the models and calculations
2 underlying the projections provided herein.

3 **III. Contribution Lost Due to the Recession**

4 In his statement, Thomas Thress updates the estimate he provided in November
5 2011 of the amount of mail volume that the Postal Service has lost due to the recession.
6 His updated estimates are reproduced in the table below:

Table 1
Exigent Volume Losses (in millions), FY 2008 – FY 2012

| | Volume |
|-------------------|----------|
| FY 2008 | (11,061) |
| FY 2008 thru 2009 | (34,759) |
| FY 2008 thru 2010 | (42,333) |
| FY 2008 thru 2011 | (47,981) |
| FY 2008 thru 2012 | (53,546) |

7
8 In November 2011, Virginia Mayes converted Mr. Thress's volume losses into lost
9 revenue and contribution.¹ Below, I update that calculation into FY 2012 terms, using
10 Mr. Thress's updated volume losses and figures from the FY 2012 Annual Compliance
11 Determination:

Table 2
Exigent Revenue and Contribution Losses (in thousands),
FY 2008 – FY 2012

| | Volume | Revenue | Contribution |
|-------------------|----------|------------|--------------|
| FY 2008 | (11,061) | (\$3,398) | (\$1,249) |
| FY 2008 thru 2009 | (34,759) | (\$9,973) | (\$3,642) |
| FY 2008 thru 2010 | (42,333) | (\$12,763) | (\$4,825) |
| FY 2008 thru 2011 | (47,981) | (\$14,898) | (\$5,780) |
| FY 2008 thru 2012 | (53,546) | (\$16,883) | (\$6,654) |

12

¹ Statement of Virginia J. Mayes, Docket No. R2010-4R (Nov. 21, 2011).

1 **IV. Expected Contribution Gain from Proposed Prices**

2 The contribution loss due to volume declines caused by the recession during the
3 2008 – 2012 period is over \$6.6 billion.² This represents a continuing loss of annual
4 volume, revenue and contribution. As discussed in section VI, the Postal Service made
5 numerous cost reductions in response to the revenue loss, which have allowed it to
6 maintain a minimal level of liquidity (excepting defaults on retiree health benefits (RHB)
7 prefunding requirements). However, even as cost reductions are implemented, this
8 level of liquidity is intolerably low and must, under prudent management, be increased.

9 The Governors have therefore determined that, in the absence of legislation, it is
10 necessary to seek additional contribution through an exigent price increase. However,
11 they have determined that it would not be prudent to request a price increase in 2014 to
12 replace 100 percent of the contribution lost through the recession, out of concern for the
13 potential adverse effects that such a large price increase could have on mailers. The
14 Postal Service's intent in requesting this exigent price increase is to strike a balance
15 between this concern and the Postal Service's need for additional liquidity to satisfy
16 current and future financial demands. The result of this balancing is the Postal
17 Service's proposal to raise market dominant prices by 4.3 percent, on top of the price
18 increases within the price cap set forth in Docket No. R2013-10. The Docket No.

² The above quantification of lost contribution reflects the value in FY2012 of lost contribution from recession-related volume losses, based as it is on unit contribution figures from the FY2012 ACD. In fact, when the same volume losses are evaluated using unit contribution figures from FY2014, the time period I use to estimate the value of the new contribution from the exigent price adjustments, the harm estimates are even higher. For example, the estimated contribution loss from Market Dominant volumes lost in FY08-FY09 increases from \$3.642 billion in FY2012 terms to \$4.257 billion in FY2014 terms, and the estimated contribution loss from volume lost over the entire FY08-FY12 period increases from \$6.654 billion to \$7.669 billion. The FY14 Before-Rates unit contribution figures used for these estimates are those appearing in my Attachment 10 below, and full details on both sets of calculations (using FY12 ACD and FY14BR unit contributions) can be found in the spreadsheet provided in USPS-R2010-4R/11.

1 R2013-10 price increases are expected to result in \$577 million in additional annualized
2 contribution, and the exigent price increases are expected to result in \$1.78 billion in
3 additional contribution, resulting in a total of \$2.36 billion in additional contribution.

4 **V. Necessity of Additional Contribution**

5 The Postal Service's problem is a lack of adequate liquidity.³ This problem is not
6 adequately addressed in a normal price change for market dominant products, where
7 price increases are constrained by inflation, as costs are also generally rising with (or
8 above) inflation. This exigent price change is necessary to help improve liquidity to
9 ensure that the Postal Service can continue providing effective and regular postal
10 services.

11 The Postal Service has borrowed its full \$15 billion of legally allowed debt and
12 cannot pay all of its obligations. It has defaulted on \$11.1 billion of retiree health
13 benefits prefunding payments due in FY2012, and will default again in FY2013, and on
14 every foreseeable future scheduled RHB pre-funding payment due under current law.
15 The Postal Service has no foreseeable means of paying off its \$15 billion debt, and its
16 ability to meet its other financial obligations will ultimately come into question without
17 additional liquidity.

18 The table below presents the Postal Service's available liquidity (i.e., unrestricted
19 cash plus available borrowing capacity) at the end of each of the last five fiscal years⁴:

³ The discussion of liquidity assumes that the Postal Service will not use any cash to pay past due or future Retiree Health Benefits Fund (RHB) payments but will be able to use cash that was not used for that purpose to pay other obligations as they come due. The Postal Service does not have adequate cash to fully pay its RHB obligations, and if it used its available cash to partially pay those obligations it would have no cash to fund operations.

⁴ As of September 30, 2012, the Postal Service had approximately \$194 million of cash that may only be used as specified by the Postal Inspection Service for approved law enforcement expenditures, and for consumer education programs intended to prevent fraud. Thus, available liquidity is effectively \$194

Table 3
Available Liquidity (in millions), FY 2008 – FY 2012

| | Sept. 30, 2012 | Sept. 30, 2011 | Sept. 30, 2010 | Sept. 30, 2009 | Sept. 30, 2008 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Liquidity (Cash + Available Borrowing Capacity) | \$2,319 | \$3,488 | \$4,161 | \$8,889 | \$9,232 |
| Unpaid Retiree Health Benefits (RHB) Prefunding | \$11,100 | - | - | - | - |
| Liquidity if RHB Had Been Paid ⁵ | (\$8,781) | \$3,488 | \$4,161 | \$8,889 | \$9,232 |

The table illustrates the dramatic erosion in the Postal Service's available liquidity over a short time period. From September 30, 2008 to September 30, 2012, the Postal Service's liquidity declined by almost \$7 billion. Had the Postal Service not defaulted on the two Retiree Health Benefits Fund payments due at the close of FY 2012, its liquidity then would have been negative \$8.8 billion. In other words, it would not have had any cash to fund its operations. Even after defaulting, the Postal Service's liquidity was very low.

The numbers in the table above include cash that can only be used by the Inspection Service for specified activities; thus, available liquidity is effectively about \$194 million lower in 2012 than shown in the table above.

Going forward, the Postal Service expects its available liquidity (after defaulting on legally-mandated RHB payments) at the end of Fiscal Years 2013 and 2014 to be the following:

million lower than shown in the table above. Similar, albeit lesser, amounts of cash not available for operating activities are included in each prior year.

⁵ Liquidity in each year from 2009 - 2012 would have been \$4.0 billion lower had Congress not passed P.L.111-68, which deferred \$4.0 billion of retiree health benefits prefunding that would have been due in 2009. The \$4.0 billion that was deferred is included in the unfunded liability and will be included in the amortization payment calculated by OPM scheduled to begin in 2017.

1 **Table 4**
 2 **Expected Available Liquidity (in millions), Sept 30, 2013 & Sept 30, 2014⁶**

| | Sept. 30, 2013 | Sept. 30, 2014 before rates |
|--|-------------------|--------------------------------------|
| Available Liquidity (Cash + Available Borrowing Capacity – Inspection Service Cash) ⁷ | \$2,364 | 2,358 |
| Approx. Days of Operating Cash | 9 | 9 |
| Liquidity if RHB Had Been Paid | (\$14,340) | (\$20,040) |

3
 4 The estimated similar level of expected liquidity in 2014 is due to the continuation of the
 5 Postal Service's cost reduction initiatives and to improvements in revenue. Factors
 6 favorably influencing our net income and liquidity in 2014 include: the full year
 7 availability of a lower-cost, non-career workforce; continuing consolidations of network
 8 facilities, transportation and delivery operations; continuing savings from reduced retail
 9 hours in small Post Offices; and cost savings in air transportation.

10 The forecasted September 30, 2014 liquidity of \$2.4 billion, however, remains
 11 grossly inadequate. For perspective on how low these liquidity numbers are, the Postal
 12 Service pays its employees every two weeks, and the approximate amount of that
 13 biweekly payroll is \$1.7 billion. In other words, at the end of FY 2013 and FY 2014, the
 14 Postal Service will have only \$700 million in cash above its biweekly payroll.
 15 Additionally, the Postal Service is required to make a payment of approximately \$1.4
 16 billion to the Department of Labor in mid-October of each year, for workers'
 17 compensation. Sufficient liquidity must be available to make this annual payment, along

⁶ September 30 of each fiscal year does not represent the low point in liquidity. This occurs on October 15, when the annual workers' compensation payment to the Dept. of Labor is due. Sufficient liquidity must be available at the end of year fiscal year to fund ongoing operations (including payroll) and the workers' compensation payment of \$1.4 billion, plus a margin of safety.

⁷ Estimated liquidity on September 30, 2013 and 2014 is net of estimated Inspection Service cash of \$240 million.

1 with biweekly payrolls and other operating expenses, while maintaining some margin of
2 safety. Any number of possible events or circumstances could push the amount of cash
3 at some point during the year below the payroll amount, imperiling the continued
4 operation of the organization.

5 For example, a \$1 billion reduction in revenues below what is projected, which is
6 the average revenue decrease over the last three completed fiscal years, could reduce
7 liquidity by approximately \$600 million, assuming timely execution of work hour
8 reductions commensurate with the volume loss. One can easily posit a scenario in
9 which economic circumstances result in an even greater reduction in revenue, and
10 therefore reduction in liquidity. Likewise, increases in inflation adversely affect the
11 Postal Service's costs. A one percent increase in the CPI would increase our annual
12 wage costs by approximately \$155 million. Costs for transportation, healthcare and
13 other expenses would also increase as well. Fuel prices can be particularly volatile.
14 The current and projected levels of liquidity are not sufficient to allow the organization to
15 absorb any significant financial adversity.

16 Contrast the Postal Service's minimal level of liquidity to what a healthy private-
17 sector enterprise would prudently maintain. FedEx Corporation, an organization roughly
18 2/3 the size of the Postal Service (\$44 billion in revenue in their FY 2013) had \$4.9
19 billion in cash at May 31, 2013, plus an available \$1 billion line of credit, for total
20 immediately available liquidity of \$5.9 billion, or roughly 2 ½ times that of the Postal
21 Service. In addition, they have ready access to the public debt and equity markets via a
22 shelf registration on file with the Securities and Exchange Commission, where they
23 could likely raise billions more. UPS, a company with \$54 billion in 2012 revenues, had

1 \$7.9 billion of cash and marketable securities on their December 31, 2012 balance
2 sheet. They also had an unused \$10 billion commercial paper program, giving them
3 access to total liquidity of \$17.9 billion. Compared to these two smaller enterprises, the
4 financial weakness of the Postal Service is obvious.

5 Looking even further forward, as any prudent business must, the liquidity
6 pressures upon the Postal Service will only increase. Many of the financial benefits that
7 the Postal Service expects to realize through the operational and workforce initiatives
8 outlined in the April 16, 2013 Five-Year Plan result from initiatives that will largely be
9 completed in 2014. Beyond that time, planned cost savings (excluding those requiring
10 legislation) will not be sufficient to offset inflationary pressures on costs; these will
11 become more evident in 2015 and beyond, as discussed below. Further, the cost
12 savings initiatives that are within the Postal Service's control will not, by themselves, be
13 sufficient to improve the Postal Service's critically low liquidity position. In fact, without
14 legislative relief and/or an exigent price increase, the Postal Service will likely reach a
15 point of insolvency (even putting aside continuing defaults on RHB prefunding) even
16 assuming that significant adverse conditions do not arise.

17 During 2013, the Postal Service worked to maximize the number of lower-cost
18 non-career employees under the recently enacted contracts with its four largest unions.
19 In 2014, we will capture the full year effects of that maximization. Going forward,
20 however, the savings from non-career employees will decrease in 2015 and 2016; as
21 the total career employee complement decreases, the number of non-career employees
22 must also decrease in order to maintain a constant ratio. Beyond the expiration dates of
23 the current union contracts (May of 2015 and 2016), the Postal Service can only

1 increase the proportion of non-career employees if it secures new agreements with its
2 unions to do so, or secures an arbitration award that provides for an increase; either of
3 these outcomes are uncertain.

4 Additionally, contracts with each of the major unions call for annual wage
5 increases of 1.0 percent to 1.5 percent, plus cost-of-living adjustments, each year from
6 2014 through their expiration. These increases are offset in 2014 by planned
7 operational and cost savings. In years beyond 2015, when the effects of 2013 and
8 2014 cost saving initiatives have been fully realized, these inflationary cost pressures
9 will become more apparent.

10 Likewise, savings from consolidating mail processing operations, delivery units
11 and routes, and transportation can only be achieved once. Savings from closing or
12 consolidating facilities or transportation, for example, are by their very nature one-time
13 occurrences; once the savings have been realized they cannot be repeated unless
14 further consolidations are undertaken. Additionally, there is a practical limit below which
15 the infrastructure cannot be reduced without reducing service.

16 It is also extremely likely that mail volumes will continue to decline beyond 2014.
17 First-Class Mail volumes have decreased every year since 2001, and there is no reason
18 to believe this trend will change. The anticipated growth in package volume will not be
19 enough to offset the contribution lost by the continuing decline of First-Class Mail.

20 Lastly, it must be recognized that one of the mechanisms the Postal Service has
21 used to remain solvent is the deferral of capital investments. Capital cash outlays
22 declined from \$2.0 billion in 2008 to \$0.7 billion in 2012. This low level of capital
23 spending cannot be maintained indefinitely. For instance, much of the Postal Service's

1 delivery vehicle fleet is nearing the end of its useful life. The Government Accountability
2 Office, in a May 2011 report, expressed concern that “USPS’s financial condition poses
3 a significant barrier to its ability to fund a major acquisition of its delivery fleet”, which
4 was estimated to cost \$5.8 billion. Implementation of the exigent price increase will give
5 Postal Service greater ability to make necessary capital investments.

6 Added to these operational and contractual requirements are two significant,
7 legally-mandated cash outlays that will begin in 2017. The size of these mandates
8 dictates that the Postal Service begin to generate additional liquidity now. As required
9 by the Postal Accountability and Enhancement Act of 2006 (PAEA), beginning in 2017,
10 the Office of Personnel Management will establish a 27 year amortization schedule to
11 fund any unfunded CSRS actuarial liability (which was \$19 billion at September 2012).
12 Likewise, the retiree health benefits obligation does not cease just because the
13 scheduled prefunding payments have not been made. Beginning in 2017, the Postal
14 Service will be required to pay the actuarially-determined normal cost of providing
15 retiree health benefits, plus OPM-determined amortization of the remaining unfunded
16 liability. These additional payment requirements will further strain future liquidity.

17 Further, the Postal Service currently has (as of August 31, 2013) \$15.0 billion in
18 debt, a workers’ compensation liability of \$16.5 billion, and an unpaid RHB prefunding
19 liability of \$16.3 billion. The modest increase in cash flow accomplished by the exigent
20 price increase represents merely one, albeit important, step in alleviating the Postal
21 Service’s financial difficulties so that it can continue to provide effective and regular
22 postal services, as it will allow the organization to pay down some of its debt in the short
23 term.

1 If the Postal Service implements the exigent price increases and the price
2 increases set forth in Docket No. R2013-10 in January 2014, and continues to default
3 on its legally-mandated RHB payment obligation, it expects its available liquidity to be
4 \$4.161 billion, or 15 days, by the end of 2014,⁸ with the \$1.4 billion workers'
5 compensation payment due just 15 days later. This remains well below the level of
6 cash that a financially sound private sector company would have, as demonstrated
7 above. It is also less than one RHB prefunding payment. It bears emphasizing that this
8 minimal level of liquidity can only be accomplished if the Postal Service continues to
9 default on the legally-mandated prefunding payments for the Retiree Health Benefits
10 Fund.

11 **VI. Cost Saving and Efficiency Initiatives**

12 In response to the significant losses of mail volume beginning in FY 2008, postal
13 management took numerous actions to reduce costs. These actions resulted in the
14 reduction of work hours from 1,423 million in 2007 to 1,122 million in 2012. This 21
15 percent reduction was accomplished by reducing the number of career employees by
16 157,000 through efforts that included separation and retirement incentives that were
17 accepted by approximately 30,000 people, reductions in overtime and consolidation of
18 six district offices and one area office. Recognizing that comprehensive reforms are
19 required to update the Postal Service's obsolete business model, the Postal Service
20 issued its first Five-Year Business plan in March 2010 and its latest update in April
21 2013. The most recent plan outlines continuing management efforts to enhance
22 revenue, improve productivity and reduce cost, as follows.

⁸ If the two increases were to be instituted in October 2013, then available liquidity at the end of FY 2014 would be an estimated \$4.659 billion, or 18 days. These figures illustrate the annualized effect of the price increases.

- 1 • Redesigning and increasing the efficiency of the mail processing network,
2 including a reduction in the number of mail processing locations and distribution
3 plants, and the rescheduling of transportation routes.
- 4 • The Post Office Structure Plan (POStPlan), which keeps existing Post Offices in
5 place, but with reduced retail hours to match customer use.
- 6 • Delivery Optimization, which consolidates delivery offices (non-retail) and
7 expands centralized delivery.
- 8 • Expanding customer access to postal services through the establishment of
9 Village Post Offices, along with expanded and improved online access.
- 10 • Reducing labor costs in new contracts with the four largest labor unions that
11 included a two-year wage freeze, a lower wage scale for new career employees,
12 creation of new, lower-cost, non-career employee categories, and a decrease in
13 the employer share of health insurance premiums.
- 14 • Substantially reducing the career postal workforce by 156,000 (23 percent) from
15 2007 to 2012, with additional reductions planned for the next five years.
- 16 • Approximately \$14 billion of annualized savings from 2008 to 2012 with
17 workhours reduced by 21 percent.

18 These efforts continued to pay dividends in 2013, as workhours were reduced by
19 1.3 percent and compensation and benefits costs decreased by \$558 million for the first
20 nine months of 2013. In fact, if the unaffordable RHB prefunding payment and non-
21 cash workers' compensation costs are excluded, the Postal Service's net loss for the
22 first nine months of 2013 dropped by almost \$900 million compared to the first nine
23 months of FY 2012. The Plan calls for savings by FY 2016 of \$6.0 billion from

1 operational initiatives in mail processing, delivery, and retail, and \$1.8 billion from wage
2 restraint and workforce flexibility.

3 The Five-Year Plan also identifies a number of significant cost saving initiatives
4 which require legislation, including the implementation of a Postal Service-sponsored
5 health care plan outside of Federal Employee Health Benefit Plan (FEHBP), refund of
6 Federal Employee Retirement System (FERS) overfunding, and transition to a six-days-
7 per-week delivery schedule for packages and five-day mail delivery. As the timely
8 passage of comprehensive postal reform legislation that adequately addresses the
9 shortcomings in our business model has not occurred in the past three years, nor can it
10 be assured to occur at any time in the future, the Postal Service must consider
11 additional actions to assure that it has sufficient liquidity to continue operations, which is
12 why this increase is being proposed.

13 **VII. Guide to Documentation**

14 At the end of my Statement are Lists of Attachments and Related Folders. The
15 Attachments provide details of the financial impacts of the CPI price increases and
16 comparisons of three different forecast scenarios. Following the CPI price increase
17 Attachments, numbered 1–14, are similar Attachments for the exigent price increase
18 (including CPI) , numbered 15 – 28.

- 19 • The Before Rates Forecast assumes that Market Dominant prices will not be
20 increased in FY 2014.
- 21 • The After Rates Forecast assumes that the exigent price changes, discussed
22 in the Statement of Altaf Taufique are implemented on January 26, 2014.

- 1 • The After Rates-Full Year Forecast assumes that the same price changes are
2 implemented on October 1, 2013, the first day of FY 2014. This After Rates-
3 Full Year Forecast supports the *pro forma* financial analysis that describes
4 the impact of the price increases over the course of a full year, and is for
5 comparative analysis purposes only.
- 6 • All three forecast scenarios include forecasts of Market Dominant mailing and
7 special services transactions.
- 8 • All three forecast scenarios assume no price increase for Competitive
9 Products. However, it is anticipated that a price increase for Competitive
10 Products will also be effective on January 26, 2014. Actual price changes for
11 Competitive Products will be decided by the USPS Board of Governors and
12 announced at a later date. Given that Competitive products' revenues are
13 less than 20 percent of total revenues, any possible price increase on this
14 population will not materially impact our liquidity or the analyses in this filing.

15 The following discussion briefly explains the approach to developing the
16 forecasts and identifies the supporting material provided in the related folders.

17 A. Volume and Revenue

18 The volume forecast in support of the exigent price increase is based on an
19 update of the econometric demand analysis filed with the Commission by the Postal
20 Service on January 22, 2013. The original analysis was filed in compliance with
21 Commission Rule 3050.26 and was based on information available in the fall of 2012.⁹

⁹ See, USPS Demand Analyses FY 2012 - Market Dominant:
[http://www.prc.gov/prc-
pages/library/detail.aspx?docketId=&docketPart=Documents&docid=86286&docType=Periodic
Reports/Data Reports&attrID=&attrName=](http://www.prc.gov/prc-pages/library/detail.aspx?docketId=&docketPart=Documents&docid=86286&docType=Periodic Reports/Data Reports&attrID=&attrName=)

1 The demand models and forecasts used in the instant docket are based on information
2 available in July 2013. This information includes Postal Service revenue and volume
3 data through Quarter 3, FY 2013. Historical and forecasted exogenous economic data
4 were obtained from Global Insight's July 2013 baseline forecast. Historical and
5 forecasted data for other exogenous variables, such as those measuring the effects of
6 electronic diversion and competitors, were obtained from RCF Economic and Financial
7 Analysis, Inc. (RCF).

8 Revenue forecasts for this docket are developed by multiplying the forecasted
9 volumes by the appropriate average revenues per piece. Therefore, a 5.9 percent price
10 increase, for example, increases the forecast of the revenue per piece by 5.9 percent.

11 Attachment 1 – Mail Volume by Fiscal Year, shows the actual FY 2012 mail
12 volume, our current projection for FY 2013, and the FY 2014 mail volumes projected
13 under the three sets of Market Dominant price change assumptions. The Before Rates
14 (BR) forecast shows volume results assuming no price increase. The After Rates (AR)
15 forecast assumes CPI and exigent price increases are implemented on January 26,
16 2014. The After Rates-Full Year (ARFY) forecast assumes rate implementation on
17 October 1, 2013 and is provided solely to demonstrate the effect of the increases for a
18 full year.

19 Attachment 2 - Mail and Special Services Revenue by Fiscal Year, shows the
20 2014 revenues associated with the volumes in Attachment 1.

21 The detailed revenue and volume forecasts for Market Dominant products, along
22 with the demand equations, are included in Folder USPS-R2010-4R/9 Revenue and
23 Volume Forecast Materials (Public Version). Comparable information for Competitive

1 Products, which are not the subject of this proceeding, is presented in Folder USPS-
2 R2010-4R /NP3 Revenue and Volume Forecast Materials (Non-Public Version).

3 B. Expenses

4 The determination of costs is described in more detail in the next and succeeding
5 paragraphs, but Attachment 3 summarizes Revenue and Expenses for each of the FY
6 2012 Actual results, FY 2013 Forecast, and the three forecasts for FY 2014 assuming
7 the different pricing scenarios. Attachment 4 presents Statements of Cash Flows based
8 upon the same five sets of financial criteria for 2012 through 2014.

9 Cost change factors are developed using the methodologies described in the
10 Cost Factor Development Model, which is documented in Folder USPS-R2010-4R /8
11 Cost Factor Development (Public Version). The approach to the development of the
12 cost factors relies on the methodologies used in former Revenue Requirement filings.
13 Cost factors include Cost Level, Non-Volume Workload, Additional Day, Cost
14 Reductions, Other Programs, Corporatewide Activities, and Servicewide Costs. A full
15 description of these factors is included in Folder USPS-R2010-4R/8 at RfdescrR2010-
16 4R.

17 These cost factors are applied to FY 2012 and FY 2013 accrued and estimated
18 costs by cost component using the Product Cost & Contribution Estimation Model
19 (PCCEM) documented in Folder USPS-R2010-4R/7 PCCEM (Public Version). Non-
20 public versions of the Cost Factor Development Model and the Product Cost &
21 Contribution Model, which include certain sensitive materials omitted from the public
22 versions, are filed under seal as Folder USPS-R2010-4R /NP1 and NP2, respectively.
23 Additionally, the PCCEM calculates and applies adjustments based on volume changes.

1 The output is a projection of costs by cost segment by year, as shown in Attachment 5
2 through Attachment 8 to this Statement.

3 Attachments 9 through 12 provide information with respect to the CPI price
4 increase on contribution by class of mail for FY2013 and FY2014. FY 2014 contribution
5 reports are provided on before rates, after rates (January 26, 2014 implementation), and
6 after rates (October 1, 2013 implementation pro forma) bases. These Attachments are
7 provided on a basis consistent with the 2012 Cost and Revenue Analysis report.

8 Attachments 13 and 14 provide the additional product contribution and cost coverage on
9 a basis consistent with the proposed product classifications included in the current price
10 filing.

11 Attachments 15 through 28 present the same information for the exigent plus CPI
12 price increases.

List of Attachments

- Attachment 1: Mail Volume by Fiscal Year – CPI Price Increase
- Attachment 2: Mail and Special Services Revenue by Fiscal Year – CPI Price Increase
- Attachment 3: Statements of Revenue and Expenses – CPI Price Increase
- Attachment 4: Statements of Cash Flows – CPI Price Increase
- Attachment 5: FY 2013 Before Rates, Cost Segment Summary Table
- Attachment 6: FY 2014 Before Rates, Cost Segment Summary Table
- Attachment 7: FY 2014 After Rates, (Jan 26, 2014 Implementation) Cost Segment Summary Table – CPI Price Increase
- Attachment 8: FY 2014 After Rates-Full Year, (October 1, 2013 Implementation) Cost Segment Summary Table – CPI Price Increase
- Attachment 9: Contribution by Class of Mail-FY2013
- Attachment 10: Contribution by Class of Mail-FY2014 Before Rates
- Attachment 11: Contribution by Class of Mail-FY2014 After Rates (January 26, 2014 Implementation) – CPI Price Increase
- Attachment 12: Contribution by Class of Mail-FY2014 After Rates-Full Year (October 1, 2013 Implementation) – CPI Price Increase
- Attachment 13: Contribution and Cost Coverage Analysis, Before Rates versus After Rates, (Jan 26, 2014 Implementation) – CPI Price Increase
- Attachment 14: Contribution and Cost Coverage Analysis, Before Rates versus After Rates-Full Year, (October 1, 2013 Implementation) – CPI Price Increase
- Attachment 15: Mail Volume by Fiscal Year – Exigent (including CPI) Price Increase
- Attachment 16: Mail and Special Services Revenue by Fiscal Year – Exigent (including CPI) Price Increase
- Attachment 17: Statements of Revenue and Expenses – Exigent (including CPI) Price Increase
- Attachment 18: Statements of Cash Flows – Exigent (including CPI) Price Increase

- Attachment 19: FY 2013 Before Rates, Cost Segment Summary Table
- Attachment 20: FY 2014 Before Rates, Cost Segment Summary Table
- Attachment 21: FY 2014 After Rates, (Jan 26, 2014 Implementation) Cost Segment Summary Table – Exigent (including CPI) Price Increase
- Attachment 22: FY 2014 After Rates-Full Year, (October 1, 2013 Implementation) Cost Segment Summary Table – Exigent (including CPI) Price Increase
- Attachment 23: Contribution by Class of Mail-FY2013
- Attachment 24: Contribution by Class of Mail-FY2014 Before Rates
- Attachment 25: Contribution by Class of Mail-FY2014 After Rates (January 26, 2014 Implementation) – Exigent (including CPI) Price Increase
- Attachment 26: Contribution by Class of Mail-FY2014 After Rates-Full Year (October 1, 2013 Implementation) – Exigent (including CPI) Price Increase
- Attachment 27: Contribution and Cost Coverage Analysis, Before Rates verses After Rates, (Jan 26, 2014 Implementation) – Exigent (including CPI) Price Increase
- Attachment 28: Contribution and Cost Coverage Analysis, Before Rates verses After Rates-Full Year, (October 1, 2013 Implementation) – Exigent (including CPI) Price Increase

List of Related Folders

- USPS-R2010-4R/7 - Product Cost & Contribution Estimation Model (Public Version)
- USPS-R2010-4R/8 - Cost Factor Development (Public Version)
- USPS-R2010-4R/9 - Revenue and Volume Forecast Materials (Public Version)
- USPS-R2010-4R/11 – Calculation of Contribution Lost from Recession-Related Volume Losses
- USPS-R2010-4R/NP1 - Product Cost & Contribution Estimation Model (Non-Public Version)
- USPS-R2010-4R/NP2 - Cost Factor Development (Non-Public Version)
- USPS-R2010-4R/NP3 - Revenue and Volume Forecast Materials (Non-Public Version)

US Postal Service
R2010-4R - CPI 1.6%
Mail Volume by Fiscal Year
(Billions of pieces)

| Mail Class | 2012 Actual | 2013 Forecast | 2014 BR Forecast | 2014 AR Forecast (Jan 26, 2014) | 2014 ARFY Forecast (Oct 1, 2013) |
|---------------------------------------|----------------|------------------|---------------------|---------------------------------------|--|
| Market Dominant Products: | | | | | |
| First Class | 69.0 | 66.1 | 62.4 | 62.3 | 62.2 |
| Standard Mail | 79.8 | 80.7 | 81.9 | 81.6 | 81.4 |
| Periodicals | 6.7 | 6.4 | 6.1 | 6.1 | 6.1 |
| International | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Package Services | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| U.S.Postal Service | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Free for the Blind | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Total Market Dominant Products | 157.3 | 155.0 | 152.1 | 151.6 | 151.3 |
| Competitive Products | 2.6 | 3.1 | 3.5 | 3.5 | 3.5 |
| Total Mail Volume | 159.9 | 158.0 | 155.5 | 155.1 | 154.8 |

US Postal Service
R2010-4R - CPI 1.6%
Mail and Special Services Revenue by Fiscal Year
(\$ Billions)

| Mail Class | 2012 Actual | 2013 Forecast | 2014 BR Forecast | 2014 AR Forecast (Jan 26, 2014) | 2014 ARFY Forecast (Oct 1, 2013) |
|--|----------------|------------------|---------------------|---------------------------------------|--|
| Market Dominant Products: | | | | | |
| First Class | 29.5 | 28.8 | 27.4 | 27.6 | 27.7 |
| Standard Mail | 16.7 | 16.9 | 17.4 | 17.5 | 17.5 |
| Periodicals | 1.7 | 1.7 | 1.6 | 1.6 | 1.6 |
| International | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Package Services | 1.6 | 1.5 | 0.8 | 0.8 | 0.8 |
| Special Services | 2.3 | 2.0 | 2.0 | 2.0 | 2.1 |
| Total Market Dominant Products | 52.4 | 51.6 | 49.8 | 50.2 | 50.3 |
| Total Competitive | 11.8 | 13.5 | 15.2 | 15.2 | 15.2 |
| Total Mail & Services Revenue | 64.2 | 65.1 | 65.0 | 65.4 | 65.5 |
| Other Income* | 1.0 | 1.0 | 0.8 | 0.8 | 0.8 |
| Total Revenue | 65.2 | 66.1 | 65.9 | 66.2 | 66.3 |

* Other Income includes Appropriations, Interest & Investment Income, Philatelic, Real Estate, etc

US Postal Service
R2010-4R - CPI 1.6%
Statements of Revenue and Expenses
(\$ millions)

| LINE NUMBER | | 2012 Actual | 2013 Forecast | 2014 BR Forecast | 2014 AR Forecast (Jan 26, 2014) | 2014 ARFY Forecast (Oct 1, 2013) |
|---------------------------|---|-------------------|------------------|---------------------|---------------------------------------|--|
| REVENUE | | | | | | |
| 1 | OPERATING REVENUE | 64,233 | 65,058 | 65,042 | 65,354 | 65,492 |
| 2 | OTHER INCOME* | 1,014 | 1,044 | 820 | 820 | 820 |
| 3 | TOTAL REVENUE | 65,247 | 66,102 | 65,863 | 66,174 | 66,313 |
| OPERATING EXPENSES | | | | | | |
| 4 | POSTMASTERS | 2,234 | 2,237 | 2,065 | 2,064 | 2,063 |
| 5 | MANAGERS, SUPERVISORS & TECHNICAL PERSONNEL | 3,279 | 3,270 | 3,162 | 3,157 | 3,154 |
| 6 | CLERKS & MAILHANDERS | 14,371 | 13,715 | 13,457 | 13,436 | 13,423 |
| 7 | CLERKS, CAG K POST OFFICES | 5 | 5 | 5 | 5 | 5 |
| 8 | CITY DELIVERY CARRIERS | 15,833 | 15,253 | 14,917 | 14,902 | 14,892 |
| 9 | VEHICLE SERVICE DRIVERS | 588 | 594 | 504 | 503 | 503 |
| 10 | SPECIAL DELIVERY MESSENGERS | 0 | 0 | 0 | 0 | 0 |
| 11 | RURAL CARRIERS | 6,745 | 6,813 | 7,142 | 7,134 | 7,129 |
| 12 | CUSTODIAL & MAINTENANCE SERVICES | 3,200 | 3,095 | 2,704 | 2,701 | 2,699 |
| 13 | MOTOR VEHICLE SERVICES | 1,434 | 1,457 | 1,492 | 1,490 | 1,490 |
| 14 | MISCELLANEOUS LOCAL OPERATIONS | 449 | 393 | 395 | 394 | 394 |
| 15 | CONTRACTURAL TRANSPORTATION OF MAIL | 6,630 | 6,752 | 6,640 | 6,633 | 6,628 |
| 16 | BUILDING OCCUPANCY | 1,807 | 1,845 | 1,848 | 1,848 | 1,848 |
| 17 | SUPPLIES & SERVICES | 2,565 | 2,684 | 2,516 | 2,514 | 2,512 |
| 18 | RESEARCH & DEVELOPMENT | 17 | 17 | 17 | 17 | 17 |
| 19 | HQ & AREA ADMIN. & CORPORATEWIDE PERSONNEL COSTS | 19,425 | 11,009 | 13,143 | 13,143 | 13,143 |
| 20 | EQUIPMENT MAINT. & MANAGEMENT TRAINING SUPPORT | 51 | 78 | 78 | 78 | 78 |
| 21 | DEPRECIATION, WRITE-OFFS, CLAIMS, & INTEREST | 2,520 | 2,441 | 2,479 | 2,479 | 2,479 |
| 22 | FINAL ADJUSTMENTS (not allocated to cost segment) | 0 | 0 | 0 | 0 | 0 |
| 24 | TOTAL OPERATING EXPENSES | 81,153 | 71,659 | 72,566 | 72,498 | 72,458 |
| 25 | NET INCOME (LOSS) | (\$15,906) | (5,557) | (6,703) | (6,324) | (6,145) |

* Other Income includes Appropriations, Interest & Investment Income, Philatelic, Real Estate, etc

US Postal Service
R2010-4R - CPI 1.6%
Statements of Cash Flows
(\$ millions)

| | 2012 Actual | 2013 Forecast | 2014 BR Forecast | 2014 AR Forecast (Jan 26, 2014) | 2014 ARFY Forecast (Oct 1, 2013) |
|---|-------------------|------------------|---------------------|---------------------------------------|--|
| Cash flows from operating activities: | | | | | |
| Net Loss | (\$15,906) | (\$5,557) | (\$6,703) | (\$6,324) | (\$6,145) |
| Adjustments to reconcile net loss to cash from operations: | | | | | |
| Depreciation and amortization | 2,075 | 1,987 | 2,129 | 2,129 | 2,129 |
| (Gain) Loss on disposals of PPE, net | (5) | (51) | - | - | - |
| (increase) decrease in appropriations receivable | 14 | 6 | - | - | - |
| Workers' Compensation, POD WC (Net) | 2,425 | (967) | 722 | 722 | 722 |
| Increase (decrease) employees accumulated leave | (175) | (80) | (100) | (100) | (100) |
| (Decrease) increase in non-current deferred appropriations receivable | - | - | - | - | - |
| Increase (Decrease) in other non-current liabilities | 78 | 105 | - | - | - |
| Changes in current assets and liabilities: | | | | | |
| (increase) decrease in receivables, net | 108 | - | (25) | (25) | (25) |
| Decrease (increase) in supplies, advances & prepayments | (6) | - | - | - | - |
| (Decrease) Increase in compensation and benefits | (534) | (180) | 16 | 16 | 16 |
| Retiree Health Benefits | 11,198 | 5,600 | 5,700 | 5,700 | 5,700 |
| Increase (Decrease) in payables & accrued expenses | 23 | (85) | (200) | (200) | (200) |
| (Decrease) increase in customer deposit accounts | (176) | 25 | - | - | - |
| (Decrease) Increase in prepaid postage - deferred revenue | 517 | 233 | - | - | - |
| (Decrease) increase in outstanding postal money orders | (11) | 15 | (25) | (25) | (25) |
| (Decrease) Increase in prepaid box rent and deferred revenue | (57) | - | - | - | - |
| Net cash provided by operating activities | (432) | 1,050 | 1,514 | 1,893 | 2,072 |
| Cash Flows from investing activities | | | | | |
| Purchase of Property & Equipment, Net (Ex. EPP) | (705) | (807) | (1,491) | (1,491) | (1,491) |
| Proceeds from Deferred Building sale | 40 | - | - | - | - |
| Proceeds from the sale of Property and Equipment | 108 | 150 | 100 | 100 | 100 |
| Net cash used in investing activities | (557) | (657) | (1,391) | (1,391) | (1,391) |
| Cash Flows from financing activities: | | | | | |
| Increase (decrease) in debt outstanding | 2,000 | - | - | - | - |
| Payments for Capital Lease | (51) | (59) | (58) | (58) | (58) |
| U.S. government emergency preparedness appropriations | (129) | (49) | (63) | (63) | (63) |
| Net cash (used in) provided by financing activities | 1,820 | (108) | (121) | (121) | (121) |
| Net Increase (Decrease) in Cash | 831 | 285 | 2 | 380 | 560 |
| Cash balance at beginning of year | 1,488 | 2,319 | 2,604 | 2,604 | 2,604 |
| Cash Balance (Shortfall) at end of year | \$2,319 | 2,604 | 2,605 | 2,984 | 3,163 |

BR-Final - FY2013 BR
 Cost Segment Summary Table
 for TOTAL COSTS \$(000)

Attachment 5

| C/S | Cost Segment | Comp | FY2012 | Cost Level Change | Mail Volume Change | Non-Volume Workload | Additional Workday | Cost Reductions | Productivity Goals | Other Programs | Corporate-wide Activities | Service-wide Costs | FY2013BR Before Workyear Mix Adj. | Workyear Mix Adjustment | FY2013BR After Workyear Mix Adj. |
|-----|--------------------------------|------|------------|-------------------|--------------------|---------------------|--------------------|-----------------|--------------------|----------------|---------------------------|--------------------|-----------------------------------|-------------------------|----------------------------------|
| 1 | Postmasters | 251 | 2,233,513 | 37,168 | -3,394 | 0 | 867 | -126,298 | 0 | 94,787 | 0 | 0 | 2,236,642 | 0 | 2,236,642 |
| 2 | Supervisors & Technicians | 284 | 3,279,069 | 46,320 | -20,009 | 2,886 | 723 | -69,740 | 0 | 31,101 | 0 | 0 | 3,270,351 | 0 | 3,270,351 |
| 3 | Clerks and Mailhandlers | 478 | 14,371,015 | 179,336 | -162,768 | 820 | 1,080 | -345,071 | 0 | 102,856 | 0 | 0 | 14,147,267 | -432,145 | 13,715,122 |
| 4 | Clerks, CAG K Post Offices | 254 | 5,221 | 88 | -105 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 5,205 | 0 | 5,205 |
| 6 | City Delivery Carriers, Office | 256 | 3,743,731 | -6,121 | -50,322 | 981 | 242 | -1,428 | 0 | 18,878 | 0 | 0 | 3,705,961 | -149,925 | 3,556,036 |
| 7 | City Delivery Carriers, Street | 257 | 12,089,498 | -19,766 | -10,047 | 24,631 | 3,647 | -9,239 | 0 | 111,511 | 0 | 0 | 12,190,236 | -493,157 | 11,697,079 |
| 8 | Vehicle Service Drivers | 258 | 588,130 | 7,684 | -1,723 | 0 | 113 | -149,353 | 0 | 179,109 | 0 | 0 | 623,961 | -29,896 | 594,065 |
| 10 | Rural Carriers | 260 | 6,745,341 | 123,233 | 27,840 | 38,810 | 2,169 | -84,610 | 0 | 0 | 0 | 0 | 6,852,782 | -40,220 | 6,812,561 |
| 11 | Custodial and Maint Svcs | 359 | 3,199,531 | 45,902 | -29,770 | 0 | 933 | -252,655 | 0 | 209,883 | 50 | 0 | 3,173,874 | -78,718 | 3,095,156 |
| 12 | Motor Vehicle Service | 262 | 1,434,342 | 21,280 | 1,238 | 4,023 | 508 | -15,503 | 0 | 23,317 | 4 | 0 | 1,469,209 | -11,764 | 1,457,445 |
| 13 | Misc Local Operations | 263 | 449,006 | 4,633 | 98 | 6 | 92 | 0 | 0 | -62,437 | 1,831 | 0 | 393,228 | 0 | 393,228 |
| 14 | Transportation | 264 | 6,629,890 | 200,292 | -47,090 | 0 | 373 | -115,247 | 0 | 83,899 | 0 | 0 | 6,752,117 | 0 | 6,752,117 |
| 15 | Building Occupancy | 289 | 1,806,751 | 37,401 | 0 | 0 | 332 | -34,701 | 0 | 36,743 | -1,095 | 0 | 1,845,431 | 0 | 1,845,431 |
| 16 | Supplies and Services | 490 | 2,564,792 | 2,625 | -11,534 | 1,213 | 321 | -60,623 | 0 | 159,468 | 27,972 | 0 | 2,684,233 | 0 | 2,684,233 |
| 17 | Research and Development | 267 | 16,608 | 0 | 0 | 0 | 0 | 0 | 0 | 669 | -24 | 0 | 17,253 | 0 | 17,253 |
| 18 | Admin and Area Operations | 459 | 19,425,093 | 14,729 | 0 | 0 | 668 | 0 | 0 | 36,209 | -42,272 | -8,425,565 | 11,008,862 | 0 | 11,008,862 |
| 19 | General Mgmt Systems | 269 | 51,369 | 706 | 0 | 0 | 2 | -5,577 | 0 | 26,181 | 5,056 | 0 | 77,737 | 0 | 77,737 |
| 20 | Other Accrued Expenses | 475 | 2,520,416 | 1,626 | -933 | 0 | 0 | 0 | 0 | -1,504 | 6,341 | -85,050 | 2,440,897 | 0 | 2,440,897 |
| | Total All C/S | | 81,153,316 | 697,136 | -308,519 | 73,370 | 12,071 | -1,270,044 | 0 | 1,050,670 | -2,137 | -8,510,615 | 72,895,247 | -1,235,826 | 71,659,421 |

BR-Final - FY2014 BR
 Cost Segment Summary Table
 for TOTAL COSTS \$(000)

Attachment 6

| C/S | Cost Segment | Comp | FY2013BR Before Workyear Mix Adj | Cost Level Change | Mail Volume Change | Non-Volume Workload | Additional Workday | Cost Reductions | Productivity Goals | Other Programs | Corporate- wide Activities | Servicewide Costs | FY2014BR Before Workyear Mix Adj. | Workyear Mix Adjustment | FY2014BR After Workyear Mix Adj. |
|-----|--------------------------------|------|---|----------------------|-----------------------|------------------------|-----------------------|--------------------|-----------------------|-------------------|----------------------------------|----------------------|--|-------------------------------|---|
| 1 | Postmasters | 251 | 2,236,642 | 39,662 | -5,969 | 0 | 0 | -205,290 | 0 | 0 | 0 | 0 | 2,065,045 | 0 | 2,065,045 |
| 2 | Supervisors & Technicians | 284 | 3,270,351 | 49,170 | -20,877 | 2,912 | 0 | -139,068 | 0 | 0 | 0 | 0 | 3,162,488 | 0 | 3,162,488 |
| 3 | Clerks and Mailhandlers | 478 | 14,147,267 | 456,546 | -137,435 | 856 | 0 | -670,774 | 0 | 199,745 | 0 | 0 | 13,996,205 | -538,840 | 13,457,366 |
| 4 | Clerks, CAG K Post Offices | 254 | 5,205 | 264 | -69 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,400 | 0 | 5,400 |
| 6 | City Delivery Carriers, Office | 256 | 3,705,961 | 47,258 | -55,383 | 998 | 0 | 0 | 0 | 0 | 0 | 0 | 3,698,834 | -226,346 | 3,472,488 |
| 7 | City Delivery Carriers, Street | 257 | 12,190,236 | 155,450 | -44,263 | 25,231 | 0 | -135,975 | 0 | 0 | 0 | 0 | 12,190,678 | -745,995 | 11,444,683 |
| 8 | Vehicle Service Drivers | 258 | 623,961 | 20,959 | -653 | 0 | 0 | -114,188 | 0 | 0 | 0 | 0 | 530,079 | -26,464 | 503,616 |
| 10 | Rural Carriers | 260 | 6,852,782 | 320,508 | 15,497 | 40,469 | 0 | -3,244 | 0 | 0 | 0 | 0 | 7,226,011 | -84,031 | 7,141,981 |
| 11 | Custodial and Maint Srvcs | 359 | 3,173,874 | 101,470 | -28,644 | 0 | 0 | -454,124 | 0 | 0 | 0 | 0 | 2,792,576 | -88,686 | 2,703,891 |
| 12 | Motor Vehicle Service | 262 | 1,469,209 | 42,469 | -511 | 4,188 | 0 | -7,248 | 0 | 0 | 0 | 0 | 1,508,107 | -16,522 | 1,491,585 |
| 13 | Misc Local Operations | 263 | 393,228 | 2,569 | -1,128 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 394,674 | 0 | 394,674 |
| 14 | Transportation | 264 | 6,752,117 | 185,402 | -83,695 | 0 | 0 | -379,000 | 0 | 165,588 | 0 | 0 | 6,640,412 | 0 | 6,640,412 |
| 15 | Building Occupancy | 289 | 1,845,431 | 51,978 | 0 | 0 | 0 | -49,547 | 0 | 0 | 0 | 0 | 1,847,862 | 0 | 1,847,862 |
| 16 | Supplies and Services | 490 | 2,684,233 | 4,203 | -15,778 | 1,396 | 0 | -161,666 | 0 | 4,000 | 0 | 0 | 2,516,388 | 0 | 2,516,388 |
| 17 | Research and Development | 267 | 17,253 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,253 | 0 | 17,253 |
| 18 | Admin and Area Operations | 459 | 11,008,862 | 17,824 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,115,907 | 13,142,593 | 0 | 13,142,593 |
| 19 | General Mgmt Systems | 269 | 77,737 | 1,006 | 0 | 0 | 0 | -351 | 0 | 0 | 0 | 0 | 78,392 | 0 | 78,392 |
| 20 | Other Accrued Expenses | 475 | 2,440,897 | 1,513 | -1,955 | 0 | 0 | 0 | 0 | 0 | 0 | 38,986 | 2,479,441 | 0 | 2,479,441 |
| | Total All C/S | | 72,895,247 | 1,498,253 | -380,864 | 76,055 | 0 | -2,320,476 | 0 | 369,333 | 0 | 2,154,893 | 74,292,440 | -1,726,883 | 72,565,558 |

CPI-1.6% January Implementation -
FY2014 AR
Cost Segment Summary Table
for TOTAL COSTS \$(000)

Attachment 7

| C/S | Cost Segment | Comp | FY2013AR Before Workyear Mix Adj | Cost Level Change | Mail Volume Change | Non-Volume Workload | Additional Workday | Cost Reductions | Productivity Goals | Other Programs | Corporate- wide Activities | Servicewide Costs | FY2014AR Before Workyear Mix Adj. | Workyear Mix Adjustment | FY2014AR After Workyear Mix Adj. |
|-----|--------------------------------|------|---|----------------------|-----------------------|------------------------|-----------------------|--------------------|-----------------------|-------------------|----------------------------------|----------------------|--|-------------------------------|---|
| 1 | Postmasters | 251 | 2,236,642 | 39,662 | -6,950 | 0 | 0 | -205,290 | 0 | 0 | 0 | 0 | 2,064,064 | 0 | 2,064,064 |
| 2 | Supervisors & Technicians | 284 | 3,270,351 | 49,170 | -25,878 | 2,912 | 0 | -139,068 | 0 | 0 | 0 | 0 | 3,157,486 | 0 | 3,157,486 |
| 3 | Clerks and Mailhandlers | 478 | 14,147,267 | 456,589 | -169,901 | 856 | 0 | -670,776 | 0 | 199,745 | 0 | 0 | 13,963,781 | -528,181 | 13,435,600 |
| 4 | Clerks, CAG K Post Offices | 254 | 5,205 | 264 | -81 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,388 | 0 | 5,388 |
| 6 | City Delivery Carriers, Office | 256 | 3,705,961 | 47,270 | -63,755 | 998 | 0 | 0 | 0 | 0 | 0 | 0 | 3,690,473 | -224,417 | 3,466,056 |
| 7 | City Delivery Carriers, Street | 257 | 12,190,236 | 155,486 | -58,985 | 25,231 | 0 | -135,976 | 0 | 0 | 0 | 0 | 12,175,993 | -740,419 | 11,435,574 |
| 8 | Vehicle Service Drivers | 258 | 623,961 | 20,961 | -1,298 | 0 | 0 | -114,188 | 0 | 0 | 0 | 0 | 529,436 | -26,454 | 502,982 |
| 10 | Rural Carriers | 260 | 6,852,782 | 320,571 | 5,319 | 40,470 | 0 | -3,244 | 0 | 0 | 0 | 0 | 7,215,896 | -82,024 | 7,133,872 |
| 11 | Custodial and Maint Srvcs | 359 | 3,173,874 | 101,481 | -31,710 | 0 | 0 | -454,126 | 0 | 0 | 0 | 0 | 2,789,520 | -88,670 | 2,700,850 |
| 12 | Motor Vehicle Service | 262 | 1,469,209 | 42,471 | -1,738 | 4,188 | 0 | -7,248 | 0 | 0 | 0 | 0 | 1,506,883 | -16,459 | 1,490,424 |
| 13 | Misc Local Operations | 263 | 393,228 | 2,569 | -1,507 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 394,295 | 0 | 394,295 |
| 14 | Transportation | 264 | 6,752,117 | 185,402 | -91,406 | 0 | 0 | -379,000 | 0 | 165,588 | 0 | 0 | 6,632,700 | 0 | 6,632,700 |
| 15 | Building Occupancy | 289 | 1,845,431 | 51,978 | 0 | 0 | 0 | -49,547 | 0 | 0 | 0 | 0 | 1,847,862 | 0 | 1,847,862 |
| 16 | Supplies and Services | 490 | 2,684,233 | 4,203 | -18,270 | 1,396 | 0 | -161,666 | 0 | 4,000 | 0 | 0 | 2,513,897 | 0 | 2,513,897 |
| 17 | Research and Development | 267 | 17,253 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,253 | 0 | 17,253 |
| 18 | Admin and Area Operations | 459 | 11,008,862 | 17,824 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,115,907 | 13,142,593 | 0 | 13,142,593 |
| 19 | General Mgmt Systems | 269 | 77,737 | 1,006 | 0 | 0 | 0 | -351 | 0 | 0 | 0 | 0 | 78,392 | 0 | 78,392 |
| 20 | Other Accrued Expenses | 475 | 2,440,897 | 1,513 | -1,976 | 0 | 0 | 0 | 0 | 0 | 0 | 38,608 | 2,479,042 | 0 | 2,479,042 |
| | Total All C/S | | 72,895,247 | 1,498,421 | -468,136 | 76,055 | 0 | -2,320,480 | 0 | 369,333 | 0 | 2,154,515 | 74,204,955 | -1,706,624 | 72,498,331 |

CPI-1.6%_October Implementation -
FY2014 AR
Cost Segment Summary Table
for TOTAL COSTS \$(000)

Attachment 8

| C/S | Cost Segment | Comp | FY2013AR Before Workyear Mix Adj | Cost Level Change | Mail Volume Change | Non-Volume Workload | Additional Workday | Cost Reductions | Productivity Goals | Other Programs | Corporate- wide Activities | Servicewide Costs | FY2014AR Before Workyear Mix Adj. | Workyear Mix Adjustment | FY2014AR After Workyear Mix Adj. |
|-----|--------------------------------|------|---|----------------------|-----------------------|------------------------|-----------------------|--------------------|-----------------------|-------------------|----------------------------------|----------------------|--|-------------------------------|---|
| 1 | Postmasters | 251 | 2,236,642 | 39,662 | -7,551 | 0 | 0 | -205,290 | 0 | 0 | 0 | 0 | 2,063,464 | 0 | 2,063,464 |
| 2 | Supervisors & Technicians | 284 | 3,270,351 | 49,170 | -28,892 | 2,912 | 0 | -139,068 | 0 | 0 | 0 | 0 | 3,154,473 | 0 | 3,154,473 |
| 3 | Clerks and Mailhandlers | 478 | 14,147,267 | 456,603 | -189,326 | 856 | 0 | -670,778 | 0 | 199,746 | 0 | 0 | 13,944,369 | -521,804 | 13,422,565 |
| 4 | Clerks, CAG K Post Offices | 254 | 5,205 | 264 | -88 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,381 | 0 | 5,381 |
| 6 | City Delivery Carriers, Office | 256 | 3,705,961 | 47,277 | -69,071 | 998 | 0 | 0 | 0 | 0 | 0 | 0 | 3,685,165 | -223,224 | 3,461,941 |
| 7 | City Delivery Carriers, Street | 257 | 12,190,236 | 155,511 | -67,835 | 25,231 | 0 | -135,976 | 0 | 0 | 0 | 0 | 12,167,167 | -737,009 | 11,430,158 |
| 8 | Vehicle Service Drivers | 258 | 623,961 | 20,963 | -1,697 | 0 | 0 | -114,189 | 0 | 0 | 0 | 0 | 529,038 | -26,451 | 502,587 |
| 10 | Rural Carriers | 260 | 6,852,782 | 320,602 | -651 | 40,470 | 0 | -3,244 | 0 | 0 | 0 | 0 | 7,209,959 | -80,847 | 7,129,111 |
| 11 | Custodial and Maint Svcs | 359 | 3,173,874 | 101,489 | -33,635 | 0 | 0 | -454,127 | 0 | 0 | 0 | 0 | 2,787,601 | -88,708 | 2,698,893 |
| 12 | Motor Vehicle Service | 262 | 1,469,209 | 42,472 | -2,472 | 4,188 | 0 | -7,248 | 0 | 0 | 0 | 0 | 1,506,149 | -16,421 | 1,489,728 |
| 13 | Misc Local Operations | 263 | 393,228 | 2,569 | -1,708 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 394,094 | 0 | 394,094 |
| 14 | Transportation | 264 | 6,752,117 | 185,402 | -96,152 | 0 | 0 | -379,000 | 0 | 165,588 | 0 | 0 | 6,627,954 | 0 | 6,627,954 |
| 15 | Building Occupancy | 289 | 1,845,431 | 51,978 | 0 | 0 | 0 | -49,547 | 0 | 0 | 0 | 0 | 1,847,862 | 0 | 1,847,862 |
| 16 | Supplies and Services | 490 | 2,684,233 | 4,203 | -19,783 | 1,396 | 0 | -161,666 | 0 | 4,000 | 0 | 0 | 2,512,384 | 0 | 2,512,384 |
| 17 | Research and Development | 267 | 17,253 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,253 | 0 | 17,253 |
| 18 | Admin and Area Operations | 459 | 11,008,862 | 17,825 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,115,907 | 13,142,594 | 0 | 13,142,594 |
| 19 | General Mgmt Systems | 269 | 77,737 | 1,006 | 0 | 0 | 0 | -351 | 0 | 0 | 0 | 0 | 78,392 | 0 | 78,392 |
| 20 | Other Accrued Expenses | 475 | 2,440,897 | 1,513 | -1,995 | 0 | 0 | 0 | 0 | 0 | 0 | 38,254 | 2,478,669 | 0 | 2,478,669 |
| | Total All C/S | | 72,895,247 | 1,498,509 | -520,855 | 76,056 | 0 | -2,320,483 | 0 | 369,334 | 0 | 2,154,161 | 74,151,968 | -1,694,464 | 72,457,505 |

**US Postal Service
R2010-4R
Contribution by Class of Mail - FY2013**

| | | Revenue (in millions) | Volume (in millions) | Attributable Cost (in millions) | Volume Variable Cost (in millions) | Product Specific Cost (in millions) | Revenue \$ (per piece) | Attributable Cost \$ (per piece) | Contribution \$ (per piece) | Cost Coverage |
|--|------------|--------------------------|-------------------------|---------------------------------------|--|---|---------------------------|--|--------------------------------|---------------|
| DOMESTIC MARKET DOMINANT PRODUCTS | | | | | | | | | | |
| First-Class Mail | | | | | | | | | | |
| Single Piece Letters | 3 | \$10,250 | 21,697 | \$5,670 | \$5,634 | \$37 | \$0.472 | \$0.261 | \$0.211 | 180.8% |
| Single Piece Postcards | 4 | \$350 | 1,041 | \$252 | \$250 | \$2 | \$0.336 | \$0.242 | \$0.094 | 138.8% |
| Total Single Piece Letters and Cards | 5 | \$10,600 | 22,737 | \$5,922 | \$5,884 | \$39 | \$0.466 | \$0.260 | \$0.206 | 179.0% |
| Presort Letters | 8 | \$14,366 | 38,814 | \$4,584 | \$4,567 | \$17 | \$0.370 | \$0.118 | \$0.252 | 313.4% |
| Presort Postcards | 9 | \$591 | 2,434 | \$192 | \$191 | \$1 | \$0.243 | \$0.079 | \$0.164 | 307.5% |
| Total Presort Letters and Cards | 10 | \$14,957 | 41,248 | \$4,776 | \$4,758 | \$18 | \$0.363 | \$0.116 | \$0.247 | 313.1% |
| Flats | 14 | \$2,525 | 1,911 | \$1,592 | \$1,592 | \$1 | \$1.322 | \$0.833 | \$0.488 | 158.6% |
| Parcels | 19 | \$584 | 248 | \$532 | \$531 | \$0 | \$2.352 | \$2.143 | \$0.209 | 109.8% |
| Fees | 18 | \$136 | 0 | \$0 | \$0 | \$0 | | | | |
| Total First-Class | 100 | \$28,802 | 66,144 | \$12,823 | \$12,765 | \$58 | \$0.435 | \$0.194 | \$0.242 | 224.6% |
| Standard Mail | | | | | | | | | | |
| High Density and Saturation Letters | 21 | \$797 | 5,624 | \$333 | \$329 | \$4 | \$0.142 | \$0.059 | \$0.083 | 239.4% |
| High Density and Saturation Flats and Parcels | 22 | \$2,066 | 12,335 | \$898 | \$889 | \$9 | \$0.167 | \$0.073 | \$0.095 | 230.1% |
| Carrier Route | 23 | \$2,411 | 9,679 | \$1,732 | \$1,725 | \$7 | \$0.249 | \$0.179 | \$0.070 | 139.2% |
| Letters | 25 | \$9,396 | 47,352 | \$4,912 | \$4,875 | \$36 | \$0.198 | \$0.104 | \$0.095 | 191.3% |
| Flats | 26 | \$2,146 | 5,594 | \$2,468 | \$2,464 | \$5 | \$0.384 | \$0.441 | -\$0.058 | 87.0% |
| Not Flat-Machinables and Parcels | 27 | \$71 | 72 | \$77 | \$76 | \$0 | \$0.993 | \$1.067 | -\$0.073 | 93.1% |
| Fees | 29 | \$58 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Standard Mail | 105 | \$16,945 | 80,656 | \$10,419 | \$10,358 | \$61 | \$0.210 | \$0.129 | \$0.081 | 162.6% |
| Periodicals | | | | | | | | | | |
| In County | 31 | \$65 | 598 | \$85 | \$85 | \$0 | \$0.108 | \$0.143 | -\$0.035 | 75.7% |
| Outside County | 32 | \$1,595 | 5,784 | \$2,080 | \$2,080 | \$1 | \$0.276 | \$0.360 | -\$0.084 | 76.7% |
| Fees | 39 | \$8 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Periodicals | 110 | \$1,667 | 6,382 | \$2,166 | \$2,165 | \$1 | \$0.261 | \$0.339 | -\$0.078 | 77.0% |
| Package Services | | | | | | | | | | |
| Single Piece Parcel Post | 41 | \$717 | 57 | \$725 | \$725 | \$0 | \$12.640 | \$12.781 | -\$0.141 | 98.9% |
| Bound Printed Matter Flats | 42 | \$188 | 234 | \$134 | \$134 | \$0 | \$0.803 | \$0.574 | \$0.229 | 139.9% |
| Bound Printed Matter Parcels | 43 | \$276 | 218 | \$242 | \$242 | \$0 | \$1.270 | \$1.110 | \$0.160 | 114.4% |
| Media and Library Mail | 44 | \$310 | 93 | \$341 | \$341 | \$0 | \$3.326 | \$3.661 | -\$0.335 | 90.9% |
| Fees | 49 | \$3 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Package Services | 115 | \$1,493 | 601 | \$1,441 | \$1,441 | \$0 | \$2.484 | \$2.397 | \$0.086 | 103.6% |
| U.S. Postal Service | 125 | \$0 | 495 | \$0 | \$0 | \$0 | \$0.000 | \$0.000 | | |
| Free Mail | 130 | \$0 | 53 | \$35 | \$35 | \$0 | \$0.000 | \$0.666 | | |
| Total Domestic Market Dominant Mail | 135 | \$48,908 | 154,330 | \$26,884 | \$26,764 | \$120 | \$0.317 | \$0.174 | \$0.143 | 181.9% |
| Special Services | | | | | | | | | | |
| Ancillary Services | | | | | | | | | | |
| Certified | 51 | \$706 | 0 | \$583 | \$582 | \$0 | \$3.056 | | | |
| COD | 52 | \$5 | 0 | \$2 | \$2 | \$0 | \$9.149 | | | |
| Insurance | 54 | \$110 | 0 | \$90 | \$90 | \$0 | \$3.794 | | | |
| Registered Mail | 55 | \$32 | 0 | \$21 | \$21 | \$0 | \$17.177 | | | |
| Stamped Envelopes | 56 | \$22 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Stamped Cards | 57 | \$1 | 0 | \$1 | \$1 | \$0 | \$0.000 | | | |
| Other Ancillary Services | 58 | \$529 | 0 | \$432 | \$431 | \$1 | \$0.220 | | | |
| Address Management Services | 61 | \$16 | 0 | \$7 | \$0 | \$7 | \$0.000 | | | |
| Caller Service | 62 | \$96 | 0 | \$26 | \$26 | \$0 | \$0.000 | | | |
| Money Orders | 73 | \$158 | 0 | \$99 | \$96 | \$3 | \$1.540 | | | |
| Post Office Box Service | 74 | \$357 | 0 | \$280 | \$276 | \$5 | \$0.000 | | | |
| Other Special Services | 76 | \$0 | 0 | \$0 | \$0 | \$0 | \$0.000 | | | |
| All Other Special Services | 191 | \$19 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Total Domestic Market Dominant Services | 140 | \$2,049 | 0 | \$1,556 | \$1,540 | \$16 | \$0.741 | | | |
| Total Domestic Market Dominant Attributable Costs | 143 | \$50,957 | 154,330 | \$28,440 | \$28,304 | \$136 | \$0.324 | \$0.181 | \$0.143 | 179.2% |
| DOMESTIC COMPETITIVE PRODUCTS | | | | | | | | | | |
| Total Domestic Competitive Mail | 175 | \$11,107 | 2,789 | \$7,944 | \$7,827 | \$118 | \$3.983 | \$2.849 | \$1.134 | 139.8% |
| INTERNATIONAL MAIL AND SERVICES | | | | | | | | | | |
| Total International Mail and Services | 185 | \$2,995 | 917 | \$2,046 | \$1,982 | \$64 | \$3.265 | \$2.230 | \$1.035 | 146.4% |
| TOTAL ATTRIBUTABLE COSTS | 198 | \$65,058 | 158,036 | \$38,430 | \$38,112 | \$317 | \$0.405 | \$0.239 | \$0.166 | 169.3% |
| OTHER COSTS | 199 | \$1,044 | 0 | \$33,230 | \$33,547 | -\$317 | | | | |
| TOTAL COSTS | 200 | \$66,102 | 158,036 | \$71,659 | \$71,659 | \$0 | | | | |

R2010-4R

Contribution by Class of Mail - FY2014 Before Rates

| | | Revenue (in millions) | Volume (in millions) | Attributable Cost (in millions) | Volume Variable Cost (in millions) | Product Specific Cost (in millions) | Revenue \$ (per piece) | Attributable Cost \$ (per piece) | Contribution \$ (per piece) | Cost Coverage |
|--|------------|--------------------------|-------------------------|---------------------------------------|--|---|---------------------------|--|--------------------------------|---------------|
| DOMESTIC MARKET DOMINANT PRODUCTS | | | | | | | | | | |
| First-Class Mail | | | | | | | | | | |
| Single Piece Letters | 3 | \$9,517 | 19,993 | \$5,171 | \$5,134 | \$37 | \$0.476 | \$0.259 | \$0.217 | 184.1% |
| Single Piece Postcards | 4 | \$336 | 980 | \$235 | \$233 | \$2 | \$0.343 | \$0.240 | \$0.103 | 143.0% |
| Total Single Piece Letters and Cards | 5 | \$9,854 | 20,973 | \$5,406 | \$5,367 | \$39 | \$0.470 | \$0.258 | \$0.212 | 182.3% |
| Presort Letters | 8 | \$13,870 | 37,095 | \$4,337 | \$4,320 | \$17 | \$0.374 | \$0.117 | \$0.257 | 319.8% |
| Presort Postcards | 9 | \$568 | 2,325 | \$183 | \$181 | \$1 | \$0.244 | \$0.079 | \$0.166 | 311.0% |
| Total Presort Letters and Cards | 10 | \$14,438 | 39,420 | \$4,520 | \$4,501 | \$18 | \$0.366 | \$0.115 | \$0.252 | 319.4% |
| Flats | 14 | \$2,380 | 1,795 | \$1,479 | \$1,478 | \$1 | \$1.326 | \$0.824 | \$0.502 | 161.0% |
| Parcels | 19 | \$616 | 257 | \$543 | \$543 | \$0 | \$2.402 | \$2.117 | \$0.285 | 113.4% |
| Fees | 18 | \$132 | 0 | \$0 | \$0 | \$0 | | | | |
| Total First-Class | 100 | \$27,420 | 62,444 | \$11,947 | \$11,889 | \$58 | \$0.439 | \$0.191 | \$0.248 | 229.5% |
| Standard Mail | | | | | | | | | | |
| High Density and Saturation Letters | 21 | \$809 | 5,619 | \$331 | \$327 | \$4 | \$0.144 | \$0.059 | \$0.085 | 244.2% |
| High Density and Saturation Flats and Parcels | 22 | \$2,108 | 12,496 | \$919 | \$910 | \$9 | \$0.169 | \$0.074 | \$0.095 | 229.2% |
| Carrier Route | 23 | \$2,443 | 9,652 | \$1,728 | \$1,721 | \$7 | \$0.253 | \$0.179 | \$0.074 | 141.4% |
| Letters | 25 | \$9,722 | 48,432 | \$4,977 | \$4,941 | \$36 | \$0.201 | \$0.103 | \$0.098 | 195.3% |
| Flats | 26 | \$2,168 | 5,588 | \$2,445 | \$2,440 | \$5 | \$0.388 | \$0.437 | -\$0.050 | 88.7% |
| Not Flat-Machinables and Parcels | 27 | \$69 | 69 | \$74 | \$74 | \$0 | \$1.005 | \$1.072 | -\$0.067 | 93.7% |
| Fees | 29 | \$57 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Standard Mail | 105 | \$17,376 | 81,856 | \$10,475 | \$10,414 | \$61 | \$0.212 | \$0.128 | \$0.084 | 165.9% |
| Periodicals | | | | | | | | | | |
| In County | 31 | \$63 | 577 | \$83 | \$83 | \$0 | \$0.109 | \$0.144 | -\$0.035 | 75.9% |
| Outside County | 32 | \$1,548 | 5,553 | \$1,989 | \$1,989 | \$1 | \$0.279 | \$0.358 | -\$0.080 | 77.8% |
| Fees | 39 | \$7 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Periodicals | 110 | \$1,618 | 6,130 | \$2,073 | \$2,072 | \$1 | \$0.264 | \$0.338 | -\$0.074 | 78.1% |
| Package Services | | | | | | | | | | |
| Single Piece Parcel Post | 41 | \$724 | 50 | \$686 | \$686 | \$0 | \$14.480 | \$13.724 | \$0.757 | 105.5% |
| Bound Printed Matter Flats | 42 | \$187 | 232 | \$132 | \$132 | \$0 | \$0.805 | \$0.569 | \$0.236 | 141.5% |
| Bound Printed Matter Parcels | 43 | \$284 | 221 | \$248 | \$248 | \$0 | \$1.284 | \$1.120 | \$0.164 | 114.7% |
| Media and Library Mail | 44 | \$287 | 85 | \$317 | \$317 | \$0 | \$3.363 | \$3.710 | -\$0.347 | 90.6% |
| Fees | 49 | \$2 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Package Services | 115 | \$1,483 | 588 | \$1,382 | \$1,382 | \$0 | \$2.521 | \$2.349 | \$0.172 | 107.3% |
| U.S. Postal Service | 125 | \$0 | 463 | \$0 | \$0 | \$0 | \$0.000 | \$0.000 | | |
| Free Mail | 130 | \$0 | 52 | \$34 | \$34 | \$0 | \$0.000 | \$0.657 | | |
| Total Domestic Market Dominant Mail | 135 | \$47,897 | 151,535 | \$25,911 | \$25,791 | \$120 | \$0.316 | \$0.171 | \$0.145 | 184.9% |
| Special Services | | | | | | | | | | |
| Ancillary Services | | | | | | | | | | |
| Certified | 51 | \$714 | 0 | \$593 | \$593 | \$0 | \$3.101 | | | |
| COD | 52 | \$4 | 0 | \$2 | \$2 | \$0 | \$9.414 | | | |
| Insurance | 54 | \$100 | 0 | \$10 | \$10 | \$0 | \$3.861 | | | |
| Registered Mail | 55 | \$29 | 0 | \$18 | \$18 | \$0 | \$17.337 | | | |
| Stamped Envelopes | 56 | \$19 | 0 | \$6 | \$6 | \$0 | \$0.000 | | | |
| Stamped Cards | 57 | \$1 | 0 | \$1 | \$1 | \$0 | \$0.000 | | | |
| Other Ancillary Services | 58 | \$512 | 0 | \$474 | \$474 | \$1 | \$0.198 | | | |
| Address Management Services | 61 | \$16 | 0 | \$7 | \$0 | \$7 | \$0.000 | | | |
| Caller Service | 62 | \$98 | 0 | \$26 | \$26 | \$0 | \$0.000 | | | |
| Money Orders | 73 | \$152 | 0 | \$96 | \$93 | \$3 | \$1.574 | | | |
| Post Office Box Service | 74 | \$375 | 0 | \$275 | \$270 | \$5 | \$0.000 | | | |
| Other Special Services | 76 | \$0 | 0 | \$0 | \$0 | \$0 | \$0.000 | | | |
| All Other Special Services | 191 | \$19 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Total Domestic Market Dominant Services | 140 | \$2,039 | 0 | \$1,517 | \$1,501 | \$16 | \$0.694 | | | |
| Total Domestic Market Dominant Attributable Costs | 143 | \$49,936 | 151,535 | \$27,428 | \$27,292 | \$136 | \$0.323 | \$0.178 | \$0.146 | 182.1% |
| DOMESTIC COMPETITIVE PRODUCTS | | | | | | | | | | |
| Total Domestic Competitive Mail | 175 | \$12,048 | 3,144 | \$8,315 | \$8,197 | \$118 | \$3.832 | \$2.645 | \$1.187 | 144.9% |
| INTERNATIONAL MAIL AND SERVICES | | | | | | | | | | |
| Total International Mail and Services | 185 | \$3,059 | 869 | \$1,933 | \$1,869 | \$64 | \$3.520 | \$2.225 | \$1.295 | 158.2% |
| TOTAL ATTRIBUTABLE COSTS | 198 | \$65,042 | 155,547 | \$37,676 | \$37,358 | \$318 | \$0.410 | \$0.238 | \$0.173 | 172.6% |
| OTHER COSTS | 199 | \$820 | 0 | \$34,890 | \$35,208 | -\$318 | | | | |
| TOTAL COSTS | 200 | \$65,863 | 155,547 | \$72,566 | \$72,566 | \$0 | | | | |

R2010-4R

Contribution by Class of Mail - FY2014 After Rates - CPI 1.6%

(January 26, 2014 Implementation)

| | | Revenue (in millions) | Volume (in millions) | Attributable Cost (in millions) | Volume Variable Cost (in millions) | Product Specific Cost (in millions) | Revenue \$ (per piece) | Attributable Cost \$ (per piece) | Contribution \$ (per piece) | Cost Coverage |
|--|------------|--------------------------|-------------------------|---------------------------------------|--|---|---------------------------|--|--------------------------------|---------------|
| DOMESTIC MARKET DOMINANT PRODUCTS | | | | | | | | | | |
| First-Class Mail | | | | | | | | | | |
| Single Piece Letters | 3 | \$9,582 | 19,978 | \$5,170 | \$5,133 | \$37 | \$0.480 | \$0.259 | \$0.221 | 185.3% |
| Single Piece Postcards | 4 | \$336 | 980 | \$235 | \$233 | \$2 | \$0.343 | \$0.240 | \$0.103 | 143.0% |
| Total Single Piece Letters and Cards | 5 | \$9,918 | 20,958 | \$5,405 | \$5,367 | \$39 | \$0.473 | \$0.258 | \$0.215 | 183.5% |
| Presort Letters | 8 | \$13,952 | 36,980 | \$4,326 | \$4,309 | \$17 | \$0.377 | \$0.117 | \$0.260 | 322.5% |
| Presort Postcards | 9 | \$575 | 2,313 | \$182 | \$181 | \$1 | \$0.249 | \$0.079 | \$0.170 | 316.4% |
| Total Presort Letters and Cards | 10 | \$14,527 | 39,293 | \$4,508 | \$4,490 | \$18 | \$0.370 | \$0.115 | \$0.255 | 322.3% |
| Flats | 14 | \$2,395 | 1,793 | \$1,478 | \$1,477 | \$1 | \$1.336 | \$0.824 | \$0.512 | 162.1% |
| Parcels | 19 | \$630 | 252 | \$534 | \$533 | \$0 | \$2.502 | \$2.119 | \$0.383 | 118.1% |
| Fees | 18 | \$133 | 0 | \$0 | \$0 | \$0 | | | | |
| Total First-Class | 100 | \$27,603 | 62,295 | \$11,925 | \$11,867 | \$58 | \$0.443 | \$0.191 | \$0.252 | 231.5% |
| Standard Mail | | | | | | | | | | |
| High Density and Saturation Letters | 21 | \$811 | 5,601 | \$330 | \$326 | \$4 | \$0.145 | \$0.059 | \$0.086 | 245.3% |
| High Density and Saturation Flats and Parcels | 22 | \$2,114 | 12,459 | \$917 | \$908 | \$9 | \$0.170 | \$0.074 | \$0.096 | 230.5% |
| Carrier Route | 23 | \$2,460 | 9,614 | \$1,723 | \$1,716 | \$7 | \$0.256 | \$0.179 | \$0.077 | 142.8% |
| Letters | 25 | \$9,777 | 48,271 | \$4,964 | \$4,928 | \$36 | \$0.203 | \$0.103 | \$0.100 | 197.0% |
| Flats | 26 | \$2,186 | 5,566 | \$2,437 | \$2,432 | \$5 | \$0.393 | \$0.438 | -\$0.045 | 89.7% |
| Not Flat-Machinables and Parcels | 27 | \$70 | 69 | \$74 | \$73 | \$0 | \$1.017 | \$1.073 | -\$0.056 | 94.8% |
| Fees | 29 | \$57 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Standard Mail | 105 | \$17,474 | 81,579 | \$10,445 | \$10,383 | \$61 | \$0.214 | \$0.128 | \$0.086 | 167.3% |
| Periodicals | | | | | | | | | | |
| In County | 31 | \$64 | 577 | \$83 | \$83 | \$0 | \$0.111 | \$0.144 | -\$0.034 | 76.7% |
| Outside County | 32 | \$1,562 | 5,548 | \$1,989 | \$1,988 | \$1 | \$0.281 | \$0.358 | -\$0.077 | 78.5% |
| Fees | 39 | \$7 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Periodicals | 110 | \$1,633 | 6,125 | \$2,072 | \$2,071 | \$1 | \$0.267 | \$0.338 | -\$0.072 | 78.8% |
| Package Services | | | | | | | | | | |
| Single Piece Parcel Post | 41 | \$724 | 50 | \$686 | \$686 | \$0 | \$14.487 | \$13.730 | \$0.758 | 105.5% |
| Bound Printed Matter Flats | 42 | \$187 | 232 | \$132 | \$132 | \$0 | \$0.807 | \$0.569 | \$0.237 | 141.7% |
| Bound Printed Matter Parcels | 43 | \$286 | 220 | \$247 | \$247 | \$0 | \$1.299 | \$1.121 | \$0.178 | 115.9% |
| Media and Library Mail | 44 | \$289 | 85 | \$315 | \$315 | \$0 | \$3.409 | \$3.712 | -\$0.303 | 91.8% |
| Fees | 49 | \$2 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Package Services | 115 | \$1,488 | 587 | \$1,379 | \$1,379 | \$0 | \$2.535 | \$2.351 | \$0.184 | 107.8% |
| U.S. Postal Service | 125 | \$0 | 463 | \$0 | \$0 | \$0 | \$0.000 | \$0.000 | | |
| Free Mail | 130 | \$0 | 52 | \$34 | \$34 | \$0 | \$0.000 | \$0.657 | | |
| Total Domestic Market Dominant Mail | 135 | \$48,198 | 151,101 | \$25,855 | \$25,735 | \$120 | \$0.319 | \$0.171 | \$0.148 | 186.4% |
| Special Services | | | | | | | | | | |
| Ancillary Services | | | | | | | | | | |
| Certified | 51 | \$721 | 0 | \$593 | \$592 | \$0 | \$3.135 | | | |
| COD | 52 | \$4 | 0 | \$2 | \$2 | \$0 | \$9.677 | | | |
| Insurance | 54 | \$102 | 0 | \$10 | \$10 | \$0 | \$3.934 | | | |
| Registered Mail | 55 | \$30 | 0 | \$18 | \$18 | \$0 | \$17.590 | | | |
| Stamped Envelopes | 56 | \$19 | 0 | \$6 | \$6 | \$0 | \$0.000 | | | |
| Stamped Cards | 57 | \$1 | 0 | \$1 | \$1 | \$0 | \$0.000 | | | |
| Other Ancillary Services | 58 | \$504 | 0 | \$453 | \$452 | \$1 | \$0.200 | | | |
| Address Management Services | 61 | \$16 | 0 | \$7 | \$0 | \$7 | \$0.000 | | | |
| Caller Service | 62 | \$99 | 0 | \$26 | \$26 | \$0 | \$0.000 | | | |
| Money Orders | 73 | \$152 | 0 | \$96 | \$93 | \$3 | \$1.574 | | | |
| Post Office Box Service | 74 | \$381 | 0 | \$275 | \$270 | \$5 | \$0.000 | | | |
| Other Special Services | 76 | \$0 | 0 | \$0 | \$0 | \$0 | \$0.000 | | | |
| All Other Special Services | 191 | \$19 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Total Domestic Market Dominant Services | 140 | \$2,047 | 0 | \$1,495 | \$1,479 | \$16 | \$0.712 | | | |
| Total Domestic Market Dominant Attributable Costs | 143 | \$50,245 | 151,101 | \$27,350 | \$27,214 | \$136 | \$0.326 | \$0.178 | \$0.149 | 183.7% |
| DOMESTIC COMPETITIVE PRODUCTS | | | | | | | | | | |
| Total Domestic Competitive Mail | 175 | \$12,048 | 3,144 | \$8,318 | \$8,201 | \$118 | \$3.832 | \$2.646 | \$1.186 | 144.8% |
| INTERNATIONAL MAIL AND SERVICES | | | | | | | | | | |
| TOTAL ATTRIBUTABLE COSTS | 198 | \$65,354 | 155,112 | \$37,599 | \$37,282 | \$318 | \$0.414 | \$0.238 | \$0.176 | 173.8% |
| OTHER COSTS | 199 | \$820 | 0 | \$34,899 | \$35,217 | -\$318 | | | | |
| TOTAL COSTS | 200 | \$66,174 | 155,112 | \$72,498 | \$72,498 | \$0 | | | | |

R2010-4R

Contribution by Class of Mail - FY2014 After Rates CPI - 1.6% - Full Year

(October 1, 2013 Implementation)

| | | Revenue (in millions) | Volume (in millions) | Attributable Cost (in millions) | Volume Variable Cost (in millions) | Product Specific Cost (in millions) | Revenue \$ (per piece) | Attributable Cost \$ (per piece) | Contribution \$ (per piece) | Cost Coverage |
|--|------------|--------------------------|-------------------------|---------------------------------------|--|---|---------------------------|--|--------------------------------|---------------|
| DOMESTIC MARKET DOMINANT PRODUCTS | | | | | | | | | | |
| First-Class Mail | | | | | | | | | | |
| Single Piece Letters | 3 | \$9,616 | 19,966 | \$5,169 | \$5,132 | \$37 | \$0.482 | \$0.259 | \$0.223 | 186.0% |
| Single Piece Postcards | 4 | \$337 | 980 | \$235 | \$233 | \$2 | \$0.344 | \$0.240 | \$0.103 | 143.0% |
| Total Single Piece Letters and Cards | 5 | \$9,953 | 20,946 | \$5,404 | \$5,366 | \$39 | \$0.475 | \$0.258 | \$0.217 | 184.2% |
| Presort Letters | 8 | \$13,987 | 36,913 | \$4,320 | \$4,303 | \$17 | \$0.379 | \$0.117 | \$0.262 | 323.8% |
| Presort Postcards | 9 | \$578 | 2,306 | \$181 | \$180 | \$1 | \$0.251 | \$0.079 | \$0.172 | 319.1% |
| Total Presort Letters and Cards | 10 | \$14,565 | 39,218 | \$4,501 | \$4,483 | \$18 | \$0.371 | \$0.115 | \$0.257 | 323.6% |
| Flats | 14 | \$2,403 | 1,791 | \$1,477 | \$1,476 | \$1 | \$1.341 | \$0.825 | \$0.517 | 162.7% |
| Parcels | 19 | \$638 | 250 | \$529 | \$529 | \$0 | \$2.554 | \$2.120 | \$0.435 | 120.5% |
| Fees | 18 | \$133 | 0 | \$0 | \$0 | \$0 | | | | |
| Total First-Class | 100 | \$27,692 | 62,206 | \$11,912 | \$11,854 | \$58 | \$0.445 | \$0.191 | \$0.254 | 232.5% |
| Standard Mail | | | | | | | | | | |
| High Density and Saturation Letters | 21 | \$811 | 5,589 | \$330 | \$326 | \$4 | \$0.145 | \$0.059 | \$0.086 | 245.8% |
| High Density and Saturation Flats and Parcels | 22 | \$2,116 | 12,433 | \$916 | \$907 | \$9 | \$0.170 | \$0.074 | \$0.097 | 231.1% |
| Carrier Route | 23 | \$2,467 | 9,588 | \$1,719 | \$1,712 | \$7 | \$0.257 | \$0.179 | \$0.078 | 143.5% |
| Letters | 25 | \$9,798 | 48,164 | \$4,955 | \$4,918 | \$36 | \$0.203 | \$0.103 | \$0.101 | 197.8% |
| Flats | 26 | \$2,193 | 5,551 | \$2,431 | \$2,427 | \$5 | \$0.395 | \$0.438 | -\$0.043 | 90.2% |
| Not Flat-Machinables and Parcels | 27 | \$70 | 68 | \$73 | \$73 | \$0 | \$1.023 | \$1.073 | -\$0.050 | 95.3% |
| Fees | 29 | \$57 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Standard Mail | 105 | \$17,512 | 81,395 | \$10,424 | \$10,362 | \$61 | \$0.215 | \$0.128 | \$0.087 | 168.0% |
| Periodicals | | | | | | | | | | |
| In County | 31 | \$64 | 577 | \$83 | \$83 | \$0 | \$0.111 | \$0.144 | -\$0.033 | 77.1% |
| Outside County | 32 | \$1,568 | 5,545 | \$1,989 | \$1,988 | \$1 | \$0.283 | \$0.359 | -\$0.076 | 78.9% |
| Fees | 39 | \$7 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Periodicals | 110 | \$1,640 | 6,122 | \$2,072 | \$2,071 | \$1 | \$0.268 | \$0.338 | -\$0.071 | 79.2% |
| Package Services | | | | | | | | | | |
| Single Piece Parcel Post | 41 | \$724 | 50 | \$686 | \$686 | \$0 | \$14.491 | \$13.733 | \$0.758 | 105.5% |
| Bound Printed Matter Flats | 42 | \$187 | 231 | \$132 | \$132 | \$0 | \$0.808 | \$0.570 | \$0.238 | 141.8% |
| Bound Printed Matter Parcels | 43 | \$287 | 220 | \$246 | \$246 | \$0 | \$1.306 | \$1.121 | \$0.185 | 116.5% |
| Media and Library Mail | 44 | \$289 | 84 | \$313 | \$313 | \$0 | \$3.432 | \$3.714 | -\$0.281 | 92.4% |
| Fees | 49 | \$2 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Package Services | 115 | \$1,489 | 585 | \$1,377 | \$1,377 | \$0 | \$2.544 | \$2.353 | \$0.191 | 108.1% |
| U.S. Postal Service | 125 | \$0 | 463 | \$0 | \$0 | \$0 | \$0.000 | \$0.000 | | |
| Free Mail | 130 | \$0 | 52 | \$34 | \$34 | \$0 | \$0.000 | \$0.657 | | |
| Total Domestic Market Dominant Mail | 135 | \$48,333 | 150,823 | \$25,819 | \$25,699 | \$120 | \$0.320 | \$0.171 | \$0.149 | 187.2% |
| Special Services | | | | | | | | | | |
| Ancillary Services | | | | | | | | | | |
| Certified | 51 | \$724 | 0 | \$592 | \$592 | \$0 | \$3.151 | | | |
| COD | 52 | \$4 | 0 | \$2 | \$2 | \$0 | \$9.805 | | | |
| Insurance | 54 | \$103 | 0 | \$10 | \$10 | \$0 | \$3.979 | | | |
| Registered Mail | 55 | \$30 | 0 | \$18 | \$18 | \$0 | \$17.715 | | | |
| Stamped Envelopes | 56 | \$19 | 0 | \$6 | \$6 | \$0 | \$0.000 | | | |
| Stamped Cards | 57 | \$1 | 0 | \$1 | \$1 | \$0 | \$0.000 | | | |
| Other Ancillary Services | 58 | \$500 | 0 | \$442 | \$441 | \$1 | \$0.201 | | | |
| Address Management Services | 61 | \$16 | 0 | \$7 | \$0 | \$7 | \$0.000 | | | |
| Caller Service | 62 | \$100 | 0 | \$26 | \$26 | \$0 | \$0.000 | | | |
| Money Orders | 73 | \$152 | 0 | \$96 | \$93 | \$3 | \$1.574 | | | |
| Post Office Box Service | 74 | \$383 | 0 | \$275 | \$270 | \$5 | \$0.000 | | | |
| Other Special Services | 76 | \$0 | 0 | \$0 | \$0 | \$0 | \$0.000 | | | |
| All Other Special Services | 191 | \$19 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Total Domestic Market Dominant Services | 140 | \$2,050 | 0 | \$1,484 | \$1,468 | \$16 | \$0.722 | | | |
| Total Domestic Market Dominant Attributable Costs | 143 | \$50,383 | 150,823 | \$27,302 | \$27,166 | \$136 | \$0.328 | \$0.178 | \$0.150 | 184.5% |
| DOMESTIC COMPETITIVE PRODUCTS | | | | | | | | | | |
| Total Domestic Competitive Mail | 175 | \$12,048 | 3,144 | \$8,321 | \$8,203 | \$118 | \$3.832 | \$2.647 | \$1.186 | 144.8% |
| INTERNATIONAL MAIL AND SERVICES | | | | | | | | | | |
| TOTAL ATTRIBUTABLE COSTS | 198 | \$65,492 | 154,834 | \$37,553 | \$37,235 | \$318 | \$0.415 | \$0.238 | \$0.177 | 174.4% |
| OTHER COSTS | 199 | \$820 | 0 | \$34,904 | \$35,222 | -\$318 | | | | |
| TOTAL COSTS | 200 | \$66,313 | 154,834 | \$72,458 | \$72,458 | \$0 | | | | |

| |
|---|
| CPI 1.6% - MARKET DOMINANT RATE INCREASE |
|---|

| MAILING SERVICE PRODUCT CONTRIBUTION & COST COVERAGE ANALYSIS | | | | | |
|--|----------------------|--------------------|--------------------------|----------------------|----------------------|
| Fiscal Year 2014 | FY2014 | FY2014 | FY2014 | FY2014 | FY2014 |
| January 26, 2014 Implementation | Revenue | Volume | Attributable Cost | Contribution | Cost Coverage |
| | (000's) | (000's) | (000's) | (000's) | |
| First Class Mail | | | | | |
| Current Prices | \$ 27,419,815 | 62,444,044 | \$ 11,947,221 | \$ 15,472,594 | 229.5% |
| New Prices | \$ 27,603,451 | 62,295,216 | \$ 11,924,774 | \$ 15,678,677 | 231.5% |
| Change | \$ 183,636 | (148,827) | \$ (22,447) | \$ 206,083 | |
| Standard Mail | | | | | |
| Current Prices | \$ 17,375,949 | 81,856,429 | \$ 10,475,029 | \$ 6,900,920 | 165.9% |
| New Prices | \$ 17,474,371 | 81,578,886 | \$ 10,444,537 | \$ 7,029,834 | 167.3% |
| Change | \$ 98,422 | (277,543) | \$ (30,492) | \$ 128,913 | |
| Periodicals | | | | | |
| Current Prices | \$ 1,618,401 | 6,130,490 | \$ 2,072,568 | \$ (454,167) | 78.1% |
| New Prices | \$ 1,632,801 | 6,124,648 | \$ 2,071,938 | \$ (439,137) | 78.8% |
| Change | \$ 14,401 | (5,842) | \$ (630) | \$ 15,030 | |
| Package Services | | | | | |
| Current Prices | \$ 792,132 | 539,557 | \$ 710,939 | \$ 81,192 | 111.4% |
| New Prices | \$ 796,538 | 537,907 | \$ 707,933 | \$ 88,605 | 112.5% |
| Change | \$ 4,407 | (1,651) | \$ (3,006) | \$ 7,413 | |
| Total Domestic Special Services | | | | | |
| Current Prices | \$ 2,038,703 | - | \$ 1,516,783 | \$ 521,920 | 134.4% |
| New Prices | \$ 2,047,094 | - | \$ 1,494,836 | \$ 552,258 | 136.9% |
| Change | \$ 8,391 | | \$ (21,947) | \$ 30,338 | |
| International | | | | | |
| Current Prices | \$ 596,795 | 576,179 | \$ 774,084 | \$ (177,289) | 77.1% |
| New Prices | \$ 598,595 | 575,118 | \$ 773,369 | \$ (174,773) | 77.4% |
| Change | \$ 1,800 | (1,062) | \$ (715) | \$ 2,516 | |
| Total Market Dominant Products (Current) | \$ 49,841,795 | 151,546,699 | \$ 27,496,624 | \$ 22,345,171 | 181.3% |
| Total Market Dominant Products (New) | \$ 50,152,852 | 151,111,774 | \$ 27,417,387 | \$ 22,735,464 | 182.9% |
| Differences | \$ 311,056 | (434,924) | \$ (79,237) | \$ 390,293 | |

* Excludes Free Mail and US Postal Mail

| |
|---|
| CPI 1.6% - MARKET DOMINANT RATE INCREASE |
|---|

| |
|--|
| MAILING SERVICE PRODUCT CONTRIBUTION & COST COVERAGE ANALYSIS |
|--|

| Fiscal Year 2014 | FY2014 | FY2014 | FY2014 | FY2014 | FY2014 |
|---|--------------------|-------------------|------------------------------|-------------------------|------------------|
| October 1, 2013 Implementation | Revenue (000's) | Volume (000's) | Attributable Cost (000's) | Contribution (000's) | Cost Coverage |
| First Class Mail | | | | | |
| Current Prices | \$ 27,419,815 | 62,444,044 | \$ 11,947,221 | \$ 15,472,594 | 229.5% |
| New Prices | \$ 27,692,010 | 62,205,622 | \$ 11,911,657 | \$ 15,780,353 | 232.5% |
| Change | \$ 272,195 | (238,422) | \$ (35,564) | \$ 307,759 | |
| Standard Mail | | | | | |
| Current Prices | \$ 17,375,949 | 81,856,429 | \$ 10,475,029 | \$ 6,900,920 | 165.9% |
| New Prices | \$ 17,512,078 | 81,394,621 | \$ 10,423,822 | \$ 7,088,257 | 168.0% |
| Change | \$ 136,129 | (461,807) | \$ (51,207) | \$ 187,337 | |
| Periodicals | | | | | |
| Current Prices | \$ 1,618,401 | 6,130,490 | \$ 2,072,568 | \$ (454,167) | 78.1% |
| New Prices | \$ 1,639,915 | 6,121,808 | \$ 2,071,787 | \$ (431,872) | 79.2% |
| Change | \$ 21,514 | (8,682) | \$ (781) | \$ 22,295 | |
| Package Services | | | | | |
| Current Prices | \$ 792,132 | 539,557 | \$ 710,939 | \$ 81,192 | 111.4% |
| New Prices | \$ 798,004 | 536,617 | \$ 705,693 | \$ 92,310 | 113.1% |
| Change | \$ 5,872 | (2,940) | \$ (5,246) | \$ 11,118 | |
| Total Domestic Special Services | | | | | |
| Current Prices | \$ 2,038,703 | - | \$ 1,516,783 | \$ 521,920 | 134.4% |
| New Prices | \$ 2,050,024 | - | \$ 1,483,573 | \$ 566,451 | 138.2% |
| Change | \$ 11,321 | | \$ (33,210) | \$ 44,531 | |
| International | | | | | |
| Current Prices | \$ 596,795 | 576,179 | \$ 774,084 | \$ (177,289) | 77.1% |
| New Prices | \$ 599,691 | 574,447 | \$ 772,909 | \$ (173,217) | 77.6% |
| Change | \$ 2,896 | (1,732) | \$ (1,175) | \$ 4,072 | |
| Total Market Dominant Products (Current) | \$ 49,841,795 | 151,546,699 | \$ 27,496,624 | \$ 22,345,171 | 181.3% |
| Total Market Dominant Products (New) | \$ 50,291,723 | 150,833,115 | \$ 27,369,441 | \$ 22,922,282 | 183.8% |
| Differences | \$ 449,928 | (713,583) | \$ (127,183) | \$ 577,111 | |

* Excludes Free Mail and US Postal Mail

US Postal Service
R2010-4R - Exigent (Including CPI)
Mail Volume by Fiscal Year
(Billions of pieces)

| Mail Class | 2012 Actual | 2013 Forecast | 2014 BR Forecast | 2014 AR Forecast (Jan 26, 2014) | 2014 ARFY Forecast (Oct 1, 2013) |
|---------------------------------------|----------------|------------------|---------------------|---------------------------------------|--|
| Market Dominant Products: | | | | | |
| First Class | 69.0 | 66.1 | 62.4 | 61.9 | 61.6 |
| Standard Mail | 79.8 | 80.7 | 81.9 | 80.8 | 80.1 |
| Periodicals | 6.7 | 6.4 | 6.1 | 6.1 | 6.1 |
| International | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Package Services | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| U.S.Postal Service | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Free for the Blind | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Total Market Dominant Products | 157.3 | 155.0 | 152.1 | 150.5 | 149.4 |
| Competitive Products | 2.6 | 3.1 | 3.5 | 3.5 | 3.5 |
| Total Mail Volume | 159.9 | 158.0 | 155.5 | 153.9 | 152.9 |

US Postal Service
R2010-4R - Exigent (Including CPI)
Mail and Special Services Revenue by Fiscal Year
(\$ Billions)

| Mail Class | 2012 Actual | 2013 Forecast | 2014 BR Forecast | 2014 AR Forecast (Jan 26, 2014) | 2014 ARFY Forecast (Oct 1, 2013) |
|--|----------------|------------------|---------------------|---------------------------------------|--|
| Market Dominant Products: | | | | | |
| First Class | 29.5 | 28.8 | 27.4 | 28.2 | 28.6 |
| Standard Mail | 16.7 | 16.9 | 17.4 | 17.8 | 18.0 |
| Periodicals | 1.7 | 1.7 | 1.6 | 1.7 | 1.7 |
| International | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Package Services | 1.6 | 1.5 | 0.8 | 0.8 | 0.8 |
| Special Services | 2.3 | 2.0 | 2.0 | 2.1 | 2.1 |
| Total Market Dominant Products | 52.4 | 51.6 | 49.8 | 51.2 | 51.8 |
| Total Competitive | 11.8 | 13.5 | 15.2 | 15.2 | 15.2 |
| Total Mail & Services Revenue | 64.2 | 65.1 | 65.0 | 66.4 | 67.0 |
| Other Income* | 1.0 | 1.0 | 0.8 | 0.8 | 0.8 |
| Total Revenue | 65.2 | 66.1 | 65.9 | 67.2 | 67.8 |

* Other Income includes Appropriations, Interest & Investment Income, Philatelic, Real Estate, etc

US Postal Service
R2010-4R - Exigent (Including CPI)
Statements of Revenue and Expenses
(\$ millions)

| LINE NUMBER | | 2012 Actual | 2013 Forecast | 2014 BR Forecast | 2014 AR Forecast (Jan 26, 2014) | 2014 ARFY Forecast (Oct 1, 2013) |
|---------------------------|---|-------------------|------------------|---------------------|---------------------------------------|--|
| REVENUE | | | | | | |
| 1 | OPERATING REVENUE | 64,233 | 65,058 | 65,042 | 66,398 | 67,017 |
| 2 | OTHER INCOME* | 1,014 | 1,044 | 820 | 820 | 820 |
| 3 | TOTAL REVENUE | 65,247 | 66,102 | 65,863 | 67,218 | 67,837 |
| OPERATING EXPENSES | | | | | | |
| 4 | POSTMASTERS | 2,234 | 2,237 | 2,065 | 2,062 | 2,060 |
| 5 | MANAGERS, SUPERVISORS & TECHNICAL PERSONNEL | 3,279 | 3,270 | 3,162 | 3,148 | 3,138 |
| 6 | CLERKS & MAILHANDERS | 14,371 | 13,715 | 13,457 | 13,394 | 13,355 |
| 7 | CLERKS, CAG K POST OFFICES | 5 | 5 | 5 | 5 | 5 |
| 8 | CITY DELIVERY CARRIERS | 15,833 | 15,253 | 14,917 | 14,869 | 14,838 |
| 9 | VEHICLE SERVICE DRIVERS | 588 | 594 | 504 | 502 | 500 |
| 10 | SPECIAL DELIVERY MESSENGERS | 0 | 0 | 0 | 0 | 0 |
| 11 | RURAL CARRIERS | 6,745 | 6,813 | 7,142 | 7,120 | 7,107 |
| 12 | CUSTODIAL & MAINTENANCE SERVICES | 3,200 | 3,095 | 2,704 | 2,694 | 2,688 |
| 13 | MOTOR VEHICLE SERVICES | 1,434 | 1,457 | 1,492 | 1,488 | 1,486 |
| 14 | MISCELLANEOUS LOCAL OPERATIONS | 449 | 393 | 395 | 394 | 394 |
| 15 | CONTRACTURAL TRANSPORTATION OF MAIL | 6,630 | 6,752 | 6,640 | 6,616 | 6,600 |
| 16 | BUILDING OCCUPANCY | 1,807 | 1,845 | 1,848 | 1,848 | 1,848 |
| 17 | SUPPLIES & SERVICES | 2,565 | 2,684 | 2,516 | 2,509 | 2,504 |
| 18 | RESEARCH & DEVELOPMENT | 17 | 17 | 17 | 17 | 17 |
| 19 | HQ & AREA ADMIN. & CORPORATEWIDE PERSONNEL COSTS | 19,425 | 11,009 | 13,143 | 13,143 | 13,143 |
| 20 | EQUIPMENT MAINT. & MANAGEMENT TRAINING SUPPORT | 51 | 78 | 78 | 78 | 78 |
| 21 | DEPRECIATION, WRITE-OFFS, CLAIMS, & INTEREST | 2,520 | 2,441 | 2,479 | 2,478 | 2,476 |
| 22 | FINAL ADJUSTMENTS (not allocated to cost segment) | 0 | 0 | 0 | 0 | 0 |
| 24 | TOTAL OPERATING EXPENSES | 81,153 | 71,659 | 72,566 | 72,365 | 72,238 |
| 25 | NET INCOME (LOSS) | (\$15,906) | (5,557) | (6,703) | (5,147) | (4,401) |

* Other Income includes Appropriations, Interest & Investment Income, Philatelic, Real Estate, etc

US Postal Service
R2010-4R - Exigent (Including CPI)
Statements of Cash Flows
(\$ millions)

| | 2012 Actual | 2013 Forecast | 2014 BR Forecast | 2014 AR Forecast (Jan 26, 2014) | 2014 ARFY Forecast (Oct 1, 2013) |
|---|-------------------|------------------|---------------------|---------------------------------------|--|
| Cash flows from operating activities: | | | | | |
| Net Loss | (\$15,906) | (\$5,557) | (\$6,703) | (\$5,147) | (\$4,401) |
| Adjustments to reconcile net loss to cash from operations: | | | | | |
| Depreciation and amortization | 2,075 | 1,987 | 2,129 | 2,129 | 2,129 |
| (Gain) Loss on disposals of PPE, net | (5) | (51) | - | - | - |
| (increase) decrease in appropriations receivable | 14 | 6 | - | - | - |
| Workers' Compensation, POD WC (Net) | 2,425 | (967) | 722 | 722 | 722 |
| Increase (decrease) employees accumulated leave | (175) | (80) | (100) | (100) | (100) |
| (Decrease) increase in non-current deferred appropriations receivable | - | - | - | - | - |
| Increase (Decrease) in other non-current liabilities | 78 | 105 | - | - | - |
| Changes in current assets and liabilities: | | | | | |
| (increase) decrease in receivables, net | 108 | - | (25) | (25) | (25) |
| Decrease (increase) in supplies, advances & prepayments | (6) | - | - | - | - |
| (Decrease) Increase in compensation and benefits | (534) | (180) | 16 | 16 | 16 |
| Retiree Health Benefits | 11,198 | 5,600 | 5,700 | 5,700 | 5,700 |
| Increase (Decrease) in payables & accrued expenses | 23 | (85) | (200) | (200) | (200) |
| (Decrease) increase in customer deposit accounts | (176) | 25 | - | - | - |
| (Decrease) Increase in prepaid postage - deferred revenue | 517 | 233 | - | - | - |
| (Decrease) increase in outstanding postal money orders | (11) | 15 | (25) | (25) | (25) |
| (Decrease) Increase in prepaid box rent and deferred revenue | (57) | - | - | - | - |
| Net cash provided by operating activities | (432) | 1,050 | 1,514 | 3,070 | 3,816 |
| Cash Flows from investing activities | | | | | |
| Purchase of Property & Equipment, Net (Ex. EPP) | (705) | (807) | (1,491) | (1,491) | (1,491) |
| Proceeds from Deferred Building sale | 40 | - | - | - | - |
| Proceeds from the sale of Property and Equipment | 108 | 150 | 100 | 100 | 100 |
| Net cash used in investing activities | (557) | (657) | (1,391) | (1,391) | (1,391) |
| Cash Flows from financing activities: | | | | | |
| Increase (decrease) in debt outstanding | 2,000 | - | - | - | - |
| Payments for Capital Lease | (51) | (59) | (58) | (58) | (58) |
| U.S. government emergency preparedness appropriations | (129) | (49) | (63) | (63) | (63) |
| Net cash (used in) provided by financing activities | 1,820 | (108) | (121) | (121) | (121) |
| Net Increase (Decrease) in Cash | 831 | 285 | 2 | 1,558 | 2,303 |
| Cash balance at beginning of year | 1,488 | 2,319 | 2,604 | 2,604 | 2,604 |
| Cash Balance (Shortfall) at end of year | \$2,319 | 2,604 | 2,605 | 4,161 | 4,907 |

BR-Final - FY2013 BR
 Cost Segment Summary Table
 for TOTAL COSTS \$(000)

Attachment 19

| C/S | Cost Segment | Comp | FY2012 | Cost Level Change | Mail Volume Change | Non-Volume Workload | Additional Workday | Cost Reductions | Productivity Goals | Other Programs | Corporate-wide Activities | Servicewide Costs | FY2013BR Before Workyear Mix Adj. | Workyear Mix Adjustment | FY2013BR After Workyear Mix Adj. |
|-----|--------------------------------|------|------------|-------------------|--------------------|---------------------|--------------------|-----------------|--------------------|----------------|---------------------------|-------------------|-----------------------------------|-------------------------|----------------------------------|
| 1 | Postmasters | 251 | 2,233,513 | 37,168 | -3,394 | 0 | 867 | -126,298 | 0 | 94,787 | 0 | 0 | 2,236,642 | 0 | 2,236,642 |
| 2 | Supervisors & Technicians | 284 | 3,279,069 | 46,320 | -20,009 | 2,886 | 723 | -69,740 | 0 | 31,101 | 0 | 0 | 3,270,351 | 0 | 3,270,351 |
| 3 | Clerks and Mailhandlers | 478 | 14,371,015 | 179,336 | -162,768 | 820 | 1,080 | -345,071 | 0 | 102,856 | 0 | 0 | 14,147,267 | -432,145 | 13,715,122 |
| 4 | Clerks, CAG K Post Offices | 254 | 5,221 | 88 | -105 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 5,205 | 0 | 5,205 |
| 6 | City Delivery Carriers, Office | 256 | 3,743,731 | -6,121 | -50,322 | 981 | 242 | -1,428 | 0 | 18,878 | 0 | 0 | 3,705,961 | -149,925 | 3,556,036 |
| 7 | City Delivery Carriers, Street | 257 | 12,089,498 | -19,766 | -10,047 | 24,631 | 3,647 | -9,239 | 0 | 111,511 | 0 | 0 | 12,190,236 | -493,157 | 11,697,079 |
| 8 | Vehicle Service Drivers | 258 | 588,130 | 7,684 | -1,723 | 0 | 113 | -149,353 | 0 | 179,109 | 0 | 0 | 623,961 | -29,896 | 594,065 |
| 10 | Rural Carriers | 260 | 6,745,341 | 123,233 | 27,840 | 38,810 | 2,169 | -84,610 | 0 | 0 | 0 | 0 | 6,852,782 | -40,220 | 6,812,561 |
| 11 | Custodial and Maint Svcs | 359 | 3,199,531 | 45,902 | -29,770 | 0 | 933 | -252,655 | 0 | 209,883 | 50 | 0 | 3,173,874 | -78,718 | 3,095,156 |
| 12 | Motor Vehicle Service | 262 | 1,434,342 | 21,280 | 1,238 | 4,023 | 508 | -15,503 | 0 | 23,317 | 4 | 0 | 1,469,209 | -11,764 | 1,457,445 |
| 13 | Misc Local Operations | 263 | 449,006 | 4,633 | 98 | 6 | 92 | 0 | 0 | -62,437 | 1,831 | 0 | 393,228 | 0 | 393,228 |
| 14 | Transportation | 264 | 6,629,890 | 200,292 | -47,090 | 0 | 373 | -115,247 | 0 | 83,899 | 0 | 0 | 6,752,117 | 0 | 6,752,117 |
| 15 | Building Occupancy | 289 | 1,806,751 | 37,401 | 0 | 0 | 332 | -34,701 | 0 | 36,743 | -1,095 | 0 | 1,845,431 | 0 | 1,845,431 |
| 16 | Supplies and Services | 490 | 2,564,792 | 2,625 | -11,534 | 1,213 | 321 | -60,623 | 0 | 159,468 | 27,972 | 0 | 2,684,233 | 0 | 2,684,233 |
| 17 | Research and Development | 267 | 16,608 | 0 | 0 | 0 | 0 | 0 | 0 | 669 | -24 | 0 | 17,253 | 0 | 17,253 |
| 18 | Admin and Area Operations | 459 | 19,425,093 | 14,729 | 0 | 0 | 668 | 0 | 0 | 36,209 | -42,272 | -8,425,565 | 11,008,862 | 0 | 11,008,862 |
| 19 | General Mgmt Systems | 269 | 51,369 | 706 | 0 | 0 | 2 | -5,577 | 0 | 26,181 | 5,056 | 0 | 77,737 | 0 | 77,737 |
| 20 | Other Accrued Expenses | 475 | 2,520,416 | 1,626 | -933 | 0 | 0 | 0 | 0 | -1,504 | 6,341 | -85,050 | 2,440,897 | 0 | 2,440,897 |
| | Total All C/S | | 81,153,316 | 697,136 | -308,519 | 73,370 | 12,071 | -1,270,044 | 0 | 1,050,670 | -2,137 | -8,510,615 | 72,895,247 | -1,235,826 | 71,659,421 |

BR-Final - FY2014 BR
 Cost Segment Summary Table
 for TOTAL COSTS \$(000)

Attachment 20

| C/S | Cost Segment | Comp | FY2013BR Before Workyear Mix Adj | Cost Level Change | Mail Volume Change | Non-Volume Workload | Additional Workday | Cost Reductions | Productivity Goals | Other Programs | Corporate- wide Activities | Servicewide Costs | FY2014BR Before Workyear Mix Adj. | Workyear Mix Adjustment | FY2014BR After Workyear Mix Adj. |
|-----|--------------------------------|------|---|----------------------|-----------------------|------------------------|-----------------------|--------------------|-----------------------|-------------------|----------------------------------|----------------------|--|-------------------------------|---|
| 1 | Postmasters | 251 | 2,236,642 | 39,662 | -5,969 | 0 | 0 | -205,290 | 0 | 0 | 0 | 0 | 2,065,045 | 0 | 2,065,045 |
| 2 | Supervisors & Technicians | 284 | 3,270,351 | 49,170 | -20,877 | 2,912 | 0 | -139,068 | 0 | 0 | 0 | 0 | 3,162,488 | 0 | 3,162,488 |
| 3 | Clerks and Mailhandlers | 478 | 14,147,267 | 456,546 | -137,435 | 856 | 0 | -670,774 | 0 | 199,745 | 0 | 0 | 13,996,205 | -538,840 | 13,457,366 |
| 4 | Clerks, CAG K Post Offices | 254 | 5,205 | 264 | -69 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,400 | 0 | 5,400 |
| 6 | City Delivery Carriers, Office | 256 | 3,705,961 | 47,258 | -55,383 | 998 | 0 | 0 | 0 | 0 | 0 | 0 | 3,698,834 | -226,346 | 3,472,488 |
| 7 | City Delivery Carriers, Street | 257 | 12,190,236 | 155,450 | -44,263 | 25,231 | 0 | -135,975 | 0 | 0 | 0 | 0 | 12,190,678 | -745,995 | 11,444,683 |
| 8 | Vehicle Service Drivers | 258 | 623,961 | 20,959 | -653 | 0 | 0 | -114,188 | 0 | 0 | 0 | 0 | 530,079 | -26,464 | 503,616 |
| 10 | Rural Carriers | 260 | 6,852,782 | 320,508 | 15,497 | 40,469 | 0 | -3,244 | 0 | 0 | 0 | 0 | 7,226,011 | -84,031 | 7,141,981 |
| 11 | Custodial and Maint Srvcs | 359 | 3,173,874 | 101,470 | -28,644 | 0 | 0 | -454,124 | 0 | 0 | 0 | 0 | 2,792,576 | -88,686 | 2,703,891 |
| 12 | Motor Vehicle Service | 262 | 1,469,209 | 42,469 | -511 | 4,188 | 0 | -7,248 | 0 | 0 | 0 | 0 | 1,508,107 | -16,522 | 1,491,585 |
| 13 | Misc Local Operations | 263 | 393,228 | 2,569 | -1,128 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 394,674 | 0 | 394,674 |
| 14 | Transportation | 264 | 6,752,117 | 185,402 | -83,695 | 0 | 0 | -379,000 | 0 | 165,588 | 0 | 0 | 6,640,412 | 0 | 6,640,412 |
| 15 | Building Occupancy | 289 | 1,845,431 | 51,978 | 0 | 0 | 0 | -49,547 | 0 | 0 | 0 | 0 | 1,847,862 | 0 | 1,847,862 |
| 16 | Supplies and Services | 490 | 2,684,233 | 4,203 | -15,778 | 1,396 | 0 | -161,666 | 0 | 4,000 | 0 | 0 | 2,516,388 | 0 | 2,516,388 |
| 17 | Research and Development | 267 | 17,253 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,253 | 0 | 17,253 |
| 18 | Admin and Area Operations | 459 | 11,008,862 | 17,824 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,115,907 | 13,142,593 | 0 | 13,142,593 |
| 19 | General Mgmt Systems | 269 | 77,737 | 1,006 | 0 | 0 | 0 | -351 | 0 | 0 | 0 | 0 | 78,392 | 0 | 78,392 |
| 20 | Other Accrued Expenses | 475 | 2,440,897 | 1,513 | -1,955 | 0 | 0 | 0 | 0 | 0 | 0 | 38,986 | 2,479,441 | 0 | 2,479,441 |
| | Total All C/S | | 72,895,247 | 1,498,253 | -380,864 | 76,055 | 0 | -2,320,476 | 0 | 369,333 | 0 | 2,154,893 | 74,292,440 | -1,726,883 | 72,565,558 |

R2010-4R_January Implementation -
 FY2014 AR
 Cost Segment Summary Table
 for TOTAL COSTS \$(000)

Attachment 21

| C/S | Cost Segment | Comp | FY2013AR Before Workyear Mix Adj | Cost Level Change | Mail Volume Change | Non-Volume Workload | Additional Workday | Cost Reductions | Productivity Goals | Other Programs | Corporate- wide Activities | Servicewide Costs | FY2014AR Before Workyear Mix Adj. | Workyear Mix Adjustment | FY2014AR After Workyear Mix Adj. |
|-----|--------------------------------|------|---|----------------------|-----------------------|------------------------|-----------------------|--------------------|-----------------------|-------------------|----------------------------------|----------------------|--|-------------------------------|---|
| 1 | Postmasters | 251 | 2,236,642 | 39,662 | -9,144 | 0 | 0 | -205,290 | 0 | 0 | 0 | 0 | 2,061,871 | 0 | 2,061,871 |
| 2 | Supervisors & Technicians | 284 | 3,270,351 | 49,170 | -35,646 | 2,912 | 0 | -139,068 | 0 | 0 | 0 | 0 | 3,147,719 | 0 | 3,147,719 |
| 3 | Clerks and Mailhandlers | 478 | 14,147,267 | 456,660 | -231,295 | 856 | 0 | -670,780 | 0 | 199,747 | 0 | 0 | 13,902,455 | -508,026 | 13,394,429 |
| 4 | Clerks, CAG K Post Offices | 254 | 5,205 | 264 | -99 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,370 | 0 | 5,370 |
| 6 | City Delivery Carriers, Office | 256 | 3,705,961 | 47,292 | -83,903 | 998 | 0 | 0 | 0 | 0 | 0 | 0 | 3,670,347 | -220,205 | 3,450,142 |
| 7 | City Delivery Carriers, Street | 257 | 12,190,236 | 155,560 | -87,561 | 25,231 | 0 | -135,977 | 0 | 0 | 0 | 0 | 12,147,490 | -728,796 | 11,418,693 |
| 8 | Vehicle Service Drivers | 258 | 623,961 | 20,966 | -2,738 | 0 | 0 | -114,189 | 0 | 0 | 0 | 0 | 527,999 | -26,498 | 501,501 |
| 10 | Rural Carriers | 260 | 6,852,782 | 320,671 | -11,840 | 40,470 | 0 | -3,244 | 0 | 0 | 0 | 0 | 7,198,839 | -78,641 | 7,120,197 |
| 11 | Custodial and Maint Srvcs | 359 | 3,173,874 | 101,504 | -38,942 | 0 | 0 | -454,129 | 0 | 0 | 0 | 0 | 2,782,307 | -88,128 | 2,694,179 |
| 12 | Motor Vehicle Service | 262 | 1,469,209 | 42,475 | -4,050 | 4,188 | 0 | -7,248 | 0 | 0 | 0 | 0 | 1,504,574 | -16,340 | 1,488,234 |
| 13 | Misc Local Operations | 263 | 393,228 | 2,569 | -1,826 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 393,976 | 0 | 393,976 |
| 14 | Transportation | 264 | 6,752,117 | 185,402 | -108,328 | 0 | 0 | -379,000 | 0 | 165,588 | 0 | 0 | 6,615,779 | 0 | 6,615,779 |
| 15 | Building Occupancy | 289 | 1,845,431 | 51,978 | 0 | 0 | 0 | -49,547 | 0 | 0 | 0 | 0 | 1,847,862 | 0 | 1,847,862 |
| 16 | Supplies and Services | 490 | 2,684,233 | 4,203 | -23,298 | 1,396 | 0 | -161,666 | 0 | 4,000 | 0 | 0 | 2,508,869 | 0 | 2,508,869 |
| 17 | Research and Development | 267 | 17,253 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,253 | 0 | 17,253 |
| 18 | Admin and Area Operations | 459 | 11,008,862 | 17,826 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,115,907 | 13,142,595 | 0 | 13,142,595 |
| 19 | General Mgmt Systems | 269 | 77,737 | 1,006 | 0 | 0 | 0 | -351 | 0 | 0 | 0 | 0 | 78,392 | 0 | 78,392 |
| 20 | Other Accrued Expenses | 475 | 2,440,897 | 1,513 | -2,014 | 0 | 0 | 0 | 0 | 0 | 0 | 37,374 | 2,477,770 | 0 | 2,477,770 |
| | Total All C/S | | 72,895,247 | 1,498,719 | -640,683 | 76,056 | 0 | -2,320,489 | 0 | 369,334 | 0 | 2,153,281 | 74,031,466 | -1,666,635 | 72,364,831 |

R2010-4R_ October Implementation -
 FY2014 AR
 Cost Segment Summary Table
 for TOTAL COSTS \$(000)

Attachment 22

| C/S | Cost Segment | Comp | FY2013AR Before Workyear Mix Adj | Cost Level Change | Mail Volume Change | Non-Volume Workload | Additional Workday | Cost Reductions | Productivity Goals | Other Programs | Corporate- wide Activities | Servicewide Costs | FY2014AR Before Workyear Mix Adj. | Workyear Mix Adjustment | FY2014AR After Workyear Mix Adj. |
|-----|--------------------------------|------|---|----------------------|-----------------------|------------------------|-----------------------|--------------------|-----------------------|-------------------|----------------------------------|----------------------|--|-------------------------------|---|
| 1 | Postmasters | 251 | 2,236,642 | 39,662 | -11,140 | 0 | 0 | -205,290 | 0 | 0 | 0 | 0 | 2,059,874 | 0 | 2,059,874 |
| 2 | Supervisors & Technicians | 284 | 3,270,351 | 49,170 | -44,906 | 2,912 | 0 | -139,068 | 0 | 0 | 0 | 0 | 3,138,459 | 0 | 3,138,459 |
| 3 | Clerks and Mailhandlers | 478 | 14,147,267 | 456,745 | -289,844 | 856 | 0 | -670,783 | 0 | 199,748 | 0 | 0 | 13,843,989 | -488,805 | 13,355,184 |
| 4 | Clerks, CAG K Post Offices | 254 | 5,205 | 264 | -117 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,352 | 0 | 5,352 |
| 6 | City Delivery Carriers, Office | 256 | 3,705,961 | 47,310 | -102,264 | 998 | 0 | 0 | 0 | 0 | 0 | 0 | 3,652,005 | -216,308 | 3,435,697 |
| 7 | City Delivery Carriers, Street | 257 | 12,190,236 | 155,621 | -114,761 | 25,231 | 0 | -135,977 | 0 | 0 | 0 | 0 | 12,120,350 | -717,887 | 11,402,463 |
| 8 | Vehicle Service Drivers | 258 | 623,961 | 20,970 | -4,061 | 0 | 0 | -114,190 | 0 | 0 | 0 | 0 | 526,680 | -26,470 | 500,210 |
| 10 | Rural Carriers | 260 | 6,852,782 | 320,771 | -28,701 | 40,471 | 0 | -3,244 | 0 | 0 | 0 | 0 | 7,182,078 | -75,317 | 7,106,761 |
| 11 | Custodial and Maint Svcs | 359 | 3,173,874 | 101,522 | -45,537 | 0 | 0 | -454,131 | 0 | 0 | 0 | 0 | 2,775,728 | -88,189 | 2,687,540 |
| 12 | Motor Vehicle Service | 262 | 1,469,209 | 42,477 | -6,265 | 4,188 | 0 | -7,248 | 0 | 0 | 0 | 0 | 1,502,361 | -16,226 | 1,486,135 |
| 13 | Misc Local Operations | 263 | 393,228 | 2,569 | -2,220 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 393,582 | 0 | 393,582 |
| 14 | Transportation | 264 | 6,752,117 | 185,402 | -123,747 | 0 | 0 | -379,000 | 0 | 165,588 | 0 | 0 | 6,600,359 | 0 | 6,600,359 |
| 15 | Building Occupancy | 289 | 1,845,431 | 51,978 | 0 | 0 | 0 | -49,547 | 0 | 0 | 0 | 0 | 1,847,862 | 0 | 1,847,862 |
| 16 | Supplies and Services | 490 | 2,684,233 | 4,204 | -28,049 | 1,396 | 0 | -161,666 | 0 | 4,000 | 0 | 0 | 2,504,118 | 0 | 2,504,118 |
| 17 | Research and Development | 267 | 17,253 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,253 | 0 | 17,253 |
| 18 | Admin and Area Operations | 459 | 11,008,862 | 17,827 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,115,907 | 13,142,596 | 0 | 13,142,596 |
| 19 | General Mgmt Systems | 269 | 77,737 | 1,006 | 0 | 0 | 0 | -351 | 0 | 0 | 0 | 0 | 78,392 | 0 | 78,392 |
| 20 | Other Accrued Expenses | 475 | 2,440,897 | 1,513 | -2,065 | 0 | 0 | 0 | 0 | 0 | 0 | 35,895 | 2,476,240 | 0 | 2,476,240 |
| | Total All C/S | | 72,895,247 | 1,499,012 | -803,677 | 76,057 | 0 | -2,320,496 | 0 | 369,336 | 0 | 2,151,802 | 73,867,280 | -1,629,202 | 72,238,078 |

**US Postal Service
R2010-4R
Contribution by Class of Mail - FY2013**

| | | Revenue (in millions) | Volume (in millions) | Attributable Cost (in millions) | Volume Variable Cost (in millions) | Product Specific Cost (in millions) | Revenue \$ (per piece) | Attributable Cost \$ (per piece) | Contribution \$ (per piece) | Cost Coverage |
|--|------------|--------------------------|-------------------------|---------------------------------------|--|---|---------------------------|--|--------------------------------|---------------|
| DOMESTIC MARKET DOMINANT PRODUCTS | | | | | | | | | | |
| First-Class Mail | | | | | | | | | | |
| Single Piece Letters | 3 | \$10,250 | 21,697 | \$5,670 | \$5,634 | \$37 | \$0.472 | \$0.261 | \$0.211 | 180.8% |
| Single Piece Postcards | 4 | \$350 | 1,041 | \$252 | \$250 | \$2 | \$0.336 | \$0.242 | \$0.094 | 138.8% |
| Total Single Piece Letters and Cards | 5 | \$10,600 | 22,737 | \$5,922 | \$5,884 | \$39 | \$0.466 | \$0.260 | \$0.206 | 179.0% |
| Presort Letters | 8 | \$14,366 | 38,814 | \$4,584 | \$4,567 | \$17 | \$0.370 | \$0.118 | \$0.252 | 313.4% |
| Presort Postcards | 9 | \$591 | 2,434 | \$192 | \$191 | \$1 | \$0.243 | \$0.079 | \$0.164 | 307.5% |
| Total Presort Letters and Cards | 10 | \$14,957 | 41,248 | \$4,776 | \$4,758 | \$18 | \$0.363 | \$0.116 | \$0.247 | 313.1% |
| Flats | 14 | \$2,525 | 1,911 | \$1,592 | \$1,592 | \$1 | \$1.322 | \$0.833 | \$0.488 | 158.6% |
| Parcels | 19 | \$584 | 248 | \$532 | \$531 | \$0 | \$2.352 | \$2.143 | \$0.209 | 109.8% |
| Fees | 18 | \$136 | 0 | \$0 | \$0 | \$0 | | | | |
| Total First-Class | 100 | \$28,802 | 66,144 | \$12,823 | \$12,765 | \$58 | \$0.435 | \$0.194 | \$0.242 | 224.6% |
| Standard Mail | | | | | | | | | | |
| High Density and Saturation Letters | 21 | \$797 | 5,624 | \$333 | \$329 | \$4 | \$0.142 | \$0.059 | \$0.083 | 239.4% |
| High Density and Saturation Flats and Parcels | 22 | \$2,066 | 12,335 | \$898 | \$889 | \$9 | \$0.167 | \$0.073 | \$0.095 | 230.1% |
| Carrier Route | 23 | \$2,411 | 9,679 | \$1,732 | \$1,725 | \$7 | \$0.249 | \$0.179 | \$0.070 | 139.2% |
| Letters | 25 | \$9,396 | 47,352 | \$4,912 | \$4,875 | \$36 | \$0.198 | \$0.104 | \$0.095 | 191.3% |
| Flats | 26 | \$2,146 | 5,594 | \$2,468 | \$2,464 | \$5 | \$0.384 | \$0.441 | -\$0.058 | 87.0% |
| Not Flat-Machinables and Parcels | 27 | \$71 | 72 | \$77 | \$76 | \$0 | \$0.993 | \$1.067 | -\$0.073 | 93.1% |
| Fees | 29 | \$58 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Standard Mail | 105 | \$16,945 | 80,656 | \$10,419 | \$10,358 | \$61 | \$0.210 | \$0.129 | \$0.081 | 162.6% |
| Periodicals | | | | | | | | | | |
| In County | 31 | \$65 | 598 | \$85 | \$85 | \$0 | \$0.108 | \$0.143 | -\$0.035 | 75.7% |
| Outside County | 32 | \$1,595 | 5,784 | \$2,080 | \$2,080 | \$1 | \$0.276 | \$0.360 | -\$0.084 | 76.7% |
| Fees | 39 | \$8 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Periodicals | 110 | \$1,667 | 6,382 | \$2,166 | \$2,165 | \$1 | \$0.261 | \$0.339 | -\$0.078 | 77.0% |
| Package Services | | | | | | | | | | |
| Single Piece Parcel Post | 41 | \$717 | 57 | \$725 | \$725 | \$0 | \$12.640 | \$12.781 | -\$0.141 | 98.9% |
| Bound Printed Matter Flats | 42 | \$188 | 234 | \$134 | \$134 | \$0 | \$0.803 | \$0.574 | \$0.229 | 139.9% |
| Bound Printed Matter Parcels | 43 | \$276 | 218 | \$242 | \$242 | \$0 | \$1.270 | \$1.110 | \$0.160 | 114.4% |
| Media and Library Mail | 44 | \$310 | 93 | \$341 | \$341 | \$0 | \$3.326 | \$3.661 | -\$0.335 | 90.9% |
| Fees | 49 | \$3 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Package Services | 115 | \$1,493 | 601 | \$1,441 | \$1,441 | \$0 | \$2.484 | \$2.397 | \$0.086 | 103.6% |
| U.S. Postal Service | 125 | \$0 | 495 | \$0 | \$0 | \$0 | \$0.000 | \$0.000 | | |
| Free Mail | 130 | \$0 | 53 | \$35 | \$35 | \$0 | \$0.000 | \$0.666 | | |
| Total Domestic Market Dominant Mail | 135 | \$48,908 | 154,330 | \$26,884 | \$26,764 | \$120 | \$0.317 | \$0.174 | \$0.143 | 181.9% |
| Special Services | | | | | | | | | | |
| Ancillary Services | | | | | | | | | | |
| Certified | 51 | \$706 | 0 | \$583 | \$582 | \$0 | \$3.056 | | | |
| COD | 52 | \$5 | 0 | \$2 | \$2 | \$0 | \$9.149 | | | |
| Insurance | 54 | \$110 | 0 | \$90 | \$90 | \$0 | \$3.794 | | | |
| Registered Mail | 55 | \$32 | 0 | \$21 | \$21 | \$0 | \$17.177 | | | |
| Stamped Envelopes | 56 | \$22 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Stamped Cards | 57 | \$1 | 0 | \$1 | \$1 | \$0 | \$0.000 | | | |
| Other Ancillary Services | 58 | \$529 | 0 | \$432 | \$431 | \$1 | \$0.220 | | | |
| Address Management Services | 61 | \$16 | 0 | \$7 | \$0 | \$7 | \$0.000 | | | |
| Caller Service | 62 | \$96 | 0 | \$26 | \$26 | \$0 | \$0.000 | | | |
| Money Orders | 73 | \$158 | 0 | \$99 | \$96 | \$3 | \$1.540 | | | |
| Post Office Box Service | 74 | \$357 | 0 | \$280 | \$276 | \$5 | \$0.000 | | | |
| Other Special Services | 76 | \$0 | 0 | \$0 | \$0 | \$0 | \$0.000 | | | |
| All Other Special Services | 191 | \$19 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Total Domestic Market Dominant Services | 140 | \$2,049 | 0 | \$1,556 | \$1,540 | \$16 | \$0.741 | | | |
| Total Domestic Market Dominant Attributable Costs | 143 | \$50,957 | 154,330 | \$28,440 | \$28,304 | \$136 | \$0.324 | \$0.181 | \$0.143 | 179.2% |
| DOMESTIC COMPETITIVE PRODUCTS | | | | | | | | | | |
| Total Domestic Competitive Mail | 175 | \$11,107 | 2,789 | \$7,944 | \$7,827 | \$118 | \$3.983 | \$2.849 | \$1.134 | 139.8% |
| INTERNATIONAL MAIL AND SERVICES | | | | | | | | | | |
| Total International Mail and Services | 185 | \$2,995 | 917 | \$2,046 | \$1,982 | \$64 | \$3.265 | \$2.230 | \$1.035 | 146.4% |
| TOTAL ATTRIBUTABLE COSTS | 198 | \$65,058 | 158,036 | \$38,430 | \$38,112 | \$317 | \$0.405 | \$0.239 | \$0.166 | 169.3% |
| OTHER COSTS | 199 | \$1,044 | 0 | \$33,230 | \$33,547 | -\$317 | | | | |
| TOTAL COSTS | 200 | \$66,102 | 158,036 | \$71,659 | \$71,659 | \$0 | | | | |

R2010-4R

Contribution by Class of Mail - FY2014 Before Rates

| | | Revenue (in millions) | Volume (in millions) | Attributable Cost (in millions) | Volume Variable Cost (in millions) | Product Specific Cost (in millions) | Revenue \$ (per piece) | Attributable Cost \$ (per piece) | Contribution \$ (per piece) | Cost Coverage |
|--|------------|--------------------------|-------------------------|---------------------------------------|--|---|---------------------------|--|--------------------------------|---------------|
| DOMESTIC MARKET DOMINANT PRODUCTS | | | | | | | | | | |
| First-Class Mail | | | | | | | | | | |
| Single Piece Letters | 3 | \$9,517 | 19,993 | \$5,171 | \$5,134 | \$37 | \$0.476 | \$0.259 | \$0.217 | 184.1% |
| Single Piece Postcards | 4 | \$336 | 980 | \$235 | \$233 | \$2 | \$0.343 | \$0.240 | \$0.103 | 143.0% |
| Total Single Piece Letters and Cards | 5 | \$9,854 | 20,973 | \$5,406 | \$5,367 | \$39 | \$0.470 | \$0.258 | \$0.212 | 182.3% |
| Presort Letters | 8 | \$13,870 | 37,095 | \$4,337 | \$4,320 | \$17 | \$0.374 | \$0.117 | \$0.257 | 319.8% |
| Presort Postcards | 9 | \$568 | 2,325 | \$183 | \$181 | \$1 | \$0.244 | \$0.079 | \$0.166 | 311.0% |
| Total Presort Letters and Cards | 10 | \$14,438 | 39,420 | \$4,520 | \$4,501 | \$18 | \$0.366 | \$0.115 | \$0.252 | 319.4% |
| Flats | 14 | \$2,380 | 1,795 | \$1,479 | \$1,478 | \$1 | \$1.326 | \$0.824 | \$0.502 | 161.0% |
| Parcels | 19 | \$616 | 257 | \$543 | \$543 | \$0 | \$2.402 | \$2.117 | \$0.285 | 113.4% |
| Fees | 18 | \$132 | 0 | \$0 | \$0 | \$0 | | | | |
| Total First-Class | 100 | \$27,420 | 62,444 | \$11,947 | \$11,889 | \$58 | \$0.439 | \$0.191 | \$0.248 | 229.5% |
| Standard Mail | | | | | | | | | | |
| High Density and Saturation Letters | 21 | \$809 | 5,619 | \$331 | \$327 | \$4 | \$0.144 | \$0.059 | \$0.085 | 244.2% |
| High Density and Saturation Flats and Parcels | 22 | \$2,108 | 12,496 | \$919 | \$910 | \$9 | \$0.169 | \$0.074 | \$0.095 | 229.2% |
| Carrier Route | 23 | \$2,443 | 9,652 | \$1,728 | \$1,721 | \$7 | \$0.253 | \$0.179 | \$0.074 | 141.4% |
| Letters | 25 | \$9,722 | 48,432 | \$4,977 | \$4,941 | \$36 | \$0.201 | \$0.103 | \$0.098 | 195.3% |
| Flats | 26 | \$2,168 | 5,588 | \$2,445 | \$2,440 | \$5 | \$0.388 | \$0.437 | -\$0.050 | 88.7% |
| Not Flat-Machinables and Parcels | 27 | \$69 | 69 | \$74 | \$74 | \$0 | \$1.005 | \$1.072 | -\$0.067 | 93.7% |
| Fees | 29 | \$57 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Standard Mail | 105 | \$17,376 | 81,856 | \$10,475 | \$10,414 | \$61 | \$0.212 | \$0.128 | \$0.084 | 165.9% |
| Periodicals | | | | | | | | | | |
| In County | 31 | \$63 | 577 | \$83 | \$83 | \$0 | \$0.109 | \$0.144 | -\$0.035 | 75.9% |
| Outside County | 32 | \$1,548 | 5,553 | \$1,989 | \$1,989 | \$1 | \$0.279 | \$0.358 | -\$0.080 | 77.8% |
| Fees | 39 | \$7 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Periodicals | 110 | \$1,618 | 6,130 | \$2,073 | \$2,072 | \$1 | \$0.264 | \$0.338 | -\$0.074 | 78.1% |
| Package Services | | | | | | | | | | |
| Single Piece Parcel Post | 41 | \$724 | 50 | \$686 | \$686 | \$0 | \$14.480 | \$13.724 | \$0.757 | 105.5% |
| Bound Printed Matter Flats | 42 | \$187 | 232 | \$132 | \$132 | \$0 | \$0.805 | \$0.569 | \$0.236 | 141.5% |
| Bound Printed Matter Parcels | 43 | \$284 | 221 | \$248 | \$248 | \$0 | \$1.284 | \$1.120 | \$0.164 | 114.7% |
| Media and Library Mail | 44 | \$287 | 85 | \$317 | \$317 | \$0 | \$3.363 | \$3.710 | -\$0.347 | 90.6% |
| Fees | 49 | \$2 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Package Services | 115 | \$1,483 | 588 | \$1,382 | \$1,382 | \$0 | \$2.521 | \$2.349 | \$0.172 | 107.3% |
| U.S. Postal Service | | | | | | | | | | |
| Free Mail | 130 | \$0 | 52 | \$34 | \$34 | \$0 | \$0.000 | \$0.657 | | |
| Total Domestic Market Dominant Mail | 135 | \$47,897 | 151,535 | \$25,911 | \$25,791 | \$120 | \$0.316 | \$0.171 | \$0.145 | 184.9% |
| Special Services | | | | | | | | | | |
| Ancillary Services | | | | | | | | | | |
| Certified | 51 | \$714 | 0 | \$593 | \$593 | \$0 | \$3.101 | | | |
| COD | 52 | \$4 | 0 | \$2 | \$2 | \$0 | \$9.414 | | | |
| Insurance | 54 | \$100 | 0 | \$10 | \$10 | \$0 | \$3.861 | | | |
| Registered Mail | 55 | \$29 | 0 | \$18 | \$18 | \$0 | \$17.337 | | | |
| Stamped Envelopes | 56 | \$19 | 0 | \$6 | \$6 | \$0 | \$0.000 | | | |
| Stamped Cards | 57 | \$1 | 0 | \$1 | \$1 | \$0 | \$0.000 | | | |
| Other Ancillary Services | 58 | \$512 | 0 | \$474 | \$474 | \$1 | \$0.198 | | | |
| Address Management Services | 61 | \$16 | 0 | \$7 | \$0 | \$7 | \$0.000 | | | |
| Caller Service | 62 | \$98 | 0 | \$26 | \$26 | \$0 | \$0.000 | | | |
| Money Orders | 73 | \$152 | 0 | \$96 | \$93 | \$3 | \$1.574 | | | |
| Post Office Box Service | 74 | \$375 | 0 | \$275 | \$270 | \$5 | \$0.000 | | | |
| Other Special Services | 76 | \$0 | 0 | \$0 | \$0 | \$0 | \$0.000 | | | |
| All Other Special Services | 191 | \$19 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Total Domestic Market Dominant Services | 140 | \$2,039 | 0 | \$1,517 | \$1,501 | \$16 | \$0.694 | | | |
| Total Domestic Market Dominant Attributable Costs | 143 | \$49,936 | 151,535 | \$27,428 | \$27,292 | \$136 | \$0.323 | \$0.178 | \$0.146 | 182.1% |
| DOMESTIC COMPETITIVE PRODUCTS | | | | | | | | | | |
| Total Domestic Competitive Mail | 175 | \$12,048 | 3,144 | \$8,315 | \$8,197 | \$118 | \$3.832 | \$2.645 | \$1.187 | 144.9% |
| INTERNATIONAL MAIL AND SERVICES | | | | | | | | | | |
| TOTAL ATTRIBUTABLE COSTS | 198 | \$65,042 | 155,547 | \$37,676 | \$37,358 | \$318 | \$0.410 | \$0.238 | \$0.173 | 172.6% |
| OTHER COSTS | 199 | \$820 | 0 | \$34,890 | \$35,208 | -\$318 | | | | |
| TOTAL COSTS | 200 | \$65,863 | 155,547 | \$72,566 | \$72,566 | \$0 | | | | |

Contribution by Class of Mail - FY2014 After Rates - Exigent (including CPI)
(January 26, 2014 Implementation)

| | | Revenue (in millions) | Volume (in millions) | Attributable Cost (in millions) | Volume Variable Cost (in millions) | Product Specific Cost (in millions) | Revenue \$ (per piece) | Attributable Cost \$ (per piece) | Contribution \$ (per piece) | Cost Coverage |
|--|------------|--------------------------|-------------------------|---------------------------------------|--|---|---------------------------|--|--------------------------------|---------------|
| DOMESTIC MARKET DOMINANT PRODUCTS | | | | | | | | | | |
| First-Class Mail | | | | | | | | | | |
| Single Piece Letters | 3 | \$9,822 | 19,924 | \$5,162 | \$5,126 | \$37 | \$0.493 | \$0.259 | \$0.234 | 190.3% |
| Single Piece Postcards | 4 | \$343 | 978 | \$235 | \$233 | \$2 | \$0.350 | \$0.240 | \$0.110 | 145.7% |
| Total Single Piece Letters and Cards | 5 | \$10,164 | 20,902 | \$5,398 | \$5,359 | \$39 | \$0.486 | \$0.258 | \$0.228 | 188.3% |
| Presort Letters | 8 | \$14,217 | 36,686 | \$4,297 | \$4,280 | \$17 | \$0.388 | \$0.117 | \$0.270 | 330.9% |
| Presort Postcards | 9 | \$587 | 2,293 | \$180 | \$179 | \$1 | \$0.256 | \$0.079 | \$0.177 | 325.4% |
| Total Presort Letters and Cards | 10 | \$14,805 | 38,980 | \$4,478 | \$4,459 | \$18 | \$0.380 | \$0.115 | \$0.265 | 330.6% |
| Flats | 14 | \$2,457 | 1,784 | \$1,472 | \$1,472 | \$1 | \$1.377 | \$0.825 | \$0.552 | 166.9% |
| Parcels | 19 | \$641 | 249 | \$528 | \$527 | \$0 | \$2.574 | \$2.121 | \$0.453 | 121.3% |
| Fees | 18 | \$136 | 0 | \$0 | \$0 | \$0 | | | | |
| Total First-Class | 100 | \$28,202 | 61,915 | \$11,875 | \$11,817 | \$58 | \$0.455 | \$0.192 | \$0.264 | 237.5% |
| Standard Mail | | | | | | | | | | |
| High Density and Saturation Letters | 21 | \$823 | 5,546 | \$328 | \$323 | \$4 | \$0.148 | \$0.059 | \$0.089 | 251.3% |
| High Density and Saturation Flats and Parcels | 22 | \$2,149 | 12,335 | \$909 | \$900 | \$9 | \$0.174 | \$0.074 | \$0.101 | 236.4% |
| Carrier Route | 23 | \$2,504 | 9,517 | \$1,708 | \$1,701 | \$7 | \$0.263 | \$0.179 | \$0.084 | 146.6% |
| Letters | 25 | \$9,984 | 47,835 | \$4,926 | \$4,889 | \$36 | \$0.209 | \$0.103 | \$0.106 | 202.7% |
| Flats | 26 | \$2,228 | 5,516 | \$2,418 | \$2,414 | \$5 | \$0.404 | \$0.438 | -\$0.034 | 92.1% |
| Not Flat-Machinables and Parcels | 27 | \$71 | 68 | \$73 | \$73 | \$0 | \$1.046 | \$1.074 | -\$0.028 | 97.4% |
| Fees | 29 | \$58 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Standard Mail | 105 | \$17,818 | 80,817 | \$10,361 | \$10,300 | \$61 | \$0.220 | \$0.128 | \$0.092 | 172.0% |
| Periodicals | | | | | | | | | | |
| In County | 31 | \$65 | 575 | \$83 | \$83 | \$0 | \$0.114 | \$0.144 | -\$0.031 | 78.8% |
| Outside County | 32 | \$1,602 | 5,533 | \$1,986 | \$1,985 | \$1 | \$0.290 | \$0.359 | -\$0.069 | 80.7% |
| Fees | 39 | \$8 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Periodicals | 110 | \$1,675 | 6,108 | \$2,069 | \$2,068 | \$1 | \$0.274 | \$0.339 | -\$0.064 | 81.0% |
| Package Services | | | | | | | | | | |
| Single Piece Parcel Post | 41 | \$724 | 50 | \$686 | \$686 | \$0 | \$14.500 | \$13.741 | \$0.759 | 105.5% |
| Bound Printed Matter Flats | 42 | \$191 | 229 | \$131 | \$131 | \$0 | \$0.832 | \$0.570 | \$0.261 | 145.8% |
| Bound Printed Matter Parcels | 43 | \$292 | 218 | \$245 | \$245 | \$0 | \$1.337 | \$1.122 | \$0.215 | 119.2% |
| Media and Library Mail | 44 | \$293 | 83 | \$310 | \$310 | \$0 | \$3.506 | \$3.717 | -\$0.210 | 94.3% |
| Fees | 49 | \$2 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Package Services | 115 | \$1,501 | 581 | \$1,372 | \$1,372 | \$0 | \$2.584 | \$2.362 | \$0.222 | 109.4% |
| U.S. Postal Service | 125 | \$0 | 463 | \$0 | \$0 | \$0 | \$0.000 | \$0.000 | | |
| Free Mail | 130 | \$0 | 52 | \$34 | \$34 | \$0 | \$0.000 | \$0.658 | | |
| Total Domestic Market Dominant Mail | 135 | \$49,196 | 149,937 | \$25,712 | \$25,592 | \$120 | \$0.328 | \$0.171 | \$0.157 | 191.3% |
| Special Services | | | | | | | | | | |
| Ancillary Services | | | | | | | | | | |
| Certified | 51 | \$742 | 0 | \$591 | \$591 | \$0 | \$3.238 | | | |
| COD | 52 | \$5 | 0 | \$2 | \$2 | \$0 | \$9.944 | | | |
| Insurance | 54 | \$104 | 0 | \$10 | \$10 | \$0 | \$4.046 | | | |
| Registered Mail | 55 | \$30 | 0 | \$18 | \$18 | \$0 | \$18.071 | | | |
| Stamped Envelopes | 56 | \$20 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Stamped Cards | 57 | \$1 | 0 | \$1 | \$1 | \$0 | \$0.000 | | | |
| Other Ancillary Services | 58 | \$507 | 0 | \$443 | \$443 | \$1 | \$0.204 | | | |
| Address Management Services | 61 | \$16 | 0 | \$7 | \$0 | \$7 | \$0.000 | | | |
| Caller Service | 62 | \$101 | 0 | \$26 | \$26 | \$0 | \$0.000 | | | |
| Money Orders | 73 | \$156 | 0 | \$96 | \$93 | \$3 | \$1.617 | | | |
| Post Office Box Service | 74 | \$389 | 0 | \$275 | \$270 | \$5 | \$0.000 | | | |
| Other Special Services | 76 | \$0 | 0 | \$0 | \$0 | \$0 | \$0.000 | | | |
| All Other Special Services | 191 | \$19 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Total Domestic Market Dominant Services | 140 | \$2,089 | 0 | \$1,484 | \$1,468 | \$16 | \$0.735 | | | |
| Total Domestic Market Dominant Attributable Costs | 143 | \$51,285 | 149,937 | \$27,196 | \$27,060 | \$136 | \$0.336 | \$0.178 | \$0.158 | 188.6% |
| DOMESTIC COMPETITIVE PRODUCTS | | | | | | | | | | |
| Total Domestic Competitive Mail | 175 | \$12,048 | 3,144 | \$8,325 | \$8,208 | \$118 | \$3.832 | \$2.648 | \$1.184 | 144.7% |
| INTERNATIONAL MAIL AND SERVICES | | | | | | | | | | |
| TOTAL ATTRIBUTABLE COSTS | 198 | \$66,398 | 153,946 | \$37,448 | \$37,131 | \$318 | \$0.423 | \$0.239 | \$0.185 | 177.3% |
| OTHER COSTS | 199 | \$820 | 0 | \$34,916 | \$35,234 | -\$318 | | | | |
| TOTAL COSTS | 200 | \$67,218 | 153,946 | \$72,365 | \$72,365 | \$0 | | | | |

R2010-4R

Contribution by Class of Mail - FY2014 After Rates Exigent (including CPI) - Full Year
(October 1, 2013 Implementation)

| | | Revenue (in millions) | Volume (in millions) | Attributable Cost (in millions) | Volume Variable Cost (in millions) | Product Specific Cost (in millions) | Revenue \$ (per piece) | Attributable Cost \$ (per piece) | Contribution \$ (per piece) | Cost Coverage |
|--|------------|--------------------------|-------------------------|---------------------------------------|--|---|---------------------------|--|--------------------------------|---------------|
| DOMESTIC MARKET DOMINANT PRODUCTS | | | | | | | | | | |
| First-Class Mail | | | | | | | | | | |
| Single Piece Letters | 3 | \$9,984 | 19,872 | \$5,155 | \$5,118 | \$37 | \$0.502 | \$0.259 | \$0.243 | 193.7% |
| Single Piece Postcards | 4 | \$346 | 977 | \$235 | \$233 | \$2 | \$0.354 | \$0.241 | \$0.114 | 147.2% |
| Total Single Piece Letters and Cards | 5 | \$10,330 | 20,849 | \$5,390 | \$5,351 | \$39 | \$0.495 | \$0.259 | \$0.237 | 191.7% |
| Presort Letters | 8 | \$14,371 | 36,447 | \$4,274 | \$4,257 | \$17 | \$0.394 | \$0.117 | \$0.277 | 336.2% |
| Presort Postcards | 9 | \$596 | 2,275 | \$179 | \$178 | \$1 | \$0.262 | \$0.079 | \$0.183 | 332.5% |
| Total Presort Letters and Cards | 10 | \$14,967 | 38,722 | \$4,453 | \$4,435 | \$18 | \$0.387 | \$0.115 | \$0.272 | 336.1% |
| Flats | 14 | \$2,496 | 1,777 | \$1,468 | \$1,467 | \$1 | \$1.405 | \$0.826 | \$0.579 | 170.1% |
| Parcels | 19 | \$653 | 245 | \$520 | \$520 | \$0 | \$2.665 | \$2.124 | \$0.542 | 125.5% |
| Fees | 18 | \$137 | 0 | \$0 | \$0 | \$0 | | | | |
| Total First-Class | 100 | \$28,584 | 61,593 | \$11,831 | \$11,773 | \$58 | \$0.464 | \$0.192 | \$0.272 | 241.6% |
| Standard Mail | | | | | | | | | | |
| High Density and Saturation Letters | 21 | \$829 | 5,499 | \$325 | \$321 | \$4 | \$0.151 | \$0.059 | \$0.092 | 254.8% |
| High Density and Saturation Flats and Parcels | 22 | \$2,165 | 12,227 | \$902 | \$893 | \$9 | \$0.177 | \$0.074 | \$0.103 | 240.0% |
| Carrier Route | 23 | \$2,529 | 9,426 | \$1,694 | \$1,686 | \$7 | \$0.268 | \$0.180 | \$0.089 | 149.3% |
| Letters | 25 | \$10,090 | 47,442 | \$4,891 | \$4,855 | \$36 | \$0.213 | \$0.103 | \$0.110 | 206.3% |
| Flats | 26 | \$2,253 | 5,469 | \$2,401 | \$2,396 | \$5 | \$0.412 | \$0.439 | -\$0.027 | 93.8% |
| Not Flat-Machinables and Parcels | 27 | \$72 | 67 | \$73 | \$72 | \$0 | \$1.068 | \$1.076 | -\$0.008 | 99.2% |
| Fees | 29 | \$59 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Standard Mail | 105 | \$17,997 | 80,130 | \$10,285 | \$10,224 | \$61 | \$0.225 | \$0.128 | \$0.096 | 175.0% |
| Periodicals | | | | | | | | | | |
| In County | 31 | \$67 | 574 | \$83 | \$83 | \$0 | \$0.116 | \$0.145 | -\$0.029 | 80.2% |
| Outside County | 32 | \$1,629 | 5,523 | \$1,985 | \$1,984 | \$1 | \$0.295 | \$0.359 | -\$0.064 | 82.1% |
| Fees | 39 | \$8 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Periodicals | 110 | \$1,703 | 6,097 | \$2,068 | \$2,067 | \$1 | \$0.279 | \$0.339 | -\$0.060 | 82.4% |
| Package Services | | | | | | | | | | |
| Single Piece Parcel Post | 41 | \$724 | 50 | \$687 | \$687 | \$0 | \$14.510 | \$13.752 | \$0.759 | 105.5% |
| Bound Printed Matter Flats | 42 | \$192 | 227 | \$130 | \$130 | \$0 | \$0.845 | \$0.571 | \$0.274 | 148.0% |
| Bound Printed Matter Parcels | 43 | \$294 | 216 | \$242 | \$242 | \$0 | \$1.365 | \$1.123 | \$0.241 | 121.5% |
| Media and Library Mail | 44 | \$294 | 82 | \$306 | \$306 | \$0 | \$3.580 | \$3.721 | -\$0.140 | 96.2% |
| Fees | 49 | \$2 | 0 | \$0 | \$0 | \$0 | | | | |
| Total Package Services | 115 | \$1,507 | 575 | \$1,364 | \$1,364 | \$0 | \$2.621 | \$2.373 | \$0.248 | 110.4% |
| U.S. Postal Service | | | | | | | | | | |
| Free Mail | 130 | \$0 | 52 | \$34 | \$34 | \$0 | \$0.000 | \$0.658 | | |
| Total Domestic Market Dominant Mail | 135 | \$49,791 | 148,910 | \$25,583 | \$25,463 | \$120 | \$0.334 | \$0.172 | \$0.163 | 194.6% |
| Special Services | | | | | | | | | | |
| Ancillary Services | | | | | | | | | | |
| Certified | 51 | \$753 | 0 | \$589 | \$589 | \$0 | \$3.301 | | | |
| COD | 52 | \$5 | 0 | \$2 | \$2 | \$0 | \$10.203 | | | |
| Insurance | 54 | \$107 | 0 | \$10 | \$10 | \$0 | \$4.160 | | | |
| Registered Mail | 55 | \$31 | 0 | \$18 | \$18 | \$0 | \$18.436 | | | |
| Stamped Envelopes | 56 | \$20 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Stamped Cards | 57 | \$1 | 0 | \$1 | \$1 | \$0 | \$0.000 | | | |
| Other Ancillary Services | 58 | \$504 | 0 | \$428 | \$427 | \$1 | \$0.206 | | | |
| Address Management Services | 61 | \$16 | 0 | \$7 | \$0 | \$7 | \$0.000 | | | |
| Caller Service | 62 | \$103 | 0 | \$26 | \$26 | \$0 | \$0.000 | | | |
| Money Orders | 73 | \$157 | 0 | \$96 | \$93 | \$3 | \$1.637 | | | |
| Post Office Box Service | 74 | \$395 | 0 | \$275 | \$270 | \$5 | \$0.000 | | | |
| Other Special Services | 76 | \$0 | 0 | \$0 | \$0 | \$0 | \$0.000 | | | |
| All Other Special Services | 191 | \$19 | 0 | \$7 | \$7 | \$0 | \$0.000 | | | |
| Total Domestic Market Dominant Services | 140 | \$2,110 | 0 | \$1,466 | \$1,450 | \$16 | \$0.755 | | | |
| Total Domestic Market Dominant Attributable Costs | 143 | \$51,900 | 148,910 | \$27,050 | \$26,913 | \$136 | \$0.342 | \$0.178 | \$0.164 | 191.9% |
| DOMESTIC COMPETITIVE PRODUCTS | | | | | | | | | | |
| Total Domestic Competitive Mail | 175 | \$12,048 | 3,144 | \$8,332 | \$8,214 | \$118 | \$3.832 | \$2.650 | \$1.182 | 144.6% |
| INTERNATIONAL MAIL AND SERVICES | | | | | | | | | | |
| | 185 | \$3,069 | 863 | \$1,923 | \$1,859 | \$64 | \$3.555 | \$2.228 | \$1.327 | 159.5% |
| TOTAL ATTRIBUTABLE COSTS | 198 | \$67,017 | 152,917 | \$37,305 | \$36,987 | \$318 | \$0.430 | \$0.240 | \$0.191 | 179.6% |
| OTHER COSTS | 199 | \$820 | 0 | \$34,933 | \$35,251 | -\$318 | | | | |
| TOTAL COSTS | 200 | \$67,837 | 152,917 | \$72,238 | \$72,238 | \$0 | | | | |

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|---|
| Exigent (including CPI) Rate Changes |
|---|

| MAILING SERVICE PRODUCT CONTRIBUTION & COST COVERAGE ANALYSIS | | | | | |
|--|----------------|----------------|--------------------------|---------------------|----------------------|
| Fiscal Year 2014 | FY2014 | FY2014 | FY2014 | FY2014 | FY2014 |
| January 26, 2014 Implementation | Revenue | Volume | Attributable Cost | Contribution | Cost Coverage |
| | (000's) | (000's) | (000's) | (000's) | |
| First Class Mail | | | | | |
| Current Prices | \$ 27,419,815 | 62,444,044 | \$ 11,947,221 | \$ 15,472,594 | 229.5% |
| New Prices | \$ 28,202,217 | 61,914,930 | \$ 11,875,329 | \$ 16,326,887 | 237.5% |
| Change | \$ 782,401 | (529,113) | \$ (71,891) | \$ 854,293 | |
| Standard Mail | | | | | |
| Current Prices | \$ 17,375,949 | 81,856,429 | \$ 10,475,029 | \$ 6,900,920 | 165.9% |
| New Prices | \$ 17,817,585 | 80,817,485 | \$ 10,361,428 | \$ 7,456,157 | 172.0% |
| Change | \$ 441,636 | (1,038,943) | \$ (113,601) | \$ 555,237 | |
| Periodicals | | | | | |
| Current Prices | \$ 1,618,401 | 6,130,490 | \$ 2,072,568 | \$ (454,167) | 78.1% |
| New Prices | \$ 1,675,234 | 6,107,956 | \$ 2,068,964 | \$ (393,730) | 81.0% |
| Change | \$ 56,833 | (22,534) | \$ (3,604) | \$ 60,437 | |
| Package Services | | | | | |
| Current Prices | \$ 792,132 | 539,557 | \$ 710,939 | \$ 81,192 | 111.4% |
| New Prices | \$ 810,044 | 532,053 | \$ 699,630 | \$ 110,415 | 115.8% |
| Change | \$ 17,913 | (7,504) | \$ (11,310) | \$ 29,222 | |
| Total Domestic Special Services | | | | | |
| Current Prices | \$ 2,038,703 | - | \$ 1,516,783 | \$ 521,920 | 134.4% |
| New Prices | \$ 2,089,092 | - | \$ 1,483,713 | \$ 605,378 | 140.8% |
| Change | \$ 50,389 | | \$ (33,070) | \$ 83,459 | |
| International | | | | | |
| Current Prices | \$ 596,795 | 576,179 | \$ 774,084 | \$ (177,289) | 77.1% |
| New Prices | \$ 602,656 | 572,743 | \$ 771,683 | \$ (169,027) | 78.1% |
| Change | \$ 5,861 | (3,437) | \$ (2,401) | \$ 8,262 | |
| Total Market Dominant Products (Current) | \$ 49,841,795 | 151,546,699 | \$ 27,496,624 | \$ 22,345,171 | 181.3% |
| Total Market Dominant Products (New) | \$ 51,196,828 | 149,945,167 | \$ 27,260,747 | \$ 23,936,080 | 187.8% |
| Differences | \$ 1,355,032 | (1,601,532) | \$ (235,877) | \$ 1,590,910 | |

* Excludes Free Mail and US Postal Mail

| |
|---|
| Exigent (including CPI) Rate Changes |
|---|

| MAILING SERVICE PRODUCT CONTRIBUTION & COST COVERAGE ANALYSIS | | | | | |
|--|----------------------|--------------------|--------------------------|----------------------|----------------------|
| Fiscal Year 2014 | FY2014 | FY2014 | FY2014 | FY2014 | FY2014 |
| October 1, 2013 Implementation | Revenue | Volume | Attributable Cost | Contribution | Cost Coverage |
| | (000's) | (000's) | (000's) | (000's) | |
| First Class Mail | | | | | |
| Current Prices | \$ 27,419,815 | 62,444,044 | \$ 11,947,221 | \$ 15,472,594 | 229.5% |
| New Prices | \$ 28,583,660 | 61,592,619 | \$ 11,831,432 | \$ 16,752,228 | 241.6% |
| Change | \$ 1,163,845 | (851,424) | \$ (115,789) | \$ 1,279,633 | |
| Standard Mail | | | | | |
| Current Prices | \$ 17,375,949 | 81,856,429 | \$ 10,475,029 | \$ 6,900,920 | 165.9% |
| New Prices | \$ 17,996,710 | 80,129,918 | \$ 10,285,251 | \$ 7,711,459 | 175.0% |
| Change | \$ 620,761 | (1,726,510) | \$ (189,778) | \$ 810,539 | |
| Periodicals | | | | | |
| Current Prices | \$ 1,618,401 | 6,130,490 | \$ 2,072,568 | \$ (454,167) | 78.1% |
| New Prices | \$ 1,703,297 | 6,097,057 | \$ 2,067,787 | \$ (364,490) | 82.4% |
| Change | \$ 84,897 | (33,433) | \$ (4,780) | \$ 89,677 | |
| Package Services | | | | | |
| Current Prices | \$ 792,132 | 539,557 | \$ 710,939 | \$ 81,192 | 111.4% |
| New Prices | \$ 815,951 | 526,090 | \$ 692,029 | \$ 123,921 | 117.9% |
| Change | \$ 23,819 | (13,467) | \$ (18,910) | \$ 42,729 | |
| Total Domestic Special Services | | | | | |
| Current Prices | \$ 2,038,703 | - | \$ 1,516,783 | \$ 521,920 | 134.4% |
| New Prices | \$ 2,109,607 | - | \$ 1,466,292 | \$ 643,316 | 143.9% |
| Change | \$ 70,905 | | \$ (50,491) | \$ 121,396 | |
| International | | | | | |
| Current Prices | \$ 596,795 | 576,179 | \$ 774,084 | \$ (177,289) | 77.1% |
| New Prices | \$ 606,228 | 570,586 | \$ 770,169 | \$ (163,941) | 78.7% |
| Change | \$ 9,433 | (5,593) | \$ (3,915) | \$ 13,348 | |
| Total Market Dominant Products (Current) | \$ 49,841,795 | 151,546,699 | \$ 27,496,624 | \$ 22,345,171 | 181.3% |
| Total Market Dominant Products (New) | \$ 51,815,454 | 148,916,271 | \$ 27,112,960 | \$ 24,702,493 | 191.1% |
| Differences | \$ 1,973,658 | (2,630,428) | \$ (383,664) | \$ 2,357,322 | |

* Excludes Free Mail and US Postal Mail