

USPS-T-9

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON DC 20268-0001

POSTAL RATE AND FEE CHANGES,
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

DIRECT TESTIMONY OF
KAREN MEEHAN
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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LIST OF EXHIBITS

- A. COST SEGMENTS AND COMPONENTS, BY 2004USPS-9A
- B. FINAL ADJUSTMENTS, BY 2004USPS-9B
- C. COST AND REVENUE ANALYSIS, BY 2004USPS-9C

LIST OF WORKPAPERS

WP-A. BASE YEAR 2004 REPORTS

TABLE 1. MANUAL INPUT REQUIREMENT REPORT

TABLE 2. "A" REPORT (WITHOUT PESSA)

TABLE 3. FACTOR REPORT

TABLE 4. "B" REPORT (PESSA DETAIL)

WP-B. BASE YEAR 2004 COST SEGMENT SPREADSHEETS (1-20)

LIST OF LIBRARY REFERENCES

I am sponsoring the following library references:

- | | |
|--------------|--|
| USPS LR-K-4 | Base Year 2004 CRA Model and Data Files (CD-ROM) |
| USPS LR-K-5 | Witness Meehan's A and B Workpapers and Exhibits A, B and C (CD-ROM) |
| USPS LR-K-40 | Calculation of Alaska Highway Costs |
| USPS LR-K-57 | Reconciliation of FY 2004 Statement of Revenues and Expenses to Audited Financial Statements and Reallocation of Expenses by Component |

1 Autobiographical Sketch

2 My name is Karen Meehan. I am an economist in Cost Attribution,
3 Finance at Postal Service headquarters. I have been in my current job since
4 November 1994 and have been employed by the Postal Service since 1991.

5 My postal experience includes a number of positions at headquarters. I
6 served as a senior economist in the Demand Research Division in 1991 and
7 1992. From 1992 to 1994, I was a principal operations research analyst in the
8 Economic and Analysis Forecasting Group. Since 1994, I have been an
9 economist in Cost Attribution. I was the base year cost witness in Docket Nos.
10 R2000-1 and R2001-1.

11 Previous to my employment at the Postal Service, I was a teaching
12 assistant at the George Washington University in the Economics Department.

13 I hold a Bachelor of Science, with honors, in industrial and systems
14 engineering from the Georgia Institute of Technology and a Master in Economics
15 from George Washington University.

1 PURPOSE AND SCOPE OF TESTIMONY

2 This testimony presents the development of Base Year 2004 costs. A
3 number of changes in the treatment of costs are introduced in this proceeding,
4 resulting in differences between the Base Year 2000 Cost and Revenue Analysis
5 (CRA) and Base Year 2004 costs. My testimony and related workpapers provide
6 a brief overview of these changes and report their results. However, a more
7 thorough treatment of these changes is addressed in the testimony of other
8 witnesses.

9 This testimony is divided into five sections. The first section is the
10 roadmap overview, which in response to Rule 53, lists the witnesses I receive
11 input from and give input to. The second section defines the postal costing
12 concepts used in the identification and development of base year costs. The
13 third section summarizes the changes in the treatment of costs between Base
14 Year 2000 and Base Year 2004. The fourth section of my testimony provides an
15 overview of the development of Base Year 2004 costs. I present these costs as
16 a series of exhibits, which follow this narrative. The last section, again in
17 response to Rule 53, describes proposed changes relative to the PRC
18 methodology employed in the most recently concluded rate proceeding.

19

20 I. Roadmap Overview

21 I receive inputs from the following the data systems, which are described
22 in the testimonies of witnesses Shaw, USPS-T-2, for IOCS inputs; witness
23 Harahush, USPS-T-5 for city and rural carrier inputs; witness Hunter, USPS-T-3

1 for transportation inputs; witness Nash, USPS-T-17 for transportation inputs;
2 witness Bradley, USPS-31, for transportation and window service inputs; witness
3 Bradley, USPS-T-14, for carrier cost study inputs; witness Kay, USPS-T-18, for
4 rural carrier cost inputs in USPS-LR-K-70; witness Pafford, USPS-T-4, for
5 Revenue, Piece and Weights (RPW) inputs; witness Tayman, USPS-T-6 for the
6 Statement of Revenue and Expenses in USPS-LR-K-50; witness Van-Ty-Smith,
7 USPS-T-11, for mail processing inputs; and witness Smith, USPS-T-13, for
8 facility and equipment inputs.

9 I provide base year cost inputs to the following witnesses - Waterbury,
10 USPS-T-10 for the rollforward; witness Kay, USPS-T-18, for the incremental cost
11 model; and witness Smith, USPS-T-13 for test year costs, and witness Wesner,
12 USPS-T-24 for special studies. Witness Tayman, USPS-T-6, uses LR-K-57.

13

14 II. Postal Costing Concepts

15 Base Year costs are classified as either "volume variable" or "other" in the
16 base year cost presentation.¹

17 A. Volume Variable Costs

18 As in Dockets No. R97-1, R2000-1 and R2001-1, the term "volume
19 variable costs" refers to costs that change (increase or decrease) in response to
20 a small change in mail volume. The degree of variability is the ratio of the
21 percentage change in costs to the corresponding percentage change in volume.

¹ Exhibit USPS-9C also includes a column called Incremental Cost which is discussed by witness Kay, USPS-T-18.

1 The degree of variability is usually referred to as the “variability” and is commonly
2 expressed as a percentage.

3 B. Other Costs

4 The term “other costs” refers to all costs that are not volume variable.
5 They represent the difference between total accrued costs and total volume
6 variable costs.

7

8 III. Changes Between Base Year 2000 and Base Year 2004

9

10 A. Base Year 2000 to Base Year 2004

11

12 The Base Year 2004 CRA was a continuation of the Base Year 2000 CRA
13 methodology, except for the following general revisions, updates and special
14 studies. They are listed below.

15

1. General Revisions

16

17 The Base Year 2004 CRA/Fiscal Year 2004 CRA was moved to an Excel-
18 based platform, but functionality and results are virtually the same. For
19 comparison purposes, Library references LR-K-2, LR-K-3 and LR-K-61 show the
20 Fiscal Year 2004 CRA, Fiscal Year 2004 Cost Segments and Components and
21 FY 2004 CRA model under the former platform, with virtually identical results.

21

22 Besides the documentation that is part of the Excel Base Year 2004 CRA model
23 and data files found in LR-K-4, further system documentation of the Base Year
24 CRA Excel model can be found in LR-K-24.

24

25 In Fiscal Year 2002, RPW ceased reporting return receipt rate category
26 revenue and volume by special service class, and began reporting return receipt
rate category revenue and volume as an aggregate. At the summary level, RPW

1 reports return receipt data in the Delivery Receipt Services category. To address
2 and be consistent with the change in RPW, the Fiscal Year 2002 CRA and all
3 subsequent CRAs, including the Base Year 2004 CRA, move the four return
4 receipt revenues (i.e. (1) Registry, (2) Certified, (3) Insurance and (4) COD) to
5 the line "Special Services, Other."² This remains consistent with Docket No.
6 MC96-3 Special Services Recommended Decision that stated that the Postal
7 Service should not include return receipt revenue or volume when reporting the
8 parent special services' unit revenue, unit cost, and contribution. Witness
9 Pafford, USPS-T-4 presents testimony regarding the Revenue, Pieces and
10 Weights data system.

11 Public Law 108-18, passed in May 2003, resulted in changes to the Base
12 Year 2004 costs. One element of PL 108-18 affecting the Base Year 2004 costs
13 is the increased employer retirement contributions from 7 to 17.4 percent,
14 described in the testimony of witness Tayman, USPS-T-6. These contributions
15 continue to have the same treatment as the Docket No. R2001-1 base year costs
16 (i.e. the 17.4 percent payment is included in the accrued salary and benefits
17 costs in cost segments 1-13, 16, 18 and 19, just as was done for the 7 percent
18 payment in the base year costs in Docket No. R2001-1 and is volume variable to
19 the same degree as other salary and benefits costs in these segments.) As
20 stated in witness Tayman's testimony, these fully fund the Civil Service
21 Retirement System (CSRS) pension benefit obligation. Since these contributions

² As in the FY97, FY98, BY98, FY99, FY00, FY01 CRAs, identifiable return receipt costs are shown on the Special Service line, "Other", along with other identifiable special service costs such as merchandise return and delivery confirmation.

1 fully fund CSRS, and since the supplemental liability in PL108-18 is related to
2 past service costs (stated in witness Tayman's testimony), the supplemental
3 liability, found in Cost Segment 18.3.3 and Cost Segment 20.5, is not attributed
4 (i.e. nonvolume variable) in the Base Year 2004 costs. The escrow payment or
5 "savings" is not part of the Base Year 2004 costs, but is part of the Test Year
6 2006 costs. Its treatment is discussed in the testimony of witness Smith, USPS-
7 T-13.

8

9 2. New Studies and Updates

10

11 A number of updates affecting the volume variability of selected segments
12 and components are incorporated in the Base Year 2004 costs. The following is
13 a summary of these new updates, as well as a reference to their respective
14 sponsoring witness.

15 Witness Shaw, USPS-T-2 presents testimony regarding the In-Office Cost
16 System, which develops distribution key inputs for most of Cost Segment 3.

17 A change was made to Cost Segment 2 and 3 to eliminate special delivery
18 messengers (eliminated as a separate craft in Fiscal Year 2000) as they are
19 declining and the data to identify this craft separately are no longer available.

20 Updates to mail processing variabilities and to the subclass distribution of
21 volume-variable mail processing labor costs, affecting cost segment 3, Mail
22 Processing, were made, such as the formation of separate cost pools for some
23 operations, the merger of cost pools, and the elimination of cost pools for
24 discontinued operations. The corresponding cost pools for facility space have

1 been similarly changed to reflect operational changes. Cost pool formation is
2 performed in the testimony and workpapers of witness Van-Ty-Smith, USPS-T-
3 11. Mail processing variabilities are discussed in the testimony of witness Bozzo,
4 USPS-T-12. Facility space-related costs are discussed in the testimony of
5 witness Smith, USPS-T-13.

6 A new input for a product specific cost in Cost Segment 3 for International
7 Claims & Inquiry was received. The input is shown in LR-K-5, CS03, tab "Inputs",
8 cell C360. Estimates of product specific costs are still developed and allocated
9 to categories of mail and special services in the estimation and application of
10 incremental costs. These are included in the workpapers of witness Kay, USPS-
11 T-18. Also all product specific costs are shown in the workpapers of witness
12 Kay, USPS-T-18.

13 In administrative clerks (Cost Segment 3.3), to correct a previous
14 inconsistency, quality control clerks (Component 423) were given the same
15 treatment (i.e., variability and distribution from Component 295) as the
16 supervisors of quality control (Component 676) in Cost Segment 2.

17 A correction to window service waiting time was made to distribute it to all
18 products. Formerly it had not been distributed to all window services or
19 multiplied by the variability. The new distribution can be seen in LR-K-5,
20 CS03.xls, table 3.2.1, column G. Waiting time distribution was moved from
21 column T in the previous base year to column G to accommodate the change in
22 algebra necessary to apply the variability to the waiting time in a mathematically

1 correct way. The correction to window service waiting time is further discussed
2 in the testimony of witness Bradley, USPS-T-31.

3 Witness Harahush, USPS-T-5 presents testimony regarding the Carrier
4 Cost Systems, which develops distribution key inputs for most of Cost Segment 6
5 and 7. New distribution keys from the city carrier cost system (CCS) were
6 received as inputs, part of the testimony of witness Harahush, USPS-T-5. These
7 inputs are displayed in LR-K-5, CS06&7.xls, tab 'Input DK' , columns G (small
8 parcels), H (large parcels) and J (collection).

9 City carrier costs, affecting Cost Segments 6 and 7, were changed based
10 on a new study. The carrier study is discussed in the testimony of witnesses
11 Bradley, USPS-T-14 and witness Stevens, USPS-T-15. As a result of the study
12 there are new cost pools, new spreadsheets, new variabilities, and new
13 distribution keys. The changes to the spreadsheets can be found in USPS LR-K-
14 5, CS06&7.xls, tab "Doc".

15 Updates were made to the rural carrier costs, affecting Cost Segment 10.
16 The rural carrier mail count in USPS LR-K-71 now uses the same size definition
17 for letters and flats as the Rural Carrier System (RCS). (See the testimony of
18 witness Harahush, USPS-T-5, for information on the Rural Carrier System
19 (RCS).) As a result, the former flat shape adjustment found in CS10.xls, tab
20 10.0.3P1 and CS10.xls, tab 10.0.3P2, in the previous Base Year B workpapers,
21 have been eliminated in the 2004 Base Year B workpapers. Also in Cost
22 Segment 10, the time for Delivery Confirmation scans were separately identified.

1 These costs are developed in the library reference of witness Kay, in LR-K-70.

2 The costs have been assigned to the Special Services Other class.

3 Witness Hunter, USPS-T-3, presents testimony regarding the

4 Transportation Cost System, which develops distribution keys for most of Cost

5 Segment 14. The surface density study was updated, affecting purchased

6 transportation, Cost Segment 14, and Vehicle Service Drivers, Cost Segment 8.

7 The updated surface density study is discussed in the testimony of witness Nash,

8 USPS-T-17. Also in USPS-T-17, Witness Nash is presenting testimony relating

9 to Cost Segment 14 plant load costs, which is primarily an update of the plant

10 load distribution key study; FedEx variabilities and costs, CNET distribution key

11 changes, Alaska Air adjustment factors, Priority Mail weight by zone, and

12 Amtrak-related costs beyond the base year. Other changes to the Cost Segment

13 14 B workpapers can be found in LR-K-5, in spreadsheet CS14.xls, tab

14 "Changes from FY 2003". Also, some calculations may be updated to reflect

15 operational changes. Calculation of the Alaska Highway Costs is presented in

16 LR-K-40. These are the costs of certain Alaskan highway contracts which are

17 removed from the Intra-BMC cost pool and placed in a separate cost pool.

18 These costs continue to be distributed based on the combined cost distribution of

19 inter-BMC and freight rail. Library Reference USPS-K-40 contains the source

20 documents and the quarterly aggregation of costs that constitute the Alaskan

21 highway cost pool used. Witness Bradley, USPS-T-31 provides Amtrak-related

22 variabilities.

1 The facility space study was updated, affecting Cost Segments 11, 15,
2 and parts of cost segments 16, 18 and 20. The updated facility space study is
3 discussed in the testimony of witness Smith, USPS-T-13. The testimony of
4 witness Smith, USPS-T-13, also includes other discussions related to equipment
5 factors and facility-related factors.

6 In Cost Segment 16, cost subsegment 16.3.6, named Remote Encoding
7 Centers in the previous base year (i.e. Docket No. R2001-1 base year costs),
8 was renamed Non Mail Related Products in the base year 2004 costs. The
9 former remote encoding center costs in 16.3.6 were less than \$5,000 in previous
10 years, and their accounts have been eliminated, as the remote encoding centers
11 are no longer contractor operated. Subsegment 16.3.6's contents were replaced
12 with four accounts (i.e., 52410, 52433, 52448, and 52474) formerly in
13 subsegment 16.3.4 and treated as institutional as they are non mail-related retail
14 product costs.

15 Also, the Priority Mail Processing Centers' (PMPCs) costs in Cost
16 Segment 16 were eliminated as the operations moved from contractor operated
17 to postal operated in January 2001. The In-Office Cost System is now used to
18 collect cost data on these sites. The testimony of witness Shaw, USPS-T-2
19 presents testimony on the In-Office Cost System. PMPC cost pool formation
20 associated with mail processing is part of the testimony of witness Van-Ty-Smith,
21 USPS-T-11. The corresponding cost pools for facility space are part of the
22 testimony of witness Smith, USPS-T-13. Base Year 2004 incremental cost
23 calculations are still performed to assign the non-volume variable costs of the

1 PMPCs to Priority Mail. Please see the workpapers of witness Kay, USPS-T-18,
2 for the calculations.

3

4 B. Cost Concepts

5 Prior to Docket No. R97-1, the Base Year cost presentation included
6 identification of specific-fixed costs. The Base Year 2004 cost presentation, like
7 Base Year 1996 in Docket No. R97-1, Base Year 1998 in Docket No. R2000-1,
8 and Base Year 2000 in Docket No. R2001-1, is limited to the estimation of
9 volume variable costs for each category of mail and special service. Estimates of
10 product specific costs are still developed and allocated to categories of mail and
11 special services in the estimation and application of incremental costs. These
12 are included in the workpapers of witness Kay, USPS-T-18.

13

14 IV. Development of Base Year 2004 Costs

15 Base Year 2004 costs are based on the established cost segments and
16 components. Accrued costs for Base Year 2004 are grouped into 20 cost
17 segments structured along costs for craft activities (e.g., rural carriers), work
18 activities or major functions (e.g., purchased transportation). The cost segments
19 are disaggregated into cost components and subcomponents. For each
20 component or subcomponent a determination of cost variability is made, and
21 then applied to the accrued costs for that component or subcomponent to arrive
22 at the level of volume variable cost. An appropriate distribution key is then

1 employed to distribute this cost to the classes and subclasses of mail and types
2 of special service.

3 Ongoing statistical sampling systems collect data and produce estimates
4 that underlie the costs presented in Exhibit USPS-9A. These cost systems are
5 IOCS, TRACS, CCS, and RCS. See witness Shaw, USPS-T-2, for IOCS,
6 witness Hunter, USPS-T-3, for TRACS, and witness Harahush, USPS-T-5, for
7 CCS and RCS.

8 Cost segments and components for Base Year 2004 are presented as
9 Exhibit USPS-9A to my testimony. Final adjustments are reported in my Exhibit
10 USPS-9B, and a Cost and Revenue Analysis report for Base Year 2004 is
11 provided as Exhibit USPS-9C.

12

13 V. Proposed Changes Relative to PRC Methodology

14 The proposed changes to the Base Year 2004 costs relative to PRC
15 methodology in the last rate proceeding are presented in Section III of my
16 testimony. The only other proposed change/difference consists of the on-going
17 mail processing methods proposed but not adopted, starting in Docket No. R97-
18 1, and continuing in Docket Nos. R2000-1 and R2001-1.

19 The differences between the USPS 2004 base year costs relative to the
20 PRC methodology in the last rate proceeding are best approximated by
21 comparing the results shown in Attachment A of my testimony.

22 To the extent that, in response to Commission Rule 53, I discuss and
23 compare PRC versions of costing materials in this testimony, I do not sponsor

1 those materials, or in any way endorse the methodologies used to prepare them.
2 In its Order No. 1380 adopting the roadmap rule, the Commission included the
3 following statements regarding the role played by Postal Service witnesses under
4 these circumstances:

5 The comparison required by this exercise cannot be equated
6 with sponsoring the preexisting methodology. It merely
7 identifies and gives context to the proposed change, serving
8 as a benchmark so that the impact can be assessed. ...
9 [W]itnesses submitting testimony under Rule 53(c) sponsor
10 the proposed methodological changes, not the preexisting
11 methodology. That they may be compelled to reference the
12 preexisting methodology does not mean that they are
13 sponsoring it.
14

15 Order No. 1380 (August 7, 2003) at 7. Therefore, although I may
16 be compelled to refer to the PRC methodologies and versions corresponding to
17 the Postal Service proposals which are the subject of my testimony, my
18 testimony does not sponsor those PRC materials.

**ATTACHMENT A - USPS AND PRC BASE YEAR 2004 VOLUME VARIABLE COSTS
(in millions)**

	USPS BY04 Volume Variable Cost	PRC BY04 Volume Variable Cost
	<hr/>	<hr/>
First-Class Mail.....	\$16,572.0	\$17,438.5
Priority Mail.....	2,816.2	2,986.4
Express Mail.....	448.3	485.7
Mailgram.....	0.3	0.4
Periodicals:		
In County.....	62.8	67.5
Outside County.....	2,174.2	2,323.2
Total Periodicals.....	2,191.8	2,390.8
Standard Mail:		
Enhanced Carrier Route.....	2,187.0	2,359.5
Regular.....	8,216.0	8,612.4
Total Standard Mail.....	10,403.0	10,971.9
Package Services:		
Parcel Post.....	992.9	1,040.5
Bound Printed Matter.....	445.1	475.9
Media Mail.....	376.0	410.3
Total Package Services.....	2,206.4	1,926.7
Free Mail for the blind and handicapped.....	39.6	42.4
Special Services.....	1,547.6	1,714.2

EXHIBIT A

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		C/S 1 Postmasters	C/S 2 Supervisors and Technicians	C/S 3 Clerks and Mailhandlers – CAG A-J Offices	C/S 4 Clerks – CAG K Offices	C/S 6 City Delivery Carriers – Office Activity	C/S 7 City Delivery Carriers – Street Activity	C/S 8 Vehicle Service Drivers	C/S 10 Rural Carriers	C/S 11 Custodial and Maintenance Services	C/S 12 Motor Vehicle Service
Component Number		(251)	(284)	(478)	(254)	(256)	(257)	(258)	(260)	(359)	(262)
Cost Segment											
First-Class Mail											
Single Piece Letters	101	109,790	616,569	4,960,667	1,711	1,231,576	1,179,505	23,101	305,043	645,988	52,301
Presort Letters	102	77,569	232,618	1,483,929	550	566,736	619,674	23,063	283,571	228,104	30,258
Total Letters	103	187,359	849,187	6,444,596	2,261	1,798,312	1,799,179	46,164	588,614	874,092	82,560
Single Piece Cards	104	3,225	30,506	211,621	67	75,696	75,068	207	20,784	22,891	3,046
Presort Cards	105	2,894	10,013	54,575	19	24,493	32,806	380	16,663	7,289	1,449
Total Cards	108	6,119	40,519	266,196	86	100,189	107,874	587	37,447	30,180	4,495
Total First-Class	109	193,478	889,706	6,710,792	2,347	1,898,502	1,907,053	46,751	626,061	904,272	87,055
Priority Mail	110	23,694	88,145	885,154	226	50,281	109,576	67,083	40,138	88,348	21,997
Express Mail	111	4,572	19,577	202,228	0	7,501	30,240	1,527	10,898	11,448	2,599
Mailgrams	112	0	19	24	0	6	200	0	4	4	15
Periodicals											
Within County	113	386	3,178	15,550	6	8,957	10,401	1,873	12,098	1,791	997
Outside County	117	11,257	110,558	878,755	440	282,167	114,624	29,014	133,326	88,771	12,971
Total Periodicals	123	11,643	113,737	894,305	446	291,124	125,025	30,887	145,424	90,562	13,968
Standard Mail											
Enhanced Carr Rte	126	28,691	103,442	351,823	96	341,178	453,855	40,155	457,162	58,383	31,895
Regular	127	67,882	425,646	3,130,968	931	1,134,790	879,681	47,296	535,347	434,004	48,903
Total Standard Mail	135	96,573	529,088	3,482,791	1,027	1,475,968	1,333,536	87,451	992,509	492,387	80,798
Package Services											
Parcel Post	136	6,659	33,030	268,409	0	12,956	65,149	73,291	33,754	37,113	19,858
Bound Printed Matter	137	3,127	19,881	138,775	0	18,432	60,095	26,285	22,838	21,755	9,902
Media Mail	139	2,032	13,891	126,532	0	10,478	27,095	9,387	11,000	18,693	3,784
Total Package Services	141	11,818	66,802	533,715	0	41,866	152,339	108,963	67,592	77,561	33,543
U.S. Postal Service	142	0	22,257	222,409	141	25,908	4,151	3,071	2,047	20,356	892
Free Mail	147	0	1,741	16,206	0	1,325	3,021	598	2,524	2,066	277
International Mail	161	7,645	29,280	323,946	0	20,230	17,721	7,002	4,491	35,113	2,658
Total All Mail	162	349,423	1,760,351	13,271,569	4,187	3,812,711	3,682,862	353,333	1,891,687	1,722,117	243,801
Special Services											
Registry	163	303	4,341	46,975	51	1,459	5,692	0	4,883	3,489	306
Certified	164	3,375	21,126	111,876	47	41,924	78,568	0	89,877	8,094	4,170
Insurance	165	657	4,003	32,265	1	2,036	8,020	0	16,147	1,691	557
Cod	166	61	274	1,766	1	539	611	0	1,858	131	62
Money Orders	168	1,267	8,272	90,396	0	0	0	0	1,382	3,727	27
Stamped Cards	159	10	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	107	405	4,435	0	0	0	0	0	184	0
Special Handling	170	36	142	1,748	2	0	0	0	0	126	0
Post Office Box	171	4,181	8,805	93,770	6	1,153	0	0	0	146,091	1
Other	172	2,879	12,879	93,544	58	10,138	32,528	0	24,900	7,187	1,546
Total Special Services	173	12,876	60,246	476,776	166	57,249	125,419	0	139,047	170,721	6,669
Total Volume Variable	198	362,299	1,820,597	13,748,345	4,353	3,869,960	3,808,281	353,333	2,030,734	1,892,838	250,471
Other Costs	199	1,673,211	2,062,677	4,622,775	2,061	824,986	6,529,973	231,269	3,122,381	1,113,623	686,875
Total Costs	200	2,035,510	3,883,274	18,371,120	6,414	4,694,946	10,338,254	584,602	5,153,115	3,006,461	937,346

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		C/S 13 Miscellaneous Local Operations	C/S 14 Transportation	C/S 15 Building Occupancy	C/S 16 Supplies and Services	C/S 17 Research and Development	C/S 18 Administration and Area Operations (459)	C/S 19 General Management Systems (269)	C/S 20 Other Accrued Expenses (Servicewide) (475)	Total Volume Variable (460)
Component Number		(263)	(264)	(289)	(490)	(267)				
Cost Segment										
First-Class Mail										
Single Piece Letters	101	1,390	564,586	333,298	400,909	0	455,572	0	480,307	11,362,313
Presort Letters	102	667	387,177	116,899	123,060	0	176,232	0	158,964	4,509,070
Total Letters	103	2,057	951,763	450,196	523,969	0	631,804	0	639,271	15,871,383
Single Piece Cards	104	86	4,978	13,527	18,734	0	21,996	0	17,404	519,836
Presort Cards	105	31	8,102	4,357	4,965	0	7,455	0	5,242	180,733
Total Cards	108	117	13,080	17,884	23,699	0	29,450	0	22,646	700,568
Total First-Class	109	2,174	964,843	468,080	547,668	0	661,254	0	661,917	16,571,952
Priority Mail	110	75	1,115,348	75,194	114,283	0	69,155	0	67,525	2,816,221
Express Mail	111	15	101,889	13,094	18,493	0	14,569	0	9,619	448,270
Mailgrams	112	0	0	6	7	0	13	0	5	303
Periodicals										
Within County	113	11	80	1,734	1,531	0	2,726	0	1,486	62,804
Outside County	117	267	245,962	60,327	53,576	0	82,865	0	69,307	2,174,186
Total Periodicals	123	278	246,042	62,061	55,106	0	85,591	0	70,793	2,236,990
Standard Mail										
Enhanced Carr Rte	126	428	78,980	50,297	51,359	0	91,852	0	47,432	2,187,027
Regular	127	1,214	365,893	243,429	232,764	0	334,404	0	332,857	8,216,009
Total Standard Mail	135	1,642	444,873	293,726	284,123	0	426,255	0	380,289	10,403,036
Package Services										
Parcel Post	136	31	337,933	27,026	17,331	0	27,216	0	33,121	992,877
Bound Printed Matter	137	34	64,949	14,150	10,204	0	15,880	0	18,747	445,053
Media Mail	139	17	105,677	12,538	7,621	0	11,222	0	16,038	376,006
Total Package Services	141	82	508,559	53,714	35,155	0	54,318	0	67,906	1,813,935
U.S. Postal Service	142	22	16,230	15,203	10,299	0	15,219	0	15,194	373,399
Free Mail	147	2	6,573	1,334	961	0	1,395	0	1,604	39,628
International Mail	161	22	760,414	23,550	16,097	0	25,724	0	32,292	1,306,184
Total All Mail	162	4,313	4,164,770	1,005,963	1,082,192	0	1,353,494	0	1,307,144	36,009,918
Special Services										
Registry	163	3	0	3,528	2,150	0	3,408	0	4,681	81,268
Certified	164	60	0	10,230	9,207	0	17,728	0	7,320	403,602
Insurance	165	4	0	2,214	1,646	0	3,246	0	21,505	93,994
Cod	166	1	0	161	138	0	262	0	2,330	8,195
Money Orders	168	0	0	4,902	9,026	0	5,289	0	3,028	127,314
Stamped Cards	159	0	0	1	1,237	0	1	0	0	1,249
Stamped Envelopes	169	0	0	242	5,837	0	258	0	149	11,617
Special Handling	170	0	0	127	68	0	105	0	100	2,454
Post Office Box	171	1	0	195,627	16,348	0	19,153	0	121,438	606,575
Other	172	19	0	5,658	5,820	0	9,200	0	4,934	211,292
Total Special Services	173	88	0	222,690	51,477	0	58,650	0	165,486	1,547,560
Total Volume Variable	198	4,402	4,164,770	1,228,653	1,133,669	0	1,412,144	0	1,472,630	37,557,478
Other Costs	199	281,512	804,111	626,661	1,579,105	51,265	3,094,981	49,212	1,049,526	28,406,205
Total Costs	200	285,914	4,968,881	1,855,314	2,712,774	51,265	4,507,125	49,212	2,522,156	65,963,683

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Postmasters EAS 23 & Below	Postmasters EAS 24 & Above	C/S 1 Postmasters
Component Number		(1)	(2)	(251)
Cost Segment		1.1	1.2	
First-Class Mail				
Single Piece Letters	101	109,790	0	109,790
Presort Letters	102	77,569	0	77,569
Total Letters	103	187,359	0	187,359
Single Piece Cards	104	3,225	0	3,225
Presort Cards	105	2,894	0	2,894
Total Cards	108	6,119	0	6,119
Total First-Class	109	193,478	0	193,478
Priority Mail	110	23,694	0	23,694
Express Mail	111	4,572	0	4,572
Mailgrams	112	0	0	0
Periodicals				
Within County	113	386	0	386
Outside County	117	11,257	0	11,257
Total Periodicals	123	11,643	0	11,643
Standard Mail				
Enhanced Carr Rte	126	28,691	0	28,691
Regular	127	67,882	0	67,882
Total Standard Mail	135	96,573	0	96,573
Package Services				
Parcel Post	136	6,659	0	6,659
Bound Printed Matter	137	3,127	0	3,127
Media Mail	139	2,032	0	2,032
Total Package Services	141	11,818	0	11,818
U.S. Postal Service	142	0	0	0
Free Mail	147	0	0	0
International Mail	161	7,645	0	7,645
Total All Mail	162	349,423	0	349,423
Special Services				
Registry	163	303	0	303
Certified	164	3,375	0	3,375
Insurance	165	657	0	657
Cod	166	61	0	61
Money Orders	168	1,267	0	1,267
Stamped Cards	159	10	0	10
Stamped Envelopes	169	107	0	107
Special Handling	170	36	0	36
Post Office Box	171	4,181	0	4,181
Other	172	2,879	0	2,879
Total Special Services	173	12,876	0	12,876
Total Volume Variable	198	362,299	0	362,299
Other Costs	199	1,625,067	48,144	1,673,211
Total Costs	200	1,987,366	48,144	2,035,510

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Mail Processing	Central Mail Mark up	Supervision of Mail Processing	Window Service	Supervision of Admin. and Support Activities	Supervision of City Delivery Carriers	Rural Delivery Carriers	Vehicle Service	Supervision of Collection and Delivery	Employee & Labor Relations
Component Number		(4)	(677)	(820)	(7)	(483)	(20)	(674)	(675)	(821)	(528)
Cost Segment		2.1.1	2.1.2	2.1	2.2	2.3	2.4.1	2.4.2	2.4.3	2.4	2.5.1
First-Class Mail											
Single Piece Letters	101	260,145	19,519	279,664	35,160	15,389	167,849	3,383	1,473	172,705	24
Presort Letters	102	83,352	12,849	96,201	1,642	5,970	82,593	3,145	1,471	87,209	9
Total Letters	103	343,497	32,368	375,865	36,802	21,359	250,442	6,528	2,944	259,914	33
Single Piece Cards	104	10,300	756	11,056	2,440	747	10,496	231	13	10,739	1
Presort Cards	105	2,948	733	3,681	147	253	3,989	185	24	4,198	0
Total Cards	108	13,247	1,489	14,736	2,587	1,000	14,484	415	37	14,937	2
Total First-Class	109	356,744	33,857	390,601	39,389	22,359	264,926	6,944	2,981	274,851	35
Priority Mail	110	47,849	451	48,300	5,288	2,303	11,129	445	4,278	15,852	4
Express Mail	111	9,749	103	9,852	2,730	489	2,627	121	97	2,846	1
Mailgrams	112	1	0	1	0	0	14	0	0	14	0
Periodicals											
Within County	113	847	63	910	12	92	1,348	134	119	1,601	0
Outside County	117	51,033	5,411	56,444	108	2,798	27,622	1,479	1,850	30,951	4
Total Periodicals	123	51,880	5,474	57,354	120	2,891	28,970	1,613	1,970	32,552	4
Standard Mail											
Enhanced Carr Rte	126	18,414	229	18,643	357	3,127	55,347	5,070	2,561	62,978	5
Regular	127	177,585	3,435	181,020	3,685	11,296	140,238	5,938	3,016	149,191	18
Total Standard Mail	135	195,999	3,664	199,663	4,041	14,423	195,585	11,008	5,577	212,170	22
Package Services											
Parcel Post	136	14,698	69	14,767	1,212	910	5,438	374	4,674	10,486	1
Bound Printed Matter	137	7,886	407	8,293	200	533	5,467	253	1,676	7,396	1
Media Mail	139	6,906	63	6,969	633	373	2,616	122	599	3,336	1
Total Package Services	141	29,490	539	30,029	2,045	1,816	13,520	750	6,949	21,218	3
U.S. Postal Service	142	10,906	2,044	12,950	2,565	509	2,092	23	196	2,311	1
Free Mail	147	938	46	984	15	47	303	28	38	369	0
International Mail	161	17,396	247	17,643	2,099	755	2,642	50	447	3,138	1
Total All Mail	162	720,952	46,425	767,377	58,293	45,592	521,809	20,981	22,532	565,321	71
Special Services											
Registry	163	2,383	0	2,383	455	114	498	54	0	552	0
Certified	164	2,202	0	2,202	5,355	604	8,388	997	0	9,385	1
Insurance	165	43	0	43	2,339	110	700	179	0	879	0
Cod	166	45	0	45	73	9	80	21	0	101	0
Money Orders	168	0	0	0	6,830	178	0	15	0	15	0
Stamped Cards	159	0	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	335	9	0	0	0	0	0
Special Handling	170	74	0	74	38	3	0	0	0	0	0
Post Office Box	171	301	0	301	6,681	428	80	0	0	80	1
Other	172	2,703	1,099	3,802	3,454	313	2,970	276	0	3,247	0
Total Special Services	173	7,750	1,099	8,849	25,559	1,767	12,717	1,542	0	14,259	3
Total Volume Variable	198	728,702	47,524	776,226	83,852	47,359	534,525	22,523	22,532	579,580	73
Other Costs	199	156,392	9,734	166,126	115,660	33,972	512,042	30,149	14,748	556,939	53
Total Costs	200	885,094	57,258	942,352	199,512	81,331	1,046,567	52,672	37,280	1,136,519	126

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Higher Level Supervisors	General Supervision of Mail Processing	General Supervision of Collection & Delivery	Supervisor Training	Quality Control/Revenue Protection	Joint Supervision Clerks & Carriers	Product Specific and Other S & T	Tech. Personnel & Other Sup. Activities	C/S 2 Supervisors and Technicians
Component Number		(30)	(31)	(32)	(601)	(676)	(678)	(33)	(822)	(284)
Cost Segment		2.5.2	2.5.3	2.5.4	2.5.5	2.5.6	2.5.7	2.5.8	2.5	
First-Class Mail										
Single Piece Letters	101	24,724	0	0	5,842	11,001	72,060	0	113,651	616,569
Presort Letters	102	9,521	0	0	2,200	3,794	26,070	0	41,596	232,618
Total Letters	103	34,245	0	0	8,043	14,796	98,130	0	155,247	849,187
Single Piece Cards	104	1,212	0	0	289	478	3,543	0	5,524	30,506
Presort Cards	105	407	0	0	95	141	1,092	0	1,735	10,013
Total Cards	108	1,619	0	0	384	619	4,634	0	7,258	40,519
Total First-Class	109	35,864	0	0	8,427	15,415	102,764	0	162,505	889,706
Priority Mail	110	3,619	0	0	833	1,739	10,208	0	16,403	88,145
Express Mail	111	777	0	0	186	349	2,347	0	3,660	19,577
Mailgrams	112	1	0	0	0	0	2	0	3	19
Periodicals										
Within County	113	150	0	0	30	44	339	0	563	3,178
Outside County	117	4,519	0	0	1,046	2,233	12,455	0	20,257	110,558
Total Periodicals	123	4,669	0	0	1,076	2,276	12,794	0	20,820	113,737
Standard Mail										
Enhanced Carr Rte	126	5,048	0	0	965	1,176	11,143	0	18,337	103,442
Regular	127	18,185	0	0	4,015	7,992	50,245	0	80,454	425,646
Total Standard Mail	135	23,233	0	0	4,980	9,168	61,387	0	98,791	529,088
Package Services										
Parcel Post	136	1,444	0	0	311	528	3,371	0	5,656	33,030
Bound Printed Matter	137	852	0	0	187	301	2,117	0	3,459	19,881
Media Mail	139	591	0	0	131	256	1,602	0	2,580	13,891
Total Package Services	141	2,887	0	0	629	1,085	7,090	0	11,694	66,802
U.S. Postal Service	142	818	0	0	212	421	2,470	0	3,922	22,257
Free Mail	147	75	0	0	16	35	201	0	327	1,741
International Mail	161	1,190	0	0	277	637	3,539	0	5,644	29,280
Total All Mail	162	73,133	0	0	16,637	31,125	202,803	0	323,769	1,760,351
Special Services										
Registry	163	182	0	0	41	85	529	0	837	4,341
Certified	164	981	0	0	198	141	2,260	0	3,581	21,126
Insurance	165	178	0	0	38	4	412	0	632	4,003
Cod	166	14	0	0	3	2	28	0	48	274
Money Orders	168	284	0	0	79	0	885	0	1,248	8,272
Stamped Cards	159	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	14	0	0	4	0	43	0	61	405
Special Handling	170	5	0	0	1	3	17	0	26	142
Post Office Box	171	293	0	0	82	12	927	0	1,314	8,805
Other	172	504	0	0	122	109	1,329	0	2,064	12,879
Total Special Services	173	2,455	0	0	568	356	6,430	0	9,811	60,246
Total Volume Variable	198	75,588	0	0	17,205	31,481	209,233	0	333,580	1,820,597
Other Costs	199	197,326	0	0	18,560	6,407	116,498	851,136	1,189,980	2,062,677
Total Costs	200	272,914	0	0	35,765	37,888	325,731	851,136	1,523,560	3,883,274

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Mail Processing	Window Services	Administrative Clerks	Time & Attendance	Product Specific	Administrative Support & Miscellaneous	C/S 3 Clerks and Mailhandlers – CAG A-J Offices
Component Number		(35)	(40)	(476)	(477)	(227)	(824)	(478)
Cost Segment		3.1	3.2	3.3.1	3.3.2	3.3.3	3.3	
First-Class Mail								
Single Piece Letters	101	4,280,428	454,624	208,076	17,539	0	225,615	4,960,667
Presort Letters	102	1,371,485	21,235	84,405	6,804	0	91,209	1,483,929
Total Letters	103	5,651,913	475,859	292,481	24,342	0	316,824	6,444,596
Single Piece Cards	104	169,469	31,552	9,749	851	0	10,600	211,621
Presort Cards	105	48,499	1,899	3,888	289	0	4,177	54,575
Total Cards	108	217,968	33,451	13,637	1,140	0	14,777	266,196
Total First-Class	109	5,869,881	509,310	306,118	25,482	0	331,601	6,710,792
Priority Mail	110	787,312	68,372	26,845	2,624	0	29,470	885,154
Express Mail	111	160,403	35,304	5,963	557	0	6,521	202,228
Mailgrams	112	19	0	4	1	0	5	24
Periodicals								
Within County	113	13,936	154	1,355	105	0	1,460	15,550
Outside County	117	839,693	1,393	34,480	3,189	0	37,669	878,755
Total Periodicals	123	853,629	1,547	35,834	3,295	0	39,129	894,305
Standard Mail								
Enhanced Carr Rte	126	302,991	4,610	40,659	3,563	0	44,222	351,823
Regular	127	2,921,990	47,646	148,458	12,874	0	161,332	3,130,968
Total Standard Mail	135	3,224,981	52,256	189,117	16,437	0	205,554	3,482,791
Package Services								
Parcel Post	136	241,841	15,675	9,856	1,037	0	10,893	268,409
Bound Printed Matter	137	129,753	2,586	5,828	608	0	6,436	138,775
Media Mail	139	113,635	8,179	4,293	425	0	4,718	126,532
Total Package Services	141	485,229	26,440	19,977	2,070	0	22,047	533,715
U.S. Postal Service	142	179,450	33,171	9,208	580	0	9,788	222,409
Free Mail	147	15,430	195	528	53	0	581	16,206
International Mail	161	286,233	27,143	9,709	861	0	10,570	323,946
Total All Mail	162	11,862,567	753,738	603,305	51,959	0	655,264	13,271,569
Special Services								
Registry	163	39,207	5,879	1,760	130	0	1,889	46,975
Certified	164	36,232	69,236	5,721	688	0	6,408	111,876
Insurance	165	704	30,247	1,189	125	0	1,314	32,265
Cod	166	734	938	84	10	0	94	1,766
Money Orders	168	0	88,319	1,874	203	0	2,077	90,396
Stamped Cards	159	0	0	0	0	0	0	0
Stamped Envelopes	169	0	4,334	91	10	0	101	4,435
Special Handling	170	1,214	491	39	4	0	43	1,748
Post Office Box	171	4,948	86,387	1,946	488	0	2,435	93,770
Other	172	44,481	44,656	4,051	356	0	4,407	93,544
Total Special Services	173	127,520	330,487	16,754	2,014	0	18,769	476,776
Total Volume Variable	198	11,990,087	1,084,225	620,059	53,974	0	674,033	13,748,345
Other Costs	199	2,573,285	1,495,518	505,677	38,716	9,579	553,972	4,622,775
Total Costs	200	14,563,372	2,579,743	1,125,736	92,690	9,579	1,228,005	18,371,120

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Clerks CAG K Offices (42)	C/S 4 Clerks – CAG K Offices (254)
Component Number			
Cost Segment		4.1	
First-Class Mail			
Single Piece Letters	101	1,711	1,711
Presort Letters	102	550	550
Total Letters	103	2,261	2,261
Single Piece Cards	104	67	67
Presort Cards	105	19	19
Total Cards	108	86	86
Total First-Class	109	2,347	2,347
Priority Mail	110	226	226
Express Mail	111	0	0
Mailgrams	112	0	0
Periodicals			
Within County	113	6	6
Outside County	117	440	440
Total Periodicals	123	446	446
Standard Mail			
Enhanced Carr Rte	126	96	96
Regular	127	931	931
Total Standard Mail	135	1,027	1,027
Package Services			
Parcel Post	136	0	0
Bound Printed Matter	137	0	0
Media Mail	139	0	0
Total Package Services	141	0	0
U.S. Postal Service	142	141	141
Free Mail	147	0	0
International Mail	161	0	0
Total All Mail	162	4,187	4,187
Special Services			
Registry	163	51	51
Certified	164	47	47
Insurance	165	1	1
Cod	166	1	1
Money Orders	168	0	0
Stamped Cards	159	0	0
Stamped Envelopes	169	0	0
Special Handling	170	2	2
Post Office Box	171	6	6
Other	172	58	58
Total Special Services	173	166	166
Total Volume Variable	198	4,353	4,353
Other Costs	199	2,061	2,061
Total Costs	200	6,414	6,414

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		In-Office Direct Labor	CAG K	In-Office Support Overhead	In-Office Support Other	In-Office Support	C/S 6 City Delivery Carriers – Office Activity (256)
Component Number		(43)	(45)	(44)	(604)	(837)	
Cost Segment		6.1	6.2.1	6.2.2	6.2.3	6.2	
First-Class Mail							
Single Piece Letters	101	932,061	133	211,013	88,369	299,515	1,231,576
Presort Letters	102	426,375	61	96,529	43,771	140,361	566,736
Total Letters	103	1,358,436	195	307,542	132,140	439,876	1,798,312
Single Piece Cards	104	57,206	8	12,951	5,531	18,490	75,696
Presort Cards	105	18,245	3	4,131	2,115	6,248	24,493
Total Cards	108	75,451	11	17,082	7,646	24,738	100,189
Total First-Class	109	1,433,887	205	324,623	139,786	464,615	1,898,502
Priority Mail	110	36,586	5	8,283	5,406	13,695	50,281
Express Mail	111	5,118	1	1,159	1,224	2,383	7,501
Mailgrams	112	0	0	0	6	6	6
Periodicals							
Within County	113	6,724	1	1,522	710	2,233	8,957
Outside County	117	218,182	31	49,395	14,559	63,985	282,167
Total Periodicals	123	224,906	32	50,917	15,269	66,218	291,124
Standard Mail							
Enhanced Carr Rte	126	254,233	37	57,557	29,351	86,945	341,178
Regular	127	864,650	123	195,751	74,266	270,140	1,134,790
Total Standard Mail	135	1,118,883	160	253,308	103,617	357,085	1,475,968
Package Services							
Parcel Post	136	8,368	1	1,895	2,692	4,588	12,956
Bound Printed Matter	137	12,897	2	2,920	2,613	5,535	18,432
Media Mail	139	7,497	1	1,697	1,283	2,981	10,478
Total Package Services	141	28,762	5	6,512	6,588	13,104	41,866
U.S. Postal Service	142	20,227	3	4,579	1,099	5,681	25,908
Free Mail	147	950	0	215	160	375	1,325
International Mail	161	15,414	2	3,490	1,324	4,816	20,230
Total All Mail	162	2,884,733	413	653,086	274,479	927,978	3,812,711
Special Services							
Registry	163	978	0	221	259	481	1,459
Certified	164	30,546	5	6,915	4,458	11,378	41,924
Insurance	165	1,356	0	307	373	680	2,036
Cod	166	406	0	92	41	133	539
Money Orders	168	0	0	0	0	0	0
Stamped Cards	159	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	0	0	0
Special Handling	170	0	0	0	0	0	0
Post Office Box	171	906	0	205	42	247	1,153
Other	172	6,985	1	1,581	1,571	3,153	10,138
Total Special Services	173	41,177	6	9,322	6,744	16,072	57,249
Total Volume Variable	198	2,925,910	419	662,408	281,223	944,050	3,869,960
Other Costs	199	452,767	89	102,504	269,626	372,219	824,986
Total Costs	200	3,378,677	508	764,912	550,849	1,316,269	4,694,946

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Network Travel	Delivery Activities	Delivery Support	C/S 7 City Delivery Carriers – Street Activity (257)
Component Number		(54)	(46)	(280)	
Cost Segment		7.1	7.2	7.3	
First-Class Mail					
Single Piece Letters	101	0	1,044,816	134,689	1,179,505
Presort Letters	102	0	552,395	67,279	619,674
Total Letters	103	0	1,597,211	201,968	1,799,179
Single Piece Cards	104	0	66,556	8,512	75,068
Presort Cards	105	0	29,239	3,567	32,806
Total Cards	108	0	95,795	12,079	107,874
Total First-Class	109	0	1,693,006	214,047	1,907,053
Priority Mail	110	0	91,692	17,884	109,576
Express Mail	111	0	24,900	5,340	30,240
Mailgrams	112	0	162	38	200
Periodicals					
Within County	113	0	9,223	1,178	10,401
Outside County	117	0	101,640	12,984	114,624
Total Periodicals	123	0	110,863	14,162	125,025
Standard Mail					
Enhanced Carr Rte	126	0	404,634	49,221	453,855
Regular	127	0	784,295	95,386	879,681
Total Standard Mail	135	0	1,188,929	144,607	1,333,536
Package Services					
Parcel Post	136	0	55,690	9,459	65,149
Bound Printed Matter	137	0	50,088	10,007	60,095
Media Mail	139	0	22,884	4,211	27,095
Total Package Services	141	0	128,662	23,677	152,339
U.S. Postal Service	142	0	3,638	513	4,151
Free Mail	147	0	2,686	335	3,021
International Mail	161	0	14,900	2,821	17,721
Total All Mail	162	0	3,259,438	423,424	3,682,862
Special Services					
Registry	163	0	5,011	681	5,692
Certified	164	0	70,113	8,455	78,568
Insurance	165	0	7,157	863	8,020
Cod	166	0	532	79	611
Money Orders	168	0	0	0	0
Stamped Cards	159	0	0	0	0
Stamped Envelopes	169	0	0	0	0
Special Handling	170	0	0	0	0
Post Office Box	171	0	0	0	0
Other	172	0	28,910	3,618	32,528
Total Special Services	173	0	111,723	13,696	125,419
Total Volume Variable	198	0	3,371,161	437,120	3,808,281
Other Costs	199	1,277,300	4,510,825	741,848	6,529,973
Total Costs	200	1,277,300	7,881,986	1,178,968	10,338,254

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Vehicle Service Drivers (57)	C/S 8 Vehicle Service Drivers (258)
Component Number		8.1	
Cost Segment			
First-Class Mail			
Single Piece Letters	101	23,101	23,101
Presort Letters	102	23,063	23,063
Total Letters	103	46,164	46,164
Single Piece Cards	104	207	207
Presort Cards	105	380	380
Total Cards	108	587	587
Total First-Class	109	46,751	46,751
Priority Mail	110	67,083	67,083
Express Mail	111	1,527	1,527
Mailgrams	112	0	0
Periodicals			
Within County	113	1,873	1,873
Outside County	117	29,014	29,014
Total Periodicals	123	30,887	30,887
Standard Mail			
Enhanced Carr Rte	126	40,155	40,155
Regular	127	47,296	47,296
Total Standard Mail	135	87,451	87,451
Package Services			
Parcel Post	136	73,291	73,291
Bound Printed Matter	137	26,285	26,285
Media Mail	139	9,387	9,387
Total Package Services	141	108,963	108,963
U.S. Postal Service	142	3,071	3,071
Free Mail	147	598	598
International Mail	161	7,002	7,002
Total All Mail	162	353,333	353,333
Special Services			
Registry	163	0	0
Certified	164	0	0
Insurance	165	0	0
Cod	166	0	0
Money Orders	168	0	0
Stamped Cards	159	0	0
Stamped Envelopes	169	0	0
Special Handling	170	0	0
Post Office Box	171	0	0
Other	172	0	0
Total Special Services	173	0	0
Total Volume Variable	198	353,333	353,333
Other Costs	199	231,269	231,269
Total Costs	200	584,602	584,602

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Evaluated Routes	Other Routes	Equipment Maintenance Allowance	C/S 10 Rural Carriers
Component Number		(69)	(70)	(73)	(260)
Cost Segment		10.1	10.2	10.3	
First-Class Mail					
Single Piece Letters	101	281,774	23,269	0	305,043
Presort Letters	102	261,957	21,614	0	283,571
Total Letters	103	543,731	44,883	0	588,614
Single Piece Cards	104	19,096	1,688	0	20,784
Presort Cards	105	15,362	1,301	0	16,663
Total Cards	108	34,458	2,989	0	37,447
Total First-Class	109	578,189	47,872	0	626,061
Priority Mail	110	37,039	3,099	0	40,138
Express Mail	111	10,004	894	0	10,898
Mailgrams	112	4	0	0	4
Periodicals					
Within County	113	11,240	858	0	12,098
Outside County	117	123,868	9,458	0	133,326
Total Periodicals	123	135,108	10,316	0	145,424
Standard Mail					
Enhanced Carr Rte	126	423,642	33,520	0	457,162
Regular	127	495,532	39,815	0	535,347
Total Standard Mail	135	919,174	73,335	0	992,509
Package Services					
Parcel Post	136	31,145	2,609	0	33,754
Bound Printed Matter	137	21,115	1,723	0	22,838
Media Mail	139	10,154	846	0	11,000
Total Package Services	141	62,414	5,178	0	67,592
U.S. Postal Service	142	1,888	159	0	2,047
Free Mail	147	2,321	203	0	2,524
International Mail	161	4,144	347	0	4,491
Total All Mail	162	1,750,285	141,402	0	1,891,687
Special Services					
Registry	163	4,482	401	0	4,883
Certified	164	82,507	7,370	0	89,877
Insurance	165	14,820	1,327	0	16,147
Cod	166	1,708	150	0	1,858
Money Orders	168	1,244	138	0	1,382
Stamped Cards	159	0	0	0	0
Stamped Envelopes	169	0	0	0	0
Special Handling	170	0	0	0	0
Post Office Box	171	0	0	0	0
Other	172	21,560	3,340	0	24,900
Total Special Services	173	126,321	12,726	0	139,047
Total Volume Variable	198	1,876,606	154,128	0	2,030,734
Other Costs	199	2,498,185	220,101	404,095	3,122,381
Total Costs	200	4,374,791	374,229	404,095	5,153,115

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Custodial Personnel	Contract Cleaners	Operating Equipment Maintenance	Plant & Building Equipment Maintenance	C/S 11 Custodial and Maintenance Services
Component Number		(74)	(81)	(75)	(79)	(359)
Cost Segment		11.1.1	11.1.2	11.2	11.3	
First-Class Mail						
Single Piece Letters	101	174,200	14,248	373,454	84,087	645,988
Presort Letters	102	60,852	4,977	132,901	29,374	228,104
Total Letters	103	235,052	19,225	506,355	113,460	874,092
Single Piece Cards	104	6,938	567	12,037	3,349	22,891
Presort Cards	105	2,240	183	3,785	1,081	7,289
Total Cards	108	9,177	751	15,822	4,430	30,180
Total First-Class	109	244,230	19,976	522,176	117,890	904,272
Priority Mail	110	39,592	3,238	26,407	19,111	88,348
Express Mail	111	6,756	553	878	3,261	11,448
Mailgrams	112	3	0	0	1	4
Periodicals						
Within County	113	901	74	381	435	1,791
Outside County	117	32,029	2,620	38,662	15,460	88,771
Total Periodicals	123	32,930	2,693	39,044	15,895	90,562
Standard Mail						
Enhanced Carr Rte	126	25,758	2,107	18,085	12,433	58,383
Regular	127	127,926	10,463	233,865	61,750	434,004
Total Standard Mail	135	153,683	12,570	251,950	74,183	492,387
Package Services						
Parcel Post	136	14,193	1,161	14,909	6,851	37,113
Bound Printed Matter	137	7,402	605	10,175	3,573	21,755
Media Mail	139	6,597	540	8,371	3,185	18,693
Total Package Services	141	28,192	2,306	33,455	13,608	77,561
U.S. Postal Service	142	7,966	652	7,892	3,845	20,356
Free Mail	147	702	57	968	339	2,066
International Mail	161	12,342	1,009	15,804	5,958	35,113
Total All Mail	162	526,396	43,054	898,574	254,093	1,722,117
Special Services						
Registry	163	1,785	146	696	862	3,489
Certified	164	4,942	404	363	2,385	8,094
Insurance	165	1,076	88	8	519	1,691
Cod	166	78	6	9	38	131
Money Orders	168	2,382	195	0	1,150	3,727
Stamped Cards	159	0	0	0	0	0
Stamped Envelopes	169	118	10	0	57	184
Special Handling	170	67	5	21	32	126
Post Office Box	171	93,378	7,637	2	45,074	146,091
Other	172	2,783	228	2,833	1,343	7,187
Total Special Services	173	106,608	8,720	3,933	51,460	170,721
Total Volume Variable	198	633,005	51,773	902,508	305,553	1,892,838
Other Costs	199	409,689	33,509	472,666	197,758	1,113,623
Total Costs	200	1,042,694	85,282	1,375,174	503,311	3,006,461

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Personnel	Supplies & Materials	Vehicle Hire	C/S 12 Motor Vehicle Service
Component Number		(90)	(99)	(108)	(262)
Cost Segment		12.1	12.2	12.3	
First-Class Mail					
Single Piece Letters	101	21,991	27,726	2,585	52,301
Presort Letters	102	12,568	16,359	1,332	30,258
Total Letters	103	34,558	44,085	3,917	82,560
Single Piece Cards	104	1,299	1,590	157	3,046
Presort Cards	105	616	771	62	1,449
Total Cards	108	1,915	2,361	219	4,495
Total First-Class	109	36,473	46,446	4,135	87,055
Priority Mail	110	8,473	13,084	439	21,997
Express Mail	111	1,134	1,420	45	2,599
Mailgrams	112	7	8	0	15
Periodicals					
Within County	113	400	569	28	997
Outside County	117	5,046	7,411	514	12,971
Total Periodicals	123	5,446	7,980	542	13,968
Standard Mail					
Enhanced Carr Rte	126	13,095	17,798	1,001	31,895
Regular	127	20,055	26,587	2,261	48,903
Total Standard Mail	135	33,150	44,386	3,262	80,798
Package Services					
Parcel Post	136	7,393	12,081	384	19,858
Bound Printed Matter	137	3,897	5,816	189	9,902
Media Mail	139	1,499	2,208	78	3,784
Total Package Services	141	12,789	20,104	650	33,543
U.S. Postal Service	142	325	525	42	892
Free Mail	147	110	160	7	277
International Mail	161	1,040	1,551	67	2,658
Total All Mail	162	98,947	135,665	9,189	243,801
Special Services					
Registry	163	134	164	8	306
Certified	164	1,808	2,233	129	4,170
Insurance	165	244	303	11	557
Cod	166	27	34	1	62
Money Orders	168	12	15	0	27
Stamped Cards	159	0	0	0	0
Stamped Envelopes	169	0	0	0	0
Special Handling	170	0	0	0	0
Post Office Box	171	0	0	1	1
Other	172	673	827	46	1,546
Total Special Services	173	2,898	3,575	196	6,669
Total Volume Variable	198	101,845	139,240	9,386	250,471
Other Costs	199	300,315	376,552	10,008	686,875
Total Costs	200	402,160	515,792	19,394	937,346

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Contract Stations	Carfare	Driveout - City Delivery	Tolls and Ferriage	Carfare, Driveout Tolls and Ferriage	Federal Reserve & Commercial Banks	Employee Awards	Equipment Shops	CAG L Rental Allowance	Other Local Operations
Component Number		(111)	(135)	(141)	(113)	(825)	(125)	(115)	(826)	(112)	(114)
Cost Segment		13.1	13.2.1	13.2.2	13.2.3	13.2	13.3	13.4	13.5	13.6	13.7
First-Class Mail											
Single Piece Letters	101	0	609	781	0	1,390	0	0	0	0	0
Presort Letters	102	0	292	375	0	667	0	0	0	0	0
Total Letters	103	0	901	1,156	0	2,057	0	0	0	0	0
Single Piece Cards	104	0	38	49	0	86	0	0	0	0	0
Presort Cards	105	0	14	17	0	31	0	0	0	0	0
Total Cards	108	0	51	66	0	117	0	0	0	0	0
Total First-Class	109	0	952	1,222	0	2,174	0	0	0	0	0
Priority Mail	110	0	33	42	0	75	0	0	0	0	0
Express Mail	111	0	7	9	0	15	0	0	0	0	0
Mailgrams	112	0	0	0	0	0	0	0	0	0	0
Periodicals											
Within County	113	0	5	6	0	11	0	0	0	0	0
Outside County	117	0	117	150	0	267	0	0	0	0	0
Total Periodicals	123	0	122	156	0	278	0	0	0	0	0
Standard Mail											
Enhanced Carr Rte	126	0	188	241	0	428	0	0	0	0	0
Regular	127	0	532	682	0	1,214	0	0	0	0	0
Total Standard Mail	135	0	719	923	0	1,642	0	0	0	0	0
Package Services											
Parcel Post	136	0	14	18	0	31	0	0	0	0	0
Bound Printed Matter	137	0	15	19	0	34	0	0	0	0	0
Media Mail	139	0	7	10	0	17	0	0	0	0	0
Total Package Services	141	0	36	46	0	82	0	0	0	0	0
U.S. Postal Service	142	0	10	13	0	22	0	0	0	0	0
Free Mail	147	0	1	1	0	2	0	0	0	0	0
International Mail	161	0	10	12	0	22	0	0	0	0	0
Total All Mail	162	0	1,889	2,424	0	4,313	0	0	0	0	0
Special Services											
Registry	163	0	1	2	0	3	0	0	0	0	0
Certified	164	0	26	34	0	60	0	0	0	0	0
Insurance	165	0	2	2	0	4	0	0	0	0	0
Cod	166	0	0	0	0	1	0	0	0	0	0
Money Orders	168	0	0	0	0	0	0	0	0	0	0
Stamped Cards	159	0	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	0	0	0	0	0	0	0
Special Handling	170	0	0	0	0	0	0	0	0	0	0
Post Office Box	171	0	0	1	0	1	0	0	0	0	0
Other	172	0	8	11	0	19	0	0	0	0	0
Total Special Services	173	0	39	50	0	88	0	0	0	0	0
Total Volume Variable	198	0	1,928	2,474	0	4,402	0	0	0	0	0
Other Costs	199	71,350	24,960	2,002	361	27,323	31,325	86,533	19,886	30	45,065
Total Costs	200	71,350	26,888	4,476	361	31,725	31,325	86,533	19,886	30	45,065

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		C/S 13 Miscellaneous Local Operations
Component Number		(263)
Cost Segment		
First-Class Mail		
Single Piece Letters	101	1,390
Presort Letters	102	667
Total Letters	103	2,057
Single Piece Cards	104	86
Presort Cards	105	31
Total Cards	108	117
Total First-Class	109	2,174
Priority Mail	110	75
Express Mail	111	15
Mailgrams	112	0
Periodicals		
Within County	113	11
Outside County	117	267
Total Periodicals	123	278
Standard Mail		
Enhanced Carr Rte	126	428
Regular	127	1,214
Total Standard Mail	135	1,642
Package Services		
Parcel Post	136	31
Bound Printed Matter	137	34
Media Mail	139	17
Total Package Services	141	82
U.S. Postal Service	142	22
Free Mail	147	2
International Mail	161	22
Total All Mail	162	4,313
Special Services		
Registry	163	3
Certified	164	60
Insurance	165	4
Cod	166	1
Money Orders	168	0
Stamped Cards	159	0
Stamped Envelopes	169	0
Special Handling	170	0
Post Office Box	171	1
Other	172	19
Total Special Services	173	88
Total Volume Variable	198	4,402
Other Costs	199	281,512
Total Costs	200	285,914

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Domestic Air	Domestic Alaska Air	Highway	Railroad	Domestic Water	Total Domestic	Total International	C/S 14 Transportation
Component Number		(142)	(681)	(143)	(144)	(145)	(542)	(828)	(264)
Cost Segment		14.1.1	14.1.1	14.1.2	14.1.3	14.1.4	14.1	14.2	
First-Class Mail									
Single Piece Letters	101	248,906	16	308,370	5,144	2,150	564,586	0	564,586
Presort Letters	102	218,270	0	162,716	5,348	843	387,177	0	387,177
Total Letters	103	467,176	16	471,086	10,492	2,993	951,763	0	951,763
Single Piece Cards	104	1,209	0	3,647	85	37	4,978	0	4,978
Presort Cards	105	3,720	0	4,269	89	24	8,102	0	8,102
Total Cards	108	4,929	0	7,916	174	61	13,080	0	13,080
Total First-Class	109	472,105	16	479,002	10,666	3,054	964,843	0	964,843
Priority Mail	110	737,708	63	366,327	8,468	2,782	1,115,348	0	1,115,348
Express Mail	111	82,093	0	18,945	684	167	101,889	0	101,889
Mailgrams	112	0	0	0	0	0	0	0	0
Periodicals									
Within County	113	0	0	78	1	1	80	0	80
Outside County	117	17,614	13	194,321	31,514	2,500	245,962	0	245,962
Total Periodicals	123	17,614	13	194,399	31,515	2,501	246,042	0	246,042
Standard Mail									
Enhanced Carr Rte	126	2,888	41	69,681	5,233	1,137	78,980	0	78,980
Regular	127	20,906	37	302,944	36,697	5,308	365,893	0	365,893
Total Standard Mail	135	23,794	78	372,625	41,930	6,445	444,873	0	444,873
Package Services									
Parcel Post	136	8,207	6,865	291,641	26,047	5,173	337,933	0	337,933
Bound Printed Matter	137	2,915	9	56,786	4,343	896	64,949	0	64,949
Media Mail	139	2,396	9	86,515	14,755	2,002	105,677	0	105,677
Total Package Services	141	13,518	6,883	434,942	45,145	8,071	508,559	0	508,559
U.S. Postal Service	142	6,513	15	9,245	327	130	16,230	0	16,230
Free Mail	147	1,342	0	4,619	538	74	6,573	0	6,573
International Mail	161	75,050	4	51,173	7,874	494	134,595	625,819	760,414
Total All Mail	162	1,429,737	7,072	1,931,277	147,147	23,718	3,538,951	625,819	4,164,770
Special Services									
Registry	163	0	0	0	0	0	0	0	0
Certified	164	0	0	0	0	0	0	0	0
Insurance	165	0	0	0	0	0	0	0	0
Cod	166	0	0	0	0	0	0	0	0
Money Orders	168	0	0	0	0	0	0	0	0
Stamped Cards	159	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	0	0	0	0	0
Special Handling	170	0	0	0	0	0	0	0	0
Post Office Box	171	0	0	0	0	0	0	0	0
Other	172	0	0	0	0	0	0	0	0
Total Special Services	173	0	0	0	0	0	0	0	0
Total Volume Variable	198	1,429,737	7,072	1,931,277	147,147	23,718	3,538,951	625,819	4,164,770
Other Costs	199	194,961	93,667	491,125	21,085	3,452	804,290	-179	804,111
Total Costs	200	1,624,698	100,739	2,422,402	168,232	27,170	4,343,241	625,640	4,968,881

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Rents	Fuel & Utilities	Communications and Other	C/S 15 Building Occupancy
Component Number		(329)	(314)	(393)	(289)
Cost Segment		15.1	15.2	15.3	
First-Class Mail					
Single Piece Letters	101	239,343	93,955	0	333,298
Presort Letters	102	84,078	32,821	0	116,899
Total Letters	103	323,421	126,776	0	450,196
Single Piece Cards	104	9,785	3,742	0	13,527
Presort Cards	105	3,149	1,208	0	4,357
Total Cards	108	12,934	4,950	0	17,884
Total First-Class	109	336,355	131,725	0	468,080
Priority Mail	110	53,840	21,354	0	75,194
Express Mail	111	9,450	3,644	0	13,094
Mailgrams	112	4	2	0	6
Periodicals					
Within County	113	1,248	486	0	1,734
Outside County	117	43,052	17,275	0	60,327
Total Periodicals	123	44,300	17,761	0	62,061
Standard Mail					
Enhanced Carr Rte	126	36,404	13,892	0	50,297
Regular	127	174,432	68,997	0	243,429
Total Standard Mail	135	210,837	82,889	0	293,726
Package Services					
Parcel Post	136	19,371	7,655	0	27,026
Bound Printed Matter	137	10,157	3,992	0	14,150
Media Mail	139	8,980	3,558	0	12,538
Total Package Services	141	38,508	15,205	0	53,714
U.S. Postal Service	142	10,906	4,297	0	15,203
Free Mail	147	955	379	0	1,334
International Mail	161	16,894	6,657	0	23,550
Total All Mail	162	722,051	283,912	0	1,005,963
Special Services					
Registry	163	2,565	963	0	3,528
Certified	164	7,565	2,665	0	10,230
Insurance	165	1,634	580	0	2,214
Cod	166	119	42	0	161
Money Orders	168	3,618	1,285	0	4,902
Stamped Cards	159	0	0	0	1
Stamped Envelopes	169	178	63	0	242
Special Handling	170	91	36	0	127
Post Office Box	171	145,264	50,363	0	195,627
Other	172	4,157	1,501	0	5,658
Total Special Services	173	165,190	57,499	0	222,690
Total Volume Variable	198	887,241	341,412	0	1,228,653
Other Costs	199	0	220,966	405,695	626,661
Total Costs	200	887,241	562,378	405,695	1,855,314

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Stamps & Dispensers	Money Orders	Stamped Cards & Embossed Stamped Envelopes	Stamps and Accountable Paper	Supply Personnel	Custodial and Building	Equipment	Comprehensive Tracking & Tracing	Other Miscellaneous	Advertising
Component Number		(180)	(181)	(248)	(839)	(173)	(176)	(184)	(196)	(830)	(246)
Cost Segment		16.1.1	16.1.2	16.1.3	16.1	16.2	16.3.1	16.3.2	16.3.3	16.3.4	16.3.5
First-Class Mail											
Single Piece Letters	101	83,524	0	0	83,524	0	25,744	85,530	0	206,111	0
Presort Letters	102	2,663	0	0	2,663	0	8,993	31,205	0	80,198	0
Total Letters	103	86,187	0	0	86,187	0	34,738	116,735	0	286,309	0
Single Piece Cards	104	4,621	0	0	4,621	0	1,025	3,030	0	10,057	0
Presort Cards	105	235	0	0	235	0	331	983	0	3,416	0
Total Cards	108	4,856	0	0	4,856	0	1,356	4,013	0	13,473	0
Total First-Class	109	91,043	0	0	91,043	0	36,094	120,749	0	299,782	0
Priority Mail	110	187	0	0	187	0	5,851	9,529	0	98,716	0
Express Mail	111	12	0	0	12	0	998	1,370	0	16,112	0
Mailgrams	112	0	0	0	0	0	0	0	0	6	0
Periodicals											
Within County	113	0	0	0	0	0	133	154	0	1,243	0
Outside County	117	0	0	0	0	0	4,733	11,377	0	37,465	0
Total Periodicals	123	0	0	0	0	0	4,867	11,531	0	38,709	0
Standard Mail											
Enhanced Carr Rte	126	666	0	0	666	0	3,807	4,661	0	42,226	0
Regular	127	8,303	0	0	8,303	0	18,906	54,268	0	151,287	0
Total Standard Mail	135	8,969	0	0	8,969	0	22,712	58,929	0	193,513	0
Package Services											
Parcel Post	136	11	0	0	11	0	2,097	3,180	0	12,042	0
Bound Printed Matter	137	3	0	0	3	0	1,094	2,017	0	7,090	0
Media Mail	139	35	0	0	35	0	975	1,699	0	4,912	0
Total Package Services	141	49	0	0	49	0	4,166	6,896	0	24,044	0
U.S. Postal Service	142	0	0	0	0	0	1,177	2,390	0	6,732	0
Free Mail	147	0	0	0	0	0	104	238	0	619	0
International Mail	161	225	25	0	250	0	1,824	4,042	0	9,981	0
Total All Mail	162	100,485	25	0	100,510	0	77,794	215,675	0	688,213	0
Special Services											
Registry	163	0	0	0	0	0	264	378	0	1,507	0
Certified	164	0	0	0	0	0	730	325	0	8,152	0
Insurance	165	0	0	0	0	0	159	6	0	1,481	0
Cod	166	0	0	0	0	0	12	7	0	120	0
Money Orders	168	0	6,307	0	6,307	0	352	0	0	2,367	0
Stamped Cards	159	0	0	1,237	1,237	0	0	0	0	0	0
Stamped Envelopes	169	0	0	5,704	5,704	0	17	0	0	116	0
Special Handling	170	0	0	0	0	0	10	12	0	46	0
Post Office Box	171	0	0	0	0	0	13,800	40	0	2,509	0
Other	172	0	0	0	0	0	411	740	454	4,215	0
Total Special Services	173	0	6,307	6,941	13,248	0	15,755	1,508	454	20,512	0
Total Volume Variable	198	100,485	6,332	6,941	113,758	0	93,549	217,182	454	708,725	0
Other Costs	199	186	0	0	186	15,503	60,547	89,218	0	1,294,769	107,565
Total Costs	200	100,671	6,332	6,941	113,944	15,503	154,096	306,400	454	2,003,494	107,565

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Non-Mail Related Products	Other Supplies and Services	C/S 16 Supplies and Services
Component Number		(1426)	(831)	(490)
Cost Segment		16.3.6	16.3	
First-Class Mail				
Single Piece Letters	101	0	317,385	400,909
Presort Letters	102	0	120,397	123,060
Total Letters	103	0	437,782	523,969
Single Piece Cards	104	0	14,113	18,734
Presort Cards	105	0	4,730	4,965
Total Cards	108	0	18,843	23,699
Total First-Class	109	0	456,625	547,668
Priority Mail	110	0	114,096	114,283
Express Mail	111	0	18,481	18,493
Mailgrams	112	0	7	7
Periodicals				
Within County	113	0	1,531	1,531
Outside County	117	0	53,576	53,576
Total Periodicals	123	0	55,106	55,106
Standard Mail				
Enhanced Carr Rte	126	0	50,693	51,359
Regular	127	0	224,461	232,764
Total Standard Mail	135	0	275,154	284,123
Package Services				
Parcel Post	136	0	17,320	17,331
Bound Printed Matter	137	0	10,201	10,204
Media Mail	139	0	7,586	7,621
Total Package Services	141	0	35,106	35,155
U.S. Postal Service	142	0	10,299	10,299
Free Mail	147	0	961	961
International Mail	161	0	15,847	16,097
Total All Mail	162	0	981,682	1,082,192
Special Services				
Registry	163	0	2,150	2,150
Certified	164	0	9,207	9,207
Insurance	165	0	1,646	1,646
Cod	166	0	138	138
Money Orders	168	0	2,719	9,026
Stamped Cards	159	0	0	1,237
Stamped Envelopes	169	0	133	5,837
Special Handling	170	0	68	68
Post Office Box	171	0	16,348	16,348
Other	172	0	5,820	5,820
Total Special Services	173	0	38,229	51,477
Total Volume Variable	198	0	1,019,911	1,133,669
Other Costs	199	11,318	1,563,416	1,579,105
Total Costs	200	11,318	2,583,327	2,712,774

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Research & Development	C/S 17 Research and Development
Component Number		(190)	(267)
Cost Segment		17.1	
First-Class Mail			
Single Piece Letters	101	0	0
Presort Letters	102	0	0
Total Letters	103	0	0
Single Piece Cards	104	0	0
Presort Cards	105	0	0
Total Cards	108	0	0
Total First-Class	109	0	0
Priority Mail	110	0	0
Express Mail	111	0	0
Mailgrams	112	0	0
Periodicals			
Within County	113	0	0
Outside County	117	0	0
Total Periodicals	123	0	0
Standard Mail			
Enhanced Carr Rte	126	0	0
Regular	127	0	0
Total Standard Mail	135	0	0
Package Services			
Parcel Post	136	0	0
Bound Printed Matter	137	0	0
Media Mail	139	0	0
Total Package Services	141	0	0
U.S. Postal Service	142	0	0
Free Mail	147	0	0
International Mail	161	0	0
Total All Mail	162	0	0
Special Services			
Registry	163	0	0
Certified	164	0	0
Insurance	165	0	0
Cod	166	0	0
Money Orders	168	0	0
Stamped Cards	159	0	0
Stamped Envelopes	169	0	0
Special Handling	170	0	0
Post Office Box	171	0	0
Other	172	0	0
Total Special Services	173	0	0
Total Volume Variable	198	0	0
Other Costs	199	51,265	51,265
Total Costs	200	51,265	51,265

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Headquarters	Money Order Division	Area Administration	Postal Inspection Service	Administration Personnel	Supplies & Services	Miscellaneous Support	Inspection Expenses & Employee Losses	Reimbursements	Individual Awards
Component Number		(191)	(192)	(193)	(832)	(833)	(210)	(211)	(212)	(213)	(1429)
Cost Segment		18.1.1	18.1.2	18.1.3	18.1.4	18.1	18.2.1	18.2.2	18.2.3	18.2.4	18.2.5
First-Class Mail											
Single Piece Letters	101	0	0	0	12,730	12,730	0	0	0	0	0
Presort Letters	102	0	0	0	4,447	4,447	0	0	0	0	0
Total Letters	103	0	0	0	17,178	17,178	0	0	0	0	0
Single Piece Cards	104	0	0	0	507	507	0	0	0	0	0
Presort Cards	105	0	0	0	164	164	0	0	0	0	0
Total Cards	108	0	0	0	671	671	0	0	0	0	0
Total First-Class	109	0	0	0	17,848	17,848	0	0	0	0	0
Priority Mail	110	0	0	0	2,893	2,893	0	0	0	0	0
Express Mail	111	0	0	0	494	494	0	0	0	0	0
Mailgrams	112	0	0	0	0	0	0	0	0	0	0
Periodicals											
Within County	113	0	0	0	66	66	0	0	0	0	0
Outside County	117	0	0	0	2,341	2,341	0	0	0	0	0
Total Periodicals	123	0	0	0	2,407	2,407	0	0	0	0	0
Standard Mail											
Enhanced Carr Rte	126	0	0	0	1,882	1,882	0	0	0	0	0
Regular	127	0	0	0	9,349	9,349	0	0	0	0	0
Total Standard Mail	135	0	0	0	11,231	11,231	0	0	0	0	0
Package Services											
Parcel Post	136	0	0	0	1,037	1,037	0	0	0	0	0
Bound Printed Matter	137	0	0	0	541	541	0	0	0	0	0
Media Mail	139	0	0	0	482	482	0	0	0	0	0
Total Package Services	141	0	0	0	2,060	2,060	0	0	0	0	0
U.S. Postal Service	142	0	0	0	582	582	0	0	0	0	0
Free Mail	147	0	0	0	51	51	0	0	0	0	0
International Mail	161	0	0	0	902	902	0	0	0	0	0
Total All Mail	162	0	0	0	38,469	38,469	0	0	0	0	0
Special Services											
Registry	163	0	0	0	130	130	0	0	0	0	0
Certified	164	0	0	0	361	361	0	0	0	0	0
Insurance	165	0	0	0	79	79	0	0	0	0	0
Cod	166	0	0	0	6	6	0	0	0	0	0
Money Orders	168	0	0	0	174	174	0	0	0	0	0
Stamped Cards	159	0	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	9	9	0	0	0	0	0
Special Handling	170	0	0	0	5	5	0	0	0	0	0
Post Office Box	171	0	0	0	6,824	6,824	0	0	0	0	0
Other	172	0	0	0	203	203	0	0	0	0	0
Total Special Services	173	0	0	0	7,791	7,791	0	0	0	0	0
Total Volume Variable	198	0	0	0	46,260	46,260	0	0	0	0	0
Other Costs	199	634,500	5,132	243,650	466,218	1,349,500	247,139	85,656	1,282	-2,988	7,405
Total Costs	200	634,500	5,132	243,650	512,478	1,395,760	247,139	85,656	1,282	-2,988	7,405

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Miscellaneous Personnel Compensation	Commissions on Non-US Money Orders	Administration Support	Repriced Annual Leave	Holiday Leave	Civil Service Supplemental Retirement	Workers Compensation	Unemployment Compensation	Annuitant Health Benefits	Annuitant Life Insurance
Component Number		(1430)	(244)	(840)	(292)	(487)	(488)	(486)	(453)	(208)	(71)
Cost Segment		18.2.6	18.2.7	18.2	18.3.1	18.3.2	18.3.3	18.3.4	18.3.5	18.3.6	18.3.7
First-Class Mail											
Single Piece Letters	101	0	0	0	24,736	680	0	165,658	8,476	241,545	1,747
Presort Letters	102	0	0	0	9,595	264	0	64,261	3,288	93,699	678
Total Letters	103	0	0	0	34,331	944	0	229,919	11,764	335,244	2,425
Single Piece Cards	104	0	0	0	1,200	33	0	8,038	411	11,721	85
Presort Cards	105	0	0	0	407	11	0	2,727	140	3,977	29
Total Cards	108	0	0	0	1,608	44	0	10,766	551	15,698	114
Total First-Class	109	0	0	0	35,938	989	0	240,685	12,314	350,942	2,538
Priority Mail	110	0	0	0	3,701	102	0	24,787	1,268	36,142	261
Express Mail	111	0	0	0	786	22	0	5,265	269	7,678	56
Mailgrams	112	0	0	0	1	0	0	5	0	7	0
Periodicals											
Within County	113	0	0	0	149	4	0	995	51	1,451	10
Outside County	117	0	0	0	4,498	124	0	30,122	1,541	43,921	318
Total Periodicals	123	0	0	0	4,646	128	0	31,117	1,592	45,372	328
Standard Mail											
Enhanced Carr Rte	126	0	0	0	5,025	138	0	33,656	1,722	49,073	355
Regular	127	0	0	0	18,156	499	0	121,596	6,221	177,299	1,282
Total Standard Mail	135	0	0	0	23,182	638	0	155,252	7,943	226,372	1,637
Package Services											
Parcel Post	136	0	0	0	1,462	40	0	9,793	501	14,279	103
Bound Printed Matter	137	0	0	0	857	24	0	5,738	294	8,367	61
Media Mail	139	0	0	0	600	17	0	4,017	206	5,858	42
Total Package Services	141	0	0	0	2,919	80	0	19,549	1,000	28,504	206
U.S. Postal Service	142	0	0	0	818	22	0	5,475	280	7,984	58
Free Mail	147	0	0	0	75	2	0	502	26	733	5
International Mail	161	0	3,087	3,087	1,214	33	0	8,131	416	11,855	86
Total All Mail	162	0	3,087	3,087	73,280	2,016	0	490,768	25,110	715,588	5,176
Special Services											
Registry	163	0	0	0	183	5	0	1,226	63	1,788	13
Certified	164	0	0	0	970	27	0	6,497	332	9,473	69
Insurance	165	0	0	0	177	5	0	1,185	61	1,728	12
Cod	166	0	0	0	14	0	0	96	5	140	1
Money Orders	168	0	0	0	286	8	0	1,913	98	2,790	20
Stamped Cards	159	0	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	14	0	0	93	5	136	1
Special Handling	170	0	0	0	6	0	0	37	2	55	0
Post Office Box	171	0	0	0	689	19	0	4,612	236	6,725	49
Other	172	0	0	0	503	14	0	3,366	172	4,907	35
Total Special Services	173	0	0	0	2,841	78	0	19,025	973	27,741	201
Total Volume Variable	198	0	3,087	3,087	76,121	2,094	0	509,793	26,083	743,329	5,377
Other Costs	199	150	0	338,644	58,379	1,606	12,200	739,367	20,004	570,081	4,123
Total Costs	200	150	3,087	341,731	134,500	3,700	12,200	1,249,160	46,087	1,313,410	9,500

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Annuitant COLA / Principal	Annuity Protection Program	FERS Retirement Fund Deficit Current	Personnel Benefits	C/S 18 Administration and Area Operations
Component Number		(1435)	(207)	(19)	(835)	(459)
Cost Segment		18.3.8	18.3.9	18.3.10	18.3	
First-Class Mail						
Single Piece Letters	101	0	0	0	442,842	455,572
Presort Letters	102	0	0	0	171,784	176,232
Total Letters	103	0	0	0	614,626	631,804
Single Piece Cards	104	0	0	0	21,489	21,996
Presort Cards	105	0	0	0	7,291	7,455
Total Cards	108	0	0	0	28,780	29,450
Total First-Class	109	0	0	0	643,406	661,254
Priority Mail	110	0	0	0	66,261	69,155
Express Mail	111	0	0	0	14,076	14,569
Mailgrams	112	0	0	0	13	13
Periodicals						
Within County	113	0	0	0	2,660	2,726
Outside County	117	0	0	0	80,524	82,865
Total Periodicals	123	0	0	0	83,184	85,591
Standard Mail						
Enhanced Carr Rte	126	0	0	0	89,969	91,852
Regular	127	0	0	0	325,055	334,404
Total Standard Mail	135	0	0	0	415,024	426,255
Package Services						
Parcel Post	136	0	0	0	26,179	27,216
Bound Printed Matter	137	0	0	0	15,340	15,880
Media Mail	139	0	0	0	10,739	11,222
Total Package Services	141	0	0	0	52,258	54,318
U.S. Postal Service	142	0	0	0	14,637	15,219
Free Mail	147	0	0	0	1,343	1,395
International Mail	161	0	0	0	21,735	25,724
Total All Mail	162	0	0	0	1,311,938	1,353,494
Special Services						
Registry	163	0	0	0	3,278	3,408
Certified	164	0	0	0	17,367	17,728
Insurance	165	0	0	0	3,168	3,246
Cod	166	0	0	0	257	262
Money Orders	168	0	0	0	5,114	5,289
Stamped Cards	159	0	0	0	1	1
Stamped Envelopes	169	0	0	0	250	258
Special Handling	170	0	0	0	100	105
Post Office Box	171	0	0	0	12,329	19,153
Other	172	0	0	0	8,997	9,200
Total Special Services	173	0	0	0	50,859	58,650
Total Volume Variable	198	0	0	0	1,362,797	1,412,144
Other Costs	199	0	1,077	0	1,406,837	3,094,981
Total Costs	200	0	1,077	0	2,769,634	4,507,125

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Maintenance Technical Support Center (219) 19.1.1	Supplies & Services (220) 19.1.2	C/S 19 General Management Systems (269)
Component Number				
Cost Segment				
First-Class Mail				
Single Piece Letters	101	0	0	0
Presort Letters	102	0	0	0
Total Letters	103	0	0	0
Single Piece Cards	104	0	0	0
Presort Cards	105	0	0	0
Total Cards	108	0	0	0
Total First-Class	109	0	0	0
Priority Mail	110	0	0	0
Express Mail	111	0	0	0
Mailgrams	112	0	0	0
Periodicals				
Within County	113	0	0	0
Outside County	117	0	0	0
Total Periodicals	123	0	0	0
Standard Mail				
Enhanced Carr Rte	126	0	0	0
Regular	127	0	0	0
Total Standard Mail	135	0	0	0
Package Services				
Parcel Post	136	0	0	0
Bound Printed Matter	137	0	0	0
Media Mail	139	0	0	0
Total Package Services	141	0	0	0
U.S. Postal Service	142	0	0	0
Free Mail	147	0	0	0
International Mail	161	0	0	0
Total All Mail	162	0	0	0
Special Services				
Registry	163	0	0	0
Certified	164	0	0	0
Insurance	165	0	0	0
Cod	166	0	0	0
Money Orders	168	0	0	0
Stamped Cards	159	0	0	0
Stamped Envelopes	169	0	0	0
Special Handling	170	0	0	0
Post Office Box	171	0	0	0
Other	172	0	0	0
Total Special Services	173	0	0	0
Total Volume Variable	198	0	0	0
Other Costs	199	5,010	44,202	49,212
Total Costs	200	5,010	44,202	49,212

Development of Cost by Segment and Component - Base Year 2004

Cost Segment Summary

Component Name		Equipment Depreciation	Vehicle Depreciation	Building & Leasehold Depreciation	Indemnities	Interest Expense	Other Expenses	C/S 20 Other Accrued Expenses (Servicewide)
Component Number		(505)	(447)	(420)	(397)	(283)	(245)	(475)
Cost Segment		20.1	20.2	20.3	20.4	20.5	20.6	
First-Class Mail								
Single Piece Letters	101	271,062	7,808	199,123	0	2,313	0	480,307
Presort Letters	102	83,390	4,860	69,949	0	765	0	158,964
Total Letters	103	354,452	12,668	269,073	0	3,078	0	639,271
Single Piece Cards	104	8,726	453	8,141	0	84	0	17,404
Presort Cards	105	2,367	230	2,620	0	25	0	5,242
Total Cards	108	11,093	683	10,761	0	109	0	22,646
Total First-Class	109	365,545	13,351	279,833	0	3,187	0	661,917
Priority Mail	110	19,230	3,176	44,793	0	325	0	67,525
Express Mail	111	743	232	7,862	739	43	0	9,619
Mailgrams	112	0	1	4	0	0	0	5
Periodicals								
Within County	113	284	157	1,038	0	7	0	1,486
Outside County	117	31,112	2,043	35,818	0	334	0	69,307
Total Periodicals	123	31,396	2,199	36,856	0	341	0	70,793
Standard Mail								
Enhanced Carr Rte	126	11,823	5,094	30,287	0	228	0	47,432
Regular	127	178,336	7,798	145,120	0	1,603	0	332,857
Total Standard Mail	135	190,159	12,892	175,408	0	1,831	0	380,289
Package Services								
Parcel Post	136	13,663	3,183	16,116	0	159	0	33,121
Bound Printed Matter	137	8,860	1,346	8,451	0	90	0	18,747
Media Mail	139	7,972	518	7,471	0	77	0	16,038
Total Package Services	141	30,495	5,047	32,037	0	327	0	67,906
U.S. Postal Service	142	5,905	143	9,073	0	73	0	15,194
Free Mail	147	757	45	795	0	8	0	1,604
International Mail	161	15,489	364	14,055	2,240	145	0	32,292
Total All Mail	162	659,719	37,450	600,716	2,979	6,279	0	1,307,144
Special Services								
Registry	163	613	42	2,134	1,878	13	0	4,681
Certified	164	343	648	6,294	0	35	0	7,320
Insurance	165	8	84	1,359	20,046	7	0	21,505
Cod	166	9	8	99	2,214	1	0	2,330
Money Orders	168	0	4	3,010	0	15	0	3,028
Stamped Cards	159	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	148	0	1	0	149
Special Handling	170	24	0	76	0	0	0	100
Post Office Box	171	0	0	120,854	0	585	0	121,438
Other	172	1,217	235	3,458	0	24	0	4,934
Total Special Services	173	2,214	1,022	137,432	24,138	681	0	165,486
Total Volume Variable	198	661,933	38,472	738,148	27,117	6,960	0	1,472,630
Other Costs	199	576,387	129,715	0	109,179	178,435	55,810	1,049,526
Total Costs	200	1,238,320	168,187	738,148	136,296	185,395	55,810	2,522,156

EXHIBIT B

**Development of Cost by Segment and Component - Base Year 2004
D Report**

Component Name		Total Volume Variable	Final Adjustments	Adjusted Volume Variable Costs	Contingency	Total Including Contingency
Component Number		(460)	(501)	(504)	(503)	(502)
Cost Segment						
First-Class Mail						
Single Piece Letters	101	11,362,313	0	11,362,313	0	11,362,313
Presort Letters	102	4,509,070	0	4,509,070	0	4,509,070
Total Letters	103	15,871,383	0	15,871,383	0	15,871,383
Single Piece Cards	104	519,836	0	519,836	0	519,836
Presort Cards	105	180,733	0	180,733	0	180,733
Total Cards	108	700,568	0	700,568	0	700,568
Total First-Class	109	16,571,952	0	16,571,952	0	16,571,952
Priority Mail	110	2,816,221	0	2,816,221	0	2,816,221
Express Mail	111	448,270	0	448,270	0	448,270
Mailgrams	112	303	0	303	0	303
Periodicals						
Within County	113	62,804	0	62,804	0	62,804
Outside County	117	2,174,186	0	2,174,186	0	2,174,186
Total Periodicals	123	2,236,990	0	2,236,990	0	2,236,990
Standard Mail						
Enhanced Carr Rte	126	2,187,027	0	2,187,027	0	2,187,027
Regular	127	8,216,009	0	8,216,009	0	8,216,009
Total Standard Mail	135	10,403,036	0	10,403,036	0	10,403,036
Package Services						
Parcel Post	136	992,877	0	992,877	0	992,877
Bound Printed Matter	137	445,053	0	445,053	0	445,053
Media Mail	139	376,006	0	376,006	0	376,006
Total Package Services	141	1,813,935	0	1,813,935	0	1,813,935
U.S. Postal Service	142	373,399	-373,399	0	0	0
Free Mail	147	39,628	0	39,628	0	39,628
International Mail	161	1,306,184	0	1,306,184	0	1,306,184
Total All Mail	162	36,009,918	-373,399	35,636,519	0	35,636,519
Special Services						
Registry	163	81,268	0	81,268	0	81,268
Certified	164	403,602	0	403,602	0	403,602
Insurance	165	93,994	0	93,994	0	93,994
Cod	166	8,195	0	8,195	0	8,195
Money Orders	168	127,314	0	127,314	0	127,314
Stamped Cards	159	1,249	0	1,249	0	1,249
Stamped Envelopes	169	11,617	0	11,617	0	11,617
Special Handling	170	2,454	0	2,454	0	2,454
Post Office Box	171	606,575	0	606,575	0	606,575
Other	172	211,292	0	211,292	0	211,292
Total Special Services	173	1,547,560	0	1,547,560	0	1,547,560
Total Volume Variable	198	37,557,478	-373,399	37,184,079	0	37,184,079
Other Costs	199	28,406,205	373,399	28,779,604	0	28,779,604
Total Costs	200	65,963,683	0	65,963,683	0	65,963,683

EXHIBIT C



COST AND REVENUE ANALYSIS

BASE YEAR 2004

FINANCE

SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Base Year 2004

Classes and Sub-Classes of Mail (note 1)	(in millions)			(per piece)			
	Revenue (note 1) A	Incremental Cost (notes 2 & 4) B	Volume Variable Cost (note 2) C	Revenue \$ D	Marginal Cost \$ (note 2) E	Contribution \$ (note 2) (D-E)	Cost Coverage (note 2) (D/E)
First-Class Mail:							
Single-Piece Letters.....	\$20,480.3	\$12,010.3	\$11,362.3	\$0.454	\$0.252	\$0.202	180.25%
Presort Letters.....	14,469.9	4,679.5	4,509.1	0.306	0.095	0.210	320.91%
Total Letters.....	34,950.1	17,213.5	15,871.4	0.378	0.172	0.206	220.21%
Single-Piece Cards.....	601.7	532.9	519.8	0.238	0.206	0.032	115.74%
Presort Cards.....	539.8	181.1	180.7	0.186	0.062	0.124	298.70%
Total Cards.....	1,141.5	714.9	700.6	0.210	0.129	0.081	162.94%
Fees (note 2).....	279.3						
Total First-Class.....	36,370.9	18,166.0	16,572.0	0.371	0.169	0.202	219.47%
Priority Mail.....	4,421.1	3,071.1	2,816.2	5.210	3.319	1.891	156.99%
Express Mail.....	852.8	541.1	448.3	15.757	8.282	7.475	190.25%
Mailgram.....	0.7	0.3	0.3	0.425	0.184	0.241	231.14%
Periodicals:							
In County.....	72.0	62.9	62.8	0.095	0.083	0.012	114.56%
Outside County (note 2).....	2,100.0	2,202.2	2,174.2	0.251	0.260	(0.009)	96.59%
Fees (note 2).....	19.9						
Total Periodicals.....	2,191.8	2,268.1	2,237.0	0.240	0.245	(0.005)	97.98%
Standard Mail:							
Enhanced Carrier Route (note 2).....	5,352.0	2,264.5	2,187.0	0.162	0.066	0.096	244.71%
Regular (note 2).....	12,662.9	8,517.0	8,216.0	0.202	0.131	0.071	154.12%
Fees (note 2).....	107.7						
Total Standard Mail.....	18,122.5	11,057.5	10,403.0	0.190	0.109	0.081	174.20%
Package Services:							
Parcel Post.....	1,242.1	1,009.3	992.9	3.307	2.643	0.663	125.10%
Bound Printed Matter.....	583.2	448.8	445.1	1.053	0.804	0.250	131.05%
Media Mail (note 2).....	379.0	377.8	376.0	1.870	1.856	0.015	100.80%
Fees (note 2).....	2.1						
Total Package Services.....	2,206.4	1,869.9	1,813.9	1.949	1.603	0.347	121.64%

See accompanying notes.

SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Base Year 2004

Classes and Sub-Classes of Mail (note 1)	(in millions)			(per piece)			
	Revenue (note 1)	Incremental Cost (notes 2 & 4)	Volume Variable Cost (note 2)	Revenue \$ D	Marginal Cost \$ (note 2) E	Contribution \$ (note 2) (D-E)	Cost Coverage (note 2) (D/E)
	A	B	C				
Free Mail - blind, handicapped & servicemen.....	-	39.7	39.6	-	0.518	N/A	0.00%
International Mail (note 2).....	1,724.0	1,371.0	1,306.2	2.041	1.547	\$0.495	131.99%
Total Mail.....	65,890.3		35,636.5	0.320	0.173	0.147	184.90%
Special Services:							
Registry	56.6	81.4	81.3	11.292	16.224	(4.933)	69.60%
Certified	629.5	432.2	403.6	2.300	1.475	0.825	155.97%
Insurance.....	122.5	94.5	94.0	2.377	1.825	0.553	130.29%
COD	11.4	8.2	8.2	5.970	4.302	1.668	138.76%
Money Orders (note 2).....	236.3	189.7	127.3	1.262	0.680	0.582	185.58%
Stamped Cards (note 5).....	1.9	1.2	1.2				
Stamped Envelopes.....	20.0	11.6	11.6				
Special Handling.....	6.7	2.5	2.5				
Post Office Box.....	779.9	607.6	606.6				
Other (note 2).....	537.0		211.3				
Total Special Services.....	2,401.7	1,718.8	1,547.6				
Miscellaneous items (note 2).....	668.9		-				
Total Mail and Services.....	68,960.8		37,184.1				
Appropriations: Revenue Forgone.....	36.3						
Total Operating Revenue.....	68,997.2						
Investment Income.....	31.5						
Total (note 3).....	69,028.7		37,184.1				
All Other Costs.....			28,779.6				
Total Costs (note 3).....			65,963.7				

SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Base Year 2004

VOLUME STATISTICS

<u>Classes and Sub-Classes of Mail</u> <u>(note 1)</u>	<u>Pieces</u> <u>(thousands)</u>	<u>Weight in</u> <u>Pounds</u> <u>(thousands)</u>	<u>Weight per</u> <u>Piece</u> <u>(ounces)</u>	<u>Cubic Feet</u> <u>(thousands)</u>	<u>Weight per</u> <u>Cubic Foot</u> <u>(pounds)</u>
First-Class Mail:					
Single-Piece Letters.....	45,156,577	2,167,182	0.8	121,495	17.8
Presort Letters.....	47,333,818	2,176,533	0.7	121,298	17.9
Total Letters.....	92,490,395	4,343,715	0.8	242,793	17.9
Single-Piece Cards.....	2,525,719	16,232	0.1	1,087	14.9
Presort Cards.....	2,904,901	29,823	0.2	1,997	14.9
Total Cards.....	5,430,620	46,055	0.1	3,084	14.9
Total First Class.....	97,921,015	4,389,770	0.7	245,877	17.9
Priority Mail.....	848,629	1,626,300	30.7	352,810	4.6
Express Mail.....	54,123	50,624	15.0	8,031	6.3
Mailgram.....	1,648	0	0.0	0	0.0
Periodicals:					
In County.....	760,020	246,886	5.2	9,853	25.1
Outside County (note 2).....	8,375,252	3,820,656	7.3	152,473	25.1
Total Periodicals.....	9,135,272	4,067,542	7.1	162,326	25.1
Standard Mail:					
Enhanced Carrier Route (note 2).....	32,995,701	5,370,242	2.6	211,186	25.4
Regular (note 2).....	62,567,820	5,778,057	1.5	248,742	23.2
Total Standard Mail.....	95,563,521	11,148,299	1.9	459,928	24.2
Package Services:					
Parcel Post.....	375,613	1,937,285	82.5	385,460	5.0
Bound Printed Matter.....	553,666	1,311,970	37.9	138,240	9.5
Media Mail (note 2).....	202,643	383,312	30.3	49,371	7.8
Total Package Services.....	1,131,922	3,632,567	51.3	573,071	6.3

SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Base Year 2004

VOLUME STATISTICS

<u>Classes and Sub-Classes of Mail</u> <u>(note 1)</u>	<u>Pieces</u> <u>(thousands)</u>	<u>Weight in</u> <u>Pounds</u> <u>(thousands)</u>	<u>Weight per</u> <u>Piece</u> <u>(ounces)</u>	<u>Cubic Feet</u> <u>(thousands)</u>	<u>Weight per</u> <u>Cubic Foot</u> <u>(pounds)</u>
US Postal Service.....	529,326	105,370	3.2	16,154	6.5
Free Mail - blind, handicapped & servicemen.....	76,473	34,851	7.3	3,147	11.1
International Mail (note 2).....	844,553	228,625	4.3	36,826	6.2
Total Mail.....	206,106,482	25,283,948	2.0	1,858,170	13.6
Special Services:					
Registry	5,009	N/A	N/A	N/A	N/A
Certified	273,701	N/A	N/A	N/A	N/A
Insurance.....	51,514	N/A	N/A	N/A	N/A
COD	1,905	N/A	N/A	N/A	N/A
Money Orders (note 2).....	187,211	N/A	N/A	N/A	N/A
Stamped Cards.....	0.0	N/A	N/A	N/A	N/A
Stamped Envelopes.....	0.0	N/A	N/A	N/A	N/A
Special Handling.....	1126.0	N/A	N/A	N/A	N/A
Post Office Box.....	0.0	N/A	N/A	N/A	N/A
Other (note 2).....	840,042	N/A	N/A	N/A	N/A
Total Special Services.....	1,360,508	N/A	N/A	N/A	N/A

**UNITED STATES POSTAL SERVICE
NOTES TO COST AND REVENUE ANALYSIS
Base Year 2004**

1. Cost and Revenue Analysis

The U.S. Postal Service (Postal Service) annually prepares the Cost and Revenue Analysis (CRA) covering the period from October 1 through September 30. The CRA aids us in determining that we are meeting the statutory requirements under Title 39 U.S. Code, that “each class of mail or type of mail service bear the direct and indirect costs attributable to that class or service....” The CRA presents management’s estimates of the total and per unit revenue by category of mail or service. It also presents each category’s estimated incremental and marginal costs. These estimates are considered as one element of the postal rate making process.

The postal system of accounts is the basis for CRA data; however, the postal system of accounts generally does not accumulate financial data by class and subclass of mail. Apportionment factors, derived from various postal operational and statistical information sources, are required for development of the data for CRA purposes. Some of these sources (e.g., In-Office Cost System and Origin-Destination Information System - Revenue, Pieces and Weight (ODIS-RPW)) system are dedicated to this purpose and involve extensive statistical sampling of postal activity during the year. We compare and scale calculated amounts to actual data in the postal system of accounts, as appropriate. With respect to the ODIS-RPW system, calculated sample revenue should approximate actual Postal Service revenue, but the ODIS-RPW system has been designed to accommodate and adjust for any differences. Although the accuracy of the ODIS-RPW system does not necessarily depend on how close calculated revenue is to actual revenue, we are investigating reasons for the continuing differences between the two. In FY04, the Book Revenue Adjustment Factor was closer to unity than in prior years and we are continuing to investigate and monitor it.

Some methods we have proposed that have not been adopted by the Postal Rate Commission are still used in the CRA development. For example, we attribute mail processing costs differently from the PRC, generally assuming that costs vary less than proportionately with volume. The methods employed in developing CRA data are described in the Summary Description and in testimony we filed before the PRC. These documents are available from Cost Attribution in Finance.

2. Definitions

Incremental Costs – An estimate of the cost we incur as a result of providing the entire annual quantity of a subclass of mail or service. Incremental cost of a subclass of mail or service can be determined by estimating the cost avoided by eliminating that particular subclass of service, assuming that all other products continue to be provided at their current volumes. The purpose of this determination is to indicate whether the customers of one subclass of mail (or group of subclasses) may be subsidizing (or contributing revenue to) customers of another subclass of mail (or group of subclasses.)

Marginal Costs – We estimate the marginal cost of a subclass or mail category as the change in cost that results from a small change in its volume alone, when the volumes of other subclasses or mail categories remain constant.

Volume Variable Costs – Volume times Marginal Cost.

Contribution – Revenue per piece minus Marginal Cost per piece. Contribution indicates the rate at which a given subclass offsets all other costs.

Cost Coverage – Revenue per piece as a percentage of Marginal Cost. Unit Revenue/Marginal Cost times 100.

Fees – Fees associated with a specific class or subclass of mail are included in the reported revenue for that class or subclass.

International Mail – International mail includes costs and revenues from both U.S. origin and foreign origin mail and special services. Volume statistics generally do not include foreign origin mail. Accordingly, the per piece figures on the International line, though indicative of changes from previous years, do not signify the true unit revenue, cost and contribution.

Other – Other Special Services is a category that includes several cost items such as identifiable costs for return receipts, delivery confirmation, signature confirmation, merchandise return receipt, business reply, and Forms 3547/3579. The volume and revenues are the same as RPW's Delivery Receipt Services.

Miscellaneous Items – Miscellaneous items include philatelic sales, fees, fines, unclaimed money from dead letters, sales of services performed for government agencies and private contractors. They do not include the \$9.1 million in revenue earned from the money order float, which is included in special services and international mail revenue in the CRA.

Combined Mail Categories – The following mail categories include more than one subclass due to the enactment of Public Law 106-384 (October 27, 2000):

“Outside County” contains Nonprofit Periodicals, Classroom Periodicals and Regular Periodicals.

“Enhanced Carrier Route” (ECR) contains Standard Mail Nonprofit ECR and Standard Mail Regular ECR.

“Regular” contains Standard Mail Nonprofit and Standard Mail Regular.

“Media Mail” contains Library Rate and Media Mail (formerly known as Special Standard.)

3. **Miscellaneous Adjustments**

A) Mortgage income of \$1.1 million is included with interest income in the Annual Report and is reported as miscellaneous revenue in the CRA.

	(in millions)
Operating Revenue per Annual Report	\$68,996
Interest Income per Annual Report	33
Annual Report Revenue	<u>\$69,029</u>
CRA Report Revenue	<u>\$69,029</u>

B) Interest expense on borrowings and deferred retirement liabilities shown separately in the Annual Report are reported as part of the total CRA Report Expenses.

	(in millions)
Operating Expenses per Annual Report	\$65,851
Interest expense on deferred retirement liabilities	103
Interest expense on borrowings	10
Annual Report Expenses	<u>\$65,964</u>
 CRA Report Expenses	 <u>\$65,964</u>

4. Product Specific Costs

Product specific costs, not included in volume variable costs, represent a portion of the incremental cost of certain subclasses of mail. Though these costs make up a very small portion of overall costs, they constitute the largest part of the difference between volume variable and incremental cost for some products. Selected product specific costs are shown below (in millions):

Priority Mail	\$161.5
Express Mail	81.5
International Mail	62.8

5. Cards

Volume variable costs are for the printing costs related to stamped cards.

6. Public Law 108-18

On April 23, 2003, Public Law 108-18, the “Postal Civil Service Retirement System Funding Reform Act of 2003” was signed into law. Under this legislation, the Postal Service reduces the amount paid for certain retirement benefits administered by the Office of Personnel Management (OPM). The legislation expresses that to the extent “savings” resulting from the Act are attributable to fiscal years prior to 2006, they shall be used to reduce postal debt and to hold postage rates unchanged. The legislation expresses the sense of Congress that some portion of any anticipated “savings” after fiscal year 2005 be used to address debt repayment, prefunding of postretirement healthcare benefits for current and former employees, productivity and cost saving capital investments, delaying or moderating increases in postal rates, and any other matter. Volume variable and institutional costs for all products reflect an aggregate \$2.8 billion cost reduction from Public Law 108-18. Included in the legislation was the requirement that the Postal Service bear the CSRS cost associated with the prior military service of Postal Service retirees, a cost previously funded by the U.S. Treasury. The legislation included provisions for the Congress to reconsider whether responsibility for the cost will be borne in the future by the U.S. Treasury or by the Postal Service. Until provided for by law, the corresponding “savings” accruing to any fiscal year after 2005 are to be considered operational expenses of the Postal Service and held in escrow, and may not be obligated or expended.

7. Other

All figures in the CRA are rounded and may not add to totals.
Percents are rounded to the nearest decimal.

- Denotes zero values.
- () Denotes negative values.