

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

REQUEST OF THE UNITED STATES POSTAL SERVICE
FOR A RECOMMENDED DECISION ON CHANGES IN
RATES OF POSTAGE AND FEES FOR POSTAL SERVICES

UNITED STATES POSTAL SERVICE

By:

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May 3, 2006
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Documents relating to this request may be served upon Mr. Foucheaux at the above address.

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Pursuant to chapter 36 of title 39, United States Code, the United States Postal Service has determined that changes in rates of postage and fees for postal services would be in the public interest and in accordance with the policies of that title. Accordingly, the Postal Service requests that the Postal Rate Commission make and submit to the Governors of the Postal Service a recommended decision on changes in rates of postage and fees for postal services.

In accordance with the Commission's rules of practice and procedure, the Postal Service submits herewith information and data which explain the nature and scope, significance, and impact of the proposed rate and fee changes.

Without rate and fee changes, the Postal Service would incur a substantial revenue deficiency in the proposed test year, in contravention of 39 U.S.C. § 3621.

The rate and fee changes shown on the series of schedules in Attachment A are suggested to the Commission as a basis for providing sufficient revenues¹ in the test year to cover the projected revenue deficiency. "After rates" financial results are shown in the following table.

¹Together with income from other sources not within the Commission's jurisdiction under title 39, United States Code.

FINANCIAL RESULTS WITH
PROPOSED RATE AND FEE CHANGES
TEST YEAR 2008
(\$000)

<u>Present Rates</u>	<u>Test Year</u>
Total Revenues	\$73,532,478
Less: Total Revenue Requirement	\$79,406,677
Total Revenue Deficiency	\$5,874,199
 <u>Proposed Rates</u>	
Total Increase in Revenue	\$3,982,625
Total Decrease in Costs (Revenue Requirement)	\$1,890,787
Decrease in Revenue Deficiency	\$5,873,411
Revenue Surplus (Deficiency)	(\$787)

In accordance with the Commission's rules of practice and procedure, the Postal Service with this Request files the prepared direct evidence on which it proposes to rely, which consists of testimony and exhibits of 41 witnesses (47 testimonies). The testimony and exhibits have been marked for identification as shown on Attachment F. Following the practice established in prior proceedings, each witness's proposed testimony has been given a number, which is shown on the prepared evidence in the upper right hand corner of the cover page. Further data submitted for informational purposes or in response to sections of the rules of practice are included in other attachments.

Included in this filing is a Request for a Recommended Decision on certain changes in the Domestic Mail Classification Schedule. As a consequence, the data and information submitted herewith respond to Rule 64 of the Commission's rules of practice and procedure.

WHEREFORE, the Postal Service Requests that the Commission recommend a decision in accordance with this Request.

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ATTACHMENTS

REQUESTED CHANGES IN RATES AND FEES PROPOSED CHANGES TO DOMESTIC MAIL CLASSIFICATION SCHEDULE	A
PROPOSED CHANGES TO DOMESTIC MAIL CLASSIFICATION SCHEDULE	B
SPECIFICATION OF THE RULES, REGULATIONS, AND PRACTICES THAT ESTABLISH STANDARDS OF SERVICE AND CONDITIONS OF MAILABILITY	C
CERTIFICATION	D
AUDITED FINANCIAL STATEMENTS	E
LIST OF TESTIMONY AND EXHIBITS	F
COMPLIANCE STATEMENT	G

**EXPRESS MAIL
RATE SCHEDULES 121, 122, AND 123**

Current

Proposed

Weight (lbs.)	Schedule 121 Same Day Airport Service	Schedule 122 Custom Designed	Schedule 123 Next Day & Second Day PO to PO	Schedule 123 Next Day & Second Day PO to Addressee	Weight (lbs.)	Schedule 121 Same Day Airport Service	Schedule 122 Custom Designed	Schedule 123 Next Day & Second Day PO to PO	Schedule 123 Next Day & Second Day PO to Addressee
	0.5		\$11.30	\$10.95		\$14.40	0.5		\$14.15
1		15.70	15.40	18.80	1		17.40	17.10	19.50
2		15.70	15.40	18.80	2		19.30	19.00	21.40
3		19.10	18.75	22.20	3		22.40	22.10	24.50
4		22.40	22.10	25.50	4		25.50	25.20	27.60
5		25.65	25.35	28.75	5		28.60	28.30	30.70
6		28.95	28.60	32.05	6		31.70	31.40	33.80
7		32.15	31.85	35.25	7		34.80	34.50	36.90
8		33.50	33.20	36.65	8		37.90	37.60	40.00
9		35.05	34.75	38.15	9		41.00	40.70	43.10
10		36.40	36.10	39.50	10		43.15	42.85	45.25
11		38.20	37.90	41.30	11		45.30	45.00	47.40
12		41.00	40.70	44.10	12		47.45	47.15	49.55
13		43.00	42.70	46.10	13		49.60	49.30	51.70
14		44.10	43.80	47.20	14		51.75	51.45	53.85
15		45.50	45.15	48.60	15		53.90	53.60	56.00
16		47.10	46.80	50.20	16		56.05	55.75	58.15
17		48.70	48.40	51.80	17		58.20	57.90	60.30
18		50.15	49.85	53.30	18		60.35	60.05	62.45
19		51.70	51.40	54.80	19		62.50	62.20	64.60
20		53.25	52.90	56.35	20		64.65	64.35	66.75
21		54.75	54.45	57.85	21		66.80	66.50	68.90
22		56.30	55.95	59.40	22		68.95	68.65	71.05
23		57.85	57.55	60.95	23		71.10	70.80	73.20
24		59.35	59.00	62.45	24		73.25	72.95	75.35
25		60.80	60.50	63.95	25		75.40	75.10	77.50
26		62.40	62.10	65.50	26		77.55	77.25	79.65
27		63.85	63.55	67.00	27		79.70	79.40	81.80
28		65.45	65.15	68.55	28		81.85	81.55	83.95
29		67.00	66.65	70.10	29		84.00	83.70	86.10
30		68.50	68.20	71.60	30		86.15	85.85	88.25
31		70.05	69.70	73.15	31		88.30	88.00	90.40
32		71.60	71.30	74.75	32		90.45	90.15	92.55
33		73.05	72.75	76.15	33		92.60	92.30	94.70
34		74.70	74.35	77.80	34		94.75	94.45	96.85
35		76.10	75.80	79.20	35		96.90	96.60	99.00

**EXPRESS MAIL
RATE SCHEDULES 121, 122, AND 123 (continued)**

Current					Proposed				
Weight (lbs.)	Schedule 121 Same Day Airport Service	Schedule 122 Custom Designed	Schedule 123 Next Day & Second Day PO to	Schedule 123 Next Day & Second Day PO to Addressee	Weight (lbs.)	Schedule 121 Same Day Airport Service	Schedule 122 Custom Designed	Schedule 123 Next Day & Second Day PO to	Schedule 123 Next Day & Second Day PO to Addressee
36		\$77.75	\$77.40	\$80.85	36		\$99.05	\$98.75	\$101.15
37		79.45	79.15	82.60	37		101.20	100.90	103.30
38		81.35	81.05	84.50	38		103.35	103.05	105.45
39		83.20	82.90	86.30	39		105.50	105.20	107.60
40		85.10	84.80	88.20	40		107.65	107.35	109.75
41		87.00	86.70	90.10	41		109.80	109.50	111.90
42		88.95	88.65	92.05	42		111.95	111.65	114.05
43		90.75	90.45	93.85	43		114.10	113.80	116.20
44		92.60	92.30	95.70	44		116.25	115.95	118.35
45		94.30	93.95	97.40	45		118.40	118.10	120.50
46		95.70	95.40	98.80	46		120.55	120.25	122.65
47		97.45	97.15	100.55	47		122.70	122.40	124.80
48		98.95	98.65	102.10	48		124.85	124.55	126.95
49		100.45	100.15	103.55	49		127.00	126.70	129.10
50		102.05	101.70	105.15	50		129.15	128.85	131.25
51		103.70	103.40	106.80	51		131.30	131.00	133.40
52		105.20	104.85	108.30	52		133.45	133.15	135.55
53		106.80	106.50	109.95	53		135.60	135.30	137.70
54		108.35	108.05	111.45	54		137.75	137.45	139.85
55		109.95	109.60	113.05	55		139.90	139.60	142.00
56		111.55	111.25	114.70	56		142.05	141.75	144.15
57		113.10	112.80	116.20	57		144.20	143.90	146.30
58		114.75	114.40	117.85	58		146.35	146.05	148.45
59		116.40	116.10	119.50	59		148.50	148.20	150.60
60		118.25	117.95	121.35	60		150.65	150.35	152.75
61		120.25	119.95	123.35	61		152.80	152.50	154.90
62		122.10	121.80	125.20	62		154.95	154.65	157.05
63		123.90	123.60	127.00	63		157.10	156.80	159.20
64		125.95	125.65	129.05	64		159.25	158.95	161.35
65		127.75	127.45	130.85	65		161.40	161.10	163.50
66		129.75	129.45	132.85	66		163.55	163.25	165.65
67		131.55	131.20	134.65	67		165.70	165.40	167.80
68		133.55	133.25	136.65	68		167.85	167.55	169.95
69		135.40	135.05	138.50	69		170.00	169.70	172.10
70		137.30	136.95	140.40	70		172.15	171.85	174.25

SCHEDULES 121, 122, AND 123

NOTES

1. The applicable 1/2-pound rate is charged for matter sent in a flat-rate envelope provided by the Postal Service.
2. Add \$14.25 [\$13.25] for each Pickup On-Demand [pickup] stop.
3. Add \$14.25 [\$13.25] for each Custom Designed delivery stop.

**FIRST-CLASS MAIL
RATE SCHEDULE 221**

LETTERS AND SEALED PARCELS

	Current	Proposed
Single Piece		
First ounce	\$ 0.390	N/A
<u>Letters</u>	N/A	\$ 0.420
<u>Flats</u>	N/A	0.620
<u>Parcels</u>	N/A	1.000
Additional ounces	0.240	0.200
[Nonmachinable surcharge]	0.130	N/A
Qualified Business Reply Mail	0.358	0.395
Presorted		
First ounce	0.371	N/A
<u>Letters</u>	N/A	0.400
<u>Flats</u>	N/A	0.519
Additional ounces	0.237	0.200
[Nonmachinable surcharge]	0.058	N/A
[Heavy piece discount, per piece]	0.043	N/A
Automation Letters		
Mixed AADC	0.326	0.346
AADC	0.317	0.335
3-digit	0.308	0.331
5-digit	0.293	0.312
[Carrier route]	0.290	N/A
Additional ounces	0.237	0.155
[Heavy piece discount, per piece]	0.043	N/A
Automation Flats		
Mixed ADC	0.359	0.465
ADC	0.351	0.433
3-digit	0.339	0.423
5-digit	0.318	0.398
Additional ounces	0.237	0.200
[Nonmachinable surcharge]	0.058	N/A
[Heavy piece discount, per piece]	0.043	N/A
<u>Business Parcels</u>		
<u>ADC</u>	N/A	0.727
<u>3-digit</u>	N/A	0.717
<u>5-digit</u>	N/A	0.643
<u>Additional ounces</u>	N/A	0.200

SCHEDULE 221 NOTES

1. A mailing fee of [~~\$160.00~~] \$175.00 must be paid once each year at each office of mailing by any person who mails at presorted or automation rates. Payment of the fee allows the mailer to mail at any First-Class Mail rate. [For presorted or automation pieces weighing more than 2 ounces, subtract 4.3 cents per piece.]
2. First-Class Mail rates apply through 13 ounces. Heavier pieces are subject to Priority Mail rates.
3. Add \$0.005 per piece for Presorted, Automation Letters and Automation Flats pieces bearing a Repositionable Note as defined in Classification Schedule 221.22[1]3, 221.32[6]5, and 221.33[6]5.
4. For nonmachinable or non-barcoded Business Parcels (ADC and 3-digit) add 5.0 cents per piece.

**FIRST-CLASS MAIL
RATE SCHEDULE 222****CARDS**

	Current	Proposed
Regular		
Single Piece	\$ 0.240	\$ 0.270
Qualified Business Reply Mail	0.211	0.245
Presorted	0.233	0.241
Automation		
Mixed AADC	0.204	0.222
AADC	0.197	0.215
3-digit	0.193	0.211
5-digit	0.186	0.204
[Carrier route]	0.179	N/A

SCHEDULE 222 NOTES

1. A mailing fee of [~~\$160.00~~] \$175.00 must be paid once each year at each office of mailing by any person who mails at presorted or automation rates. Payment of the fee allows the mailer to mail at any First-Class Mail rate.

**FIRST-CLASS MAIL
RATE SCHEDULE 223
PRIORITY MAIL**

Current							Proposed							
Weight (lbs)	Local, Zones 1, 2 & 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Weight (lbs)	Local, Zones 1, 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	\$4.05	\$4.05	\$4.05	\$4.05	\$4.05	\$4.05	1	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65
2	4.20	4.80	5.15	5.30	5.70	6.05	2	4.65	5.05	5.40	6.15	6.55	6.85	7.30
3	5.00	6.40	7.20	7.55	8.25	9.00	3	5.15	5.90	6.55	8.10	8.80	9.35	10.15
4	5.60	7.45	8.50	8.95	9.95	10.90	4	5.90	6.90	7.90	10.00	11.00	11.70	12.85
5	6.15	8.45	9.80	10.40	11.60	12.80	5	6.55	7.60	9.10	11.60	12.90	13.85	15.30
6	6.65	9.35	10.45	10.60	11.90	12.95	6	7.10	8.25	10.25	12.95	13.10	14.75	16.05
7	7.15	10.35	11.25	11.60	13.25	14.80	7	7.65	8.85	11.30	13.95	14.35	16.40	18.30
8	7.75	11.35	12.05	12.60	14.55	16.60	8	8.10	9.60	12.25	14.90	15.60	18.00	20.55
9	8.35	12.35	12.85	13.60	15.85	18.45	9	8.50	10.35	12.80	15.90	16.85	19.60	22.85
10	8.85	13.30	13.70	14.75	17.20	20.25	10	8.85	10.95	13.40	16.95	18.25	21.30	23.85
11	9.45	14.05	14.50	15.95	18.50	22.05	11	9.20	11.70	14.00	17.95	19.75	22.05	24.85
12	10.00	14.80	15.30	17.20	19.80	23.85	12	9.55	12.35	14.55	18.75	21.30	22.85	25.95
13	10.55	15.55	16.15	18.45	21.15	25.65	13	9.95	12.90	15.15	19.55	22.15	23.75	26.80
14	11.10	16.30	16.90	19.60	22.40	27.45	14	10.30	13.40	15.75	20.40	22.90	25.10	28.10
15	11.65	17.05	17.75	20.80	23.70	29.30	15	10.65	13.95	16.35	20.80	23.45	25.30	28.75
16	12.25	17.80	18.55	22.00	25.05	31.10	16	10.85	14.20	16.65	21.25	23.95	25.90	29.45
17	12.80	18.55	19.35	23.25	26.35	32.90	17	11.00	14.45	16.95	21.75	24.55	26.55	30.25
18	13.35	19.30	20.35	24.40	27.65	34.75	18	11.20	14.70	17.30	22.20	25.00	27.05	30.90
19	13.90	20.05	21.30	25.60	29.00	36.50	19	11.35	14.95	17.60	22.70	25.60	27.75	31.75
20	14.50	20.80	22.30	26.70	30.30	38.35	20	11.60	15.15	17.85	23.10	26.10	28.25	32.35
21	15.00	21.55	23.25	28.00	31.60	40.15	21	12.00	15.40	18.15	23.50	26.55	28.75	33.00
22	15.60	22.30	24.20	29.15	32.90	41.95	22	12.50	15.65	18.45	24.05	27.15	29.45	33.80
23	16.15	23.05	25.20	30.35	34.20	43.80	23	12.90	15.85	18.70	24.45	27.60	29.90	35.05
24	16.70	23.75	26.20	31.50	35.50	45.60	24	13.35	16.10	19.00	24.95	28.20	30.60	36.50
25	17.30	24.55	27.15	32.80	36.85	47.40	25	13.85	16.30	19.65	25.35	28.60	31.05	37.90
26	17.80	25.30	28.05	34.00	38.15	49.20	26	14.25	16.50	20.25	25.85	29.20	31.75	39.35
27	18.40	26.05	29.05	35.15	39.45	51.00	27	14.70	16.75	20.85	26.20	29.65	32.20	40.80
28	18.95	26.75	30.05	36.35	40.80	52.85	28	15.15	16.95	21.40	26.55	30.05	32.65	42.30
29	19.50	27.55	31.05	37.50	42.10	54.65	29	15.60	17.15	22.05	26.95	30.45	33.70	43.70
30	20.10	28.30	32.00	38.80	43.40	56.45	30	16.10	17.35	22.65	27.30	31.05	34.70	45.15
31	20.60	29.05	32.90	39.90	44.70	58.30	31	16.50	17.55	23.25	27.65	31.90	35.75	46.65
32	21.20	29.80	33.90	41.10	46.00	60.10	32	16.95	17.75	23.85	27.95	32.90	36.80	48.10
33	21.75	30.50	34.90	42.25	47.30	61.85	33	17.40	17.95	24.40	28.30	33.80	37.85	49.50
34	22.30	31.30	35.85	43.50	48.65	63.70	34	17.85	18.10	25.05	28.90	34.80	38.90	50.95
35	22.85	32.05	36.85	44.70	49.95	65.50	35	18.30	18.30	25.65	29.55	35.75	39.95	52.40

**FIRST-CLASS MAIL
RATE SCHEDULE 223 (CONTINUED)
PRIORITY MAIL**

Current							Proposed							
Weight	Local, Zones 1, 2 & 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Weight	Local, Zones 1, 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
36	\$23.45	\$32.80	\$37.80	\$45.90	\$51.30	\$67.30	36	\$18.75	\$18.75	\$26.25	\$30.15	\$36.70	\$41.05	\$53.85
37	24.00	33.70	38.80	47.05	52.60	69.15	37	19.20	19.20	26.95	31.05	37.65	42.10	55.30
38	24.55	34.40	39.75	48.35	53.90	70.95	38	19.65	19.65	27.50	31.80	38.70	43.10	56.75
39	25.05	35.30	40.75	49.55	55.25	72.80	39	20.05	20.05	28.25	32.60	39.65	44.20	58.25
40	25.55	36.15	41.75	50.70	56.50	74.55	40	20.45	20.45	28.90	33.40	40.55	45.20	59.65
41	26.05	36.90	42.65	51.90	57.80	76.35	41	20.85	20.85	29.50	34.10	41.50	46.25	61.10
42	26.55	37.80	43.60	53.00	59.20	78.20	42	21.25	21.25	30.25	34.90	42.40	47.35	62.55
43	27.05	38.60	44.60	54.30	60.50	80.00	43	21.65	21.65	30.90	35.70	43.45	48.40	64.00
44	27.55	39.40	45.60	55.45	61.85	81.80	44	22.05	22.05	31.50	36.50	44.35	49.50	65.45
45	28.05	40.25	46.55	56.65	63.20	83.65	45	22.45	22.45	32.20	37.25	45.30	50.55	66.90
46	28.55	41.10	47.50	57.80	64.50	85.45	46	22.85	22.85	32.90	38.00	46.25	51.60	68.35
47	29.05	41.90	48.50	59.10	65.90	87.20	47	23.25	23.25	33.50	38.80	47.30	52.70	69.75
48	29.55	42.80	49.50	60.30	67.20	89.05	48	23.65	23.65	34.25	39.60	48.25	53.75	71.25
49	30.05	43.60	50.40	61.45	68.55	90.85	49	24.05	24.05	34.90	40.30	49.15	54.85	72.70
50	30.50	44.45	51.40	62.65	69.90	92.70	50	24.40	24.40	35.55	41.10	50.10	55.90	74.15
51	31.05	45.25	52.35	63.80	71.20	94.50	51	24.85	24.85	36.20	41.90	51.05	56.95	75.60
52	31.50	46.10	53.35	65.10	72.50	96.30	52	25.20	25.20	36.90	42.70	52.10	58.00	77.05
53	32.05	46.90	54.30	66.25	73.85	98.15	53	25.65	25.65	37.50	43.45	53.00	59.10	78.50
54	32.50	47.70	55.30	67.40	75.15	99.90	54	26.00	26.00	38.15	44.25	53.90	60.10	79.90
55	33.05	48.60	56.30	68.55	76.40	101.70	55	26.45	26.45	38.90	45.05	54.85	61.10	81.35
56	33.50	49.40	57.20	69.85	77.75	103.55	56	26.80	26.80	39.50	45.75	55.90	62.20	82.85
57	34.05	50.20	58.15	71.00	79.05	105.35	57	27.25	27.25	40.15	46.50	56.80	63.25	84.30
58	34.50	51.05	59.15	72.20	80.35	107.15	58	27.60	27.60	40.85	47.30	57.75	64.30	85.70
59	35.05	51.90	60.15	73.35	81.70	109.00	59	28.05	28.05	41.50	48.10	58.70	65.35	87.20
60	35.50	52.70	61.15	74.60	83.00	110.80	60	28.40	28.40	42.15	48.90	59.70	66.40	88.65
61	36.05	53.60	62.05	75.85	84.30	112.60	61	28.85	28.85	42.90	49.65	60.70	67.45	90.10
62	36.50	54.35	63.05	77.00	85.65	114.40	62	29.20	29.20	43.50	50.45	61.60	68.50	91.50
63	37.05	55.25	64.05	78.20	86.95	116.20	63	29.65	29.65	44.20	51.25	62.55	69.55	92.95
64	37.50	56.05	65.05	79.40	88.20	118.05	64	30.00	30.00	44.85	52.05	63.50	70.55	94.45
65	38.05	56.80	65.90	80.60	89.55	119.85	65	30.45	30.45	45.45	52.70	64.50	71.65	95.90
66	38.50	57.70	66.90	81.75	90.85	121.65	66	30.80	30.80	46.15	53.50	65.40	72.70	97.30
67	39.05	58.60	67.90	82.95	92.15	123.50	67	31.25	31.25	46.90	54.30	66.35	73.70	98.80
68	39.50	59.35	68.90	84.10	93.50	125.25	68	31.60	31.60	47.50	55.10	67.30	74.80	100.20
69	40.05	60.20	69.85	85.35	94.80	127.05	69	32.05	32.05	48.15	55.90	68.30	75.85	101.65
70	40.55	61.10	70.80	86.55	96.10	128.90	70	32.45	32.45	48.90	56.65	69.25	76.90	103.10

SCHEDULE 223 NOTES

1. The 1-pound rate is charged for matter sent in a flat-rate envelope provided by the Postal Service.
2. A rate of \$8.80 [\$8.10] is charged for matter sent in a flat-rate box provided by the Postal Service [experimental].
3. Exception: In Zones 1 - 4 (including Local), parcels weighing less than 20 pounds but measuring more than 84 inches in combined length and girth (though not more than 108 inches) are charged the applicable rate for a 20-pound parcel (balloon rate). [EXCEPTION: Parcels weighing less than 15 pounds, measuring over 84 inches in length and girth combined, are chargeable with a minimum rate equal to that for a 15-pound parcel for the zone to which addressed.]
4. Exception: In Zones 5 - 8, parcels exceeding one cubic foot are rated at the actual weight or the dimensional weight, whichever is greater.
5. Add \$14.25 [\$13.25] for each Pickup On-Demand [pickup] stop.

**STANDARD MAIL
RATE SCHEDULE 321A**

**REGULAR
NONAUTOMATION [PRESORTED] CATEGORIES**

	Current	Proposed
Letters, minimum piece rate		
Piece Rate		
[Basic]	\$ 0.282	N/A
<u>Mixed AADC</u>	N/A	\$0.292
<u>AADC</u>	N/A	0.287
<u>Mixed ADC (Nonmachinable)</u>	N/A	0.448
<u>ADC (Nonmachinable)</u>	N/A	0.403
[3/5-digit]	0.261	N/A
<u>3-digit (Nonmachinable)</u>	N/A	0.395
<u>5-digit (Nonmachinable)</u>	N/A	0.360
 Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034

REGULAR
NONAUTOMATION [PRESORTED] CATEGORIES (CONTINUED)

	Current	Proposed
[Nonletters] <u>Flats</u>, minimum piece rate		
Piece Rate		
[Basic]	0.363	N/A
<u>Mixed ADC</u>	N/A	0.431
<u>ADC</u>	N/A	0.401
[3/5-digit]	0.304	N/A
<u>3-digit</u>	N/A	0.378
<u>5-digit</u>	N/A	0.343
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
[Nonletters] <u>Flats</u>, piece and pound rate		
Piece Rate		
[Basic]	0.209	N/A
<u>Mixed ADC</u>	N/A	0.279
<u>ADC</u>	N/A	0.249
[3/5-digit]	0.150	N/A
<u>3-digit</u>	N/A	0.226
<u>5-digit</u>	N/A	0.191
Pound Rate	0.746	0.739
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168

REGULAR
NONAUTOMATION [PRESORTED] CATEGORIES (CONTINUED)

	Current	Proposed
<u>Parcels, minimum piece rate</u>		
<u>Piece Rate</u>		
<u>Mixed ADC (Nonmachinable Parcels)</u>	N/A	1.106
<u>ADC (Nonmachinable Parcels)</u>	N/A	0.955
<u>3-digit (Nonmachinable Parcels)</u>	N/A	0.804
<u>5-digit (Nonmachinable Parcels)</u>	N/A	0.672
Destination Entry Discounts		
BMC	0.022	0.033
SCF	0.027	0.076
<u>DDU</u>	N/A	0.114
<u>Parcels, piece and pound rate</u>		
<u>Piece Rate</u>		
<u>Mixed BMC (Machinable Parcels)</u>	N/A	0.800
<u>BMC (Machinable Parcels)</u>	N/A	0.682
<u>Mixed ADC (Nonmachinable Parcels)</u>	N/A	0.900
<u>ADC (Nonmachinable Parcels)</u>	N/A	0.749
<u>3-digit (Nonmachinable Parcels)</u>	N/A	0.598
<u>5-digit (All Parcels)</u>	N/A	0.466
Pound Rate	0.746	1.001
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.163
SCF	0.132	0.370
<u>DDU</u>	N/A	0.554

REGULAR
NONAUTOMATION [PRESORTED] CATEGORIES (CONTINUED)

	Current	Proposed
<u>NFM Pieces, minimum piece rate</u>		
<u>Piece Rate</u>		
<u>Mixed ADC</u>	N/A	0.956
<u>ADC</u>	N/A	0.788
<u>3-digit</u>	N/A	0.620
<u>5-digit</u>	N/A	0.489
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
<u>DDU</u>	N/A	0.042
<u>NFM Pieces, piece and pound rate</u>		
<u>Piece Rate</u>		
<u>Mixed ADC</u>	N/A	0.750
<u>ADC</u>	N/A	0.582
<u>3-digit</u>	N/A	0.414
<u>5-digit</u>	N/A	0.283
Pound Rate	0.746	1.001
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168
<u>DDU</u>	N/A	0.205

SCHEDULE 321A NOTES

1. A fee of [~~\$160.00~~]\$175.00 must be paid each 12-month period for each bulk mailing permit.
2. [Residual shape pieces are subject to a surcharge of \$0.242 per piece.]For [parcel barcode discount]non-barcode parcels and NFM pieces, [~~deduct \$0.03~~]add \$0.05 per piece[(machinable parcels only)]. The surcharge does not apply to pieces sorted to 5-digit ZIP Codes.
3. For [~~nonletters~~]flats, parcels and NFMs, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. [Nonmachinable letters are subject to a \$0.042 nonmachinable surcharge.] Letters forwarded as defined in Classification Schedule 353a are charged \$0.35 per piece. Flats forwarded as defined in Classification Schedule 353a are charged \$1.05 per piece.
5. Pieces entered as Customized Market Mail, as defined in DMCS section [321.22, are subject to the nondestination entry, nonletter minimum per piece basic rate and the residual shape surcharge]321.5, pay \$0.489 per piece.
6. Add \$0.015 per piece for pieces bearing a Repositionable Note as defined in Classification Schedule 321.8.

**STANDARD MAIL
RATE SCHEDULE 321B**

**REGULAR
AUTOMATION CATEGORIES**

	Current	Proposed
Letters, minimum piece rate		
Piece Rate		
Mixed AADC	\$ 0.231	0.252
AADC	0.223	0.242
3-digit	0.214	0.235
5-digit	0.200	0.219
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
Flats, minimum piece rate		
Piece Rate		
[Basic]	0.316	N/A
<u>Mixed ADC</u>	N/A	0.391
<u>ADC</u>	N/A	0.354
[3/5-digit]	0.275	N/A
<u>3-digit</u>	N/A	0.328
<u>5-digit</u>	N/A	0.300
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034

**REGULAR
AUTOMATION CATEGORIES (CONTINUED)**

	Current	Proposed
Flats, piece and pound rate		
Piece Rate		
[Basic]	0.162	N/A
<u>Mixed ADC</u>	N/A	0.239
<u>ADC</u>	N/A	0.202
[3/5-digit]	0.121	N/A
<u>3-digit</u>	N/A	0.176
<u>5-digit</u>	N/A	0.148
Pound Rate	0.746	0.739
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168

SCHEDULE 321B NOTES

1. A fee of [~~\$160.00~~]\$175.00 must be paid once each 12-month period for each bulk mailing permit.
2. Letters that weigh more than 3.3 ounces but not more than 3.5 ounces pay the [nonletters]flats piece and pound rate but receive a discount off the piece rate equal to the applicable [nonletters]flats minimum piece rate minus the applicable letter minimum piece rate corresponding to the correct presort tier.
3. For [nonletters]flats, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. Add \$0.015 per piece for pieces bearing a Repositionable Note as defined in Classification Schedule 321.8.
5. Letters forwarded as defined in Classification Schedule 353a are charged \$0.35 per piece. Flats forwarded as defined in Classification Schedule 353a are charged \$1.05 per piece.

**STANDARD MAIL
RATE SCHEDULE 322**

ENHANCED CARRIER ROUTE

	Current	Proposed
Letters, minimum piece rate		
Piece Rate		
Basic	\$ 0.204	0.233
[Automation Basic]	0.180	N/A
High density	0.173	0.190
Saturation	0.160	0.172
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
[DDU]	0.033	N/A
[Nonletters] <u>Flats</u>, minimum piece rate		
Piece Rate		
Basic	0.204	0.233
High density	0.178	0.204
Saturation	0.169	0.182
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
DDU	0.033	0.042
[Nonletters] <u>Flats</u>, piece and pound rate		
Piece Rate		
Basic	0.071	0.101
High density	0.045	0.072
Saturation	0.036	0.050
Pound Rate	0.643	0.641
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168
DDU	0.166	0.205

ENHANCED CARRIER ROUTE (CONTINUED)

	Current	Proposed
<u>Parcels, minimum piece rate</u>		
<u>Piece Rate</u>		
<u>Basic</u>	N/A	0.433
<u>High density</u>	N/A	0.404
<u>Saturation</u>	N/A	0.382
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
DDU	0.033	0.042
 <u>Parcels, piece and pound rate</u>		
<u>Piece Rate</u>		
<u>Basic</u>	N/A	0.301
<u>High density</u>	N/A	0.272
<u>Saturation</u>	N/A	0.250
<u>Pound Rate</u>	N/A	0.641
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168
DDU	0.166	0.205

SCHEDULE 322 NOTES

1. A fee of [~~\$160.00~~]\$175.00 must be paid each 12-month period for each bulk mailing permit.
2. [~~Residual shape pieces~~]Pieces that do not qualify for letter or flats rate categories are subject to [a surcharge of \$0.211 per piece]parcels rates.
3. For [~~nonletters~~]flats and parcels, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. Pieces that otherwise meet the requirements for [basic automation,]high density[,] and saturation letter rates that weigh more than 3.3 ounces but not more than 3.5 ounces pay the [~~nonletters~~]flats piece and pound rate but receive a discount off the piece rate equal to the applicable [~~nonletters~~]flats minimum piece rate minus the applicable letter minimum piece rate corresponding to the correct [~~presort~~]density tier.
5. For letter-size pieces, not meeting the automation requirements specified by the Postal Service, the mailer pays the [~~nonletters~~]flats rate for the applicable density tier.
6. Add \$0.015 per piece for pieces bearing a Repositionable Note as defined in Classification Schedule 322.8.
7. Add \$0.015 per piece for Saturation Rate pieces addressed using detached address labels (DALs).
8. Letters forwarded as defined in Classification Schedule 353a are charged \$0.35 per piece. Flats forwarded as defined in Classification Schedule 353a are charged \$1.05 per piece.

**STANDARD MAIL
RATE SCHEDULE 323A**

**NONPROFIT [PRESORTED]
REGULAR NONAUTOMATION CATEGORIES**

	Current	Proposed
Letters, minimum piece rate		
Piece Rate		
[Basic]	\$ 0.170	N/A
<u>Mixed AADC</u>	N/A	0.178
<u>AADC</u>	N/A	0.173
<u>Mixed ADC (Nonmachinable)</u>	N/A	0.263
<u>ADC (Nonmachinable)</u>	N/A	0.230
[3/5-digit]	0.158	N/A
<u>3-digit (Nonmachinable)</u>	N/A	0.210
<u>5-digit (Nonmachinable)</u>	N/A	0.205
 Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034

**NONPROFIT [PRESORTED]
REGULAR NONAUTOMATION CATEGORIES (CONTINUED)**

	Current	Proposed
[Nonletter] <u>Flats</u>, minimum piece rate		
Piece Rate		
[Basic]	0.237	N/A
<u>Mixed ADC</u>	N/A	0.285
<u>ADC</u>	N/A	0.279
[3/5-digit]	0.189	N/A
<u>3-digit</u>	N/A	0.232
<u>5-digit</u>	N/A	0.221
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
[Nonletter] <u>Flats</u>, piece and pound rate		
Piece Rate		
[Basic]	0.113	N/A
<u>Mixed ADC</u>	N/A	0.157
<u>ADC</u>	N/A	0.151
[3/5-digit]	0.065	N/A
<u>3-digit</u>	N/A	0.104
<u>5-digit</u>	N/A	0.093
Pound Rate	0.602	0.622
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168

**NONPROFIT [PRESORTED]
REGULAR NONAUTOMATION CATEGORIES (CONTINUED)**

	Current	Proposed
<u>Parcels, minimum piece rate</u>		
<u>Piece Rate</u>		
<u>Mixed ADC (Nonmachinable Parcels)</u>	N/A	0.986
<u>ADC (Nonmachinable Parcels)</u>	N/A	0.845
<u>3-digit (Nonmachinable Parcels)</u>	N/A	0.714
<u>5-digit (Nonmachinable Parcels)</u>	N/A	0.572
Destination Entry Discounts		
BMC	0.022	0.033
SCF	0.027	0.076
<u>DDU</u>	N/A	0.114
<u>Parcels, piece and pound rate</u>		
<u>Piece Rate</u>		
<u>Mixed BMC (Machinable Parcels)</u>	N/A	0.700
<u>BMC (Machinable Parcels)</u>	N/A	0.592
<u>Mixed ADC (Nonmachinable Parcels)</u>	N/A	0.800
<u>ADC (Nonmachinable Parcels)</u>	N/A	0.659
<u>3-digit (Nonmachinable Parcels)</u>	N/A	0.528
<u>5-digit (Parcels)</u>	N/A	0.386
Pound Rate	0.602	0.903
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.163
SCF	0.132	0.370
<u>DDU</u>	N/A	0.554

**NONPROFIT [PRESORTED]
REGULAR NONAUTOMATION CATEGORIES (CONTINUED)**

	Current Rate	Proposed Rate
<u>NFM Pieces, minimum piece rate</u>		
<u>Piece Rate</u>		
<u>Mixed ADC</u>	N/A	0.632
<u>ADC</u>	N/A	0.539
<u>3-digit</u>	N/A	0.471
<u>5-digit</u>	N/A	0.340
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
<u>DDU</u>	N/A	0.042
<u>NFM Pieces, piece and pound rate</u>		
<u>Piece Rate</u>		
<u>Mixed ADC</u>	N/A	0.500
<u>ADC</u>	N/A	0.407
<u>3-digit</u>	N/A	0.339
<u>5-digit</u>	N/A	0.208
Pound Rate	0.602	0.641
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168
<u>DDU</u>	N/A	0.205

SCHEDULE 323A NOTES

1. A fee of [~~\$160.00~~]\$175.00 must be paid each 12-month period for each bulk mailing permit.
2. [Residual shape pieces are subject to a surcharge of \$0.242 per piece.]For [parcel barcode discount]non-barcode parcels and NFM pieces, [~~deduct \$0.03~~]add \$0.05 per piece [(machinable parcels only)]. The surcharge does not apply to pieces sorted to 5-digit ZIP Codes.
3. For [nonletters]flats, parcels and NFMs, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. [Nonmachinable letters are subject to a \$0.021 nonmachinable surcharge.] Letters forwarded as defined in Classification Schedule 353a are charged \$0.35 per piece. Flats forwarded as defined in Classification Schedule 353a are charged \$1.05 per piece.
5. Pieces entered as Customized Market Mail, as defined in DMCS sections [321.22 and 323.22, are subject to the nondestination entry, nonletter minimum per piece basic rate and the residual shape surcharge]321.5 and 323.5 pay \$0.340 per piece.
6. Add \$0.015 per piece for pieces bearing a Repositionable Note as defined in Classification Schedule 323.8.

**STANDARD MAIL
RATE SCHEDULE 323B**

**NONPROFIT REGULAR
AUTOMATION CATEGORIES**

	Current Rate	Proposed Rate
Letters, minimum piece rate		
Piece Rate		
Mixed AADC	\$ 0.148	0.162
AADC	0.140	0.152
3-digit	0.133	0.145
5-digit	0.118	0.129
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
Flats, minimum piece rate		
Piece Rate		
Basic	0.195	N/A
Mixed ADC	N/A	0.245
ADC	N/A	0.232
3/5-digit	0.171	N/A
3-digit	N/A	0.200
5-digit	N/A	0.191
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034

**NONPROFIT REGULAR
AUTOMATION CATEGORIES (CONTINUED)**

	Current Rate	Proposed Rate
Flats, piece and pound rate		
Piece Rate		
Basic	0.071	N/A
Mixed ADC	N/A	0.117
ADC	N/A	0.104
3/5-digit	0.047	N/A
3-digit	N/A	0.072
5-digit	N/A	0.063
Pound Rate	0.602	0.622
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168

SCHEDULE 323B NOTES

1. A fee of [~~\$160.00~~]\$175.00 must be paid each 12-month period for each bulk mailing permit.
2. Letters that weigh more than 3.3 ounces but not more than 3.5 ounces pay the [nonletters]~~]~~flats piece and pound rate but receive a discount off the piece rate equal to the applicable [nonletters]~~]~~flats minimum piece rate minus the applicable letter minimum piece rate corresponding to the correct presort tier.
3. For [nonletters]~~]~~flats, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. Add \$0.015 per piece for pieces bearing a Repositionable Note as defined in Classification Schedule 323.8.
5. Letters forwarded as defined in Classification Schedule 353a are charged \$0.35 per piece. Flats forwarded as defined in Classification Schedule 353a are charged \$1.05 per piece.

**STANDARD MAIL
RATE SCHEDULE 324**

NONPROFIT ENHANCED CARRIER ROUTE

	Current Rate	Proposed Rate
Letters, minimum piece rate		
Piece Rate		
Basic	\$ 0.140	0.156
Automation Basic	0.117	N/A
High density	0.113	0.122
Saturation	0.105	0.114
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
DDU	0.033	N/A
Flats, minimum piece rate		
Piece Rate		
Basic	0.140	0.156
High density	0.122	0.131
Saturation	0.116	0.125
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
DDU	0.033	0.042
Flats, piece and pound rate		
Piece Rate		
Basic	0.055	0.063
High density	0.037	0.038
Saturation	0.031	0.032
Pound Rate	0.411	0.452
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168
DDU	0.166	0.205

NONPROFIT ENHANCED CARRIER ROUTE (CONTINUED)

	Current Rate	Proposed Rate
Parcels, minimum piece rate		
Piece Rate		
Basic	0.351	0.356
High density	0.333	0.351
Saturation	0.327	0.325
Destination Entry Discounts		
BMC	0.022	0.028
SCF	0.027	0.034
DDU	0.033	0.042
Parcels, piece and pound rate		
Piece Rate		
Basic	0.266	0.263
High density	0.248	0.238
Saturation	0.242	0.232
Pound Rate	0.411	0.452
Destination Entry Discounts (off pound rate)		
BMC	0.105	0.136
SCF	0.132	0.168
DDU	0.166	0.205

SCHEDULE 324 NOTES

1. A fee of [~~\$160.00~~]\$175.00 must be paid each 12-month period for each bulk mailing permit.
2. [~~Residual shape pieces~~]Pieces that do not qualify for letter or flats rate categories are subject to [a surcharge of \$0.211 per piece]parcels rates.
3. For [nonletters]flats and parcels, the mailer pays either the minimum piece rate or the pound rate, whichever is higher.
4. Pieces that otherwise meet the requirements for [basic automation,]high density[,] and saturation letter rates that weigh more than 3.3 ounces but not more than 3.5 ounces pay the [nonletters]flats piece and pound rate but receive a discount off the piece rate equal to the applicable [nonletters]flats minimum piece rate minus the applicable letter minimum piece rate corresponding to the correct density tier.
5. For letter-size pieces, not meeting the automation requirements specified by the Postal Service, the mailer pays the [nonletters]flats rate for the applicable density tier.
6. Add \$0.015 per piece for pieces bearing a Repositionable Note as defined in Classification Schedule 324.8.
7. Add \$0.015 per piece for Saturation Rate pieces addressed using detached address labels (DALs).
8. Letters forwarded as defined in Classification Schedule 353a are charged \$0.35 per piece. Flats forwarded as defined in Classification Schedule 353a are charged \$1.05 per piece.

**PERIODICALS
RATE SCHEDULE 421**

OUTSIDE COUNTY (INCLUDING SCIENCE OF AGRICULTURE)

Outside County	Postage Rate Unit	Current	Proposed
Advertising			
Destination[ing] Delivery Unit	Pound	\$0.167	\$0.181
Destination[ing] SCF	Pound	0.214	0.230
Destination[ing] ADC	Pound	0.235	0.251
Zones 1&2	Pound	0.261	0.279
Zone 3	Pound	0.281	0.301
Zone 4	Pound	0.332	0.358
Zone 5	Pound	0.410	0.444
Zone 6	Pound	0.491	0.535
Zone 7	Pound	0.589	0.644
Zone 8	Pound	0.672	0.738
Nonadvertising			
<u>Destination Delivery Unit</u>	Pound	0.203	0.154
<u>Destination SCF</u>	Pound	0.203	0.193
<u>Destination ADC</u>	Pound	0.203	0.210
<u>Non-destination Entry</u>	Pound	0.203	0.232
Science of Agriculture			
Advertising			
Destination[ing] Delivery Unit	Pound	\$0.125	\$0.136
Destination[ing] SCF	Pound	0.160	0.172
Destination[ing] ADC	Pound	0.176	0.188
Zones 1&2	Pound	0.196	0.209
Zone 3	Pound	0.281	0.301
Zone 4	Pound	0.332	0.358
Zone 5	Pound	0.410	0.444
Zone 6	Pound	0.491	0.535
Zone 7	Pound	0.589	0.644
Zone 8	Pound	0.672	0.738
Nonadvertising			
<u>Destination Delivery Unit</u>	Pound	0.203	0.115
<u>Destination SCF</u>	Pound	0.203	0.144
<u>Destination ADC</u>	Pound	0.203	0.157
<u>Non-destination entry (Zones 1 & 2)</u>	Pound	0.203	0.174
<u>Non-destination entry (Zones 3-8)</u>	Pound	0.203	0.232

OUTSIDE COUNTY (INCLUDING SCIENCE OF AGRICULTURE)
(continued)

Outside County and Science of Agriculture

	Postage Rate Unit	Current	Proposed
Basic			
Nonautomation	Piece	\$0.393	\$0.437
Automation Letter	Piece	0.296	0.333
Automation Flat	Piece	0.343	0.398
3-digit			
Nonautomation	Piece	0.341	0.364
Automation Letter	Piece	0.262	0.278
Automation Flat	Piece	0.298	0.327
5-digit			
Nonautomation	Piece	0.270	0.283
Automation Letter	Piece	0.206	0.214
Automation Flat	Piece	0.238	0.255
Carrier Route			
Basic	Piece	0.172	0.186
High density	Piece	0.138	0.162
Saturation	Piece	0.118	0.131
Discounts			
Per-piece editorial factor [discount]	Piece	0.00078	0.00089
[Worksharing Discount] <u>Destination</u> DU	Piece	0.019	0.019
[Worksharing Discount] <u>Destination</u> SCF	Piece	0.008	0.011
[Worksharing discount] <u>Destination</u> ADC	Piece	0.002	0.003
[Worksharing discount pallets]	Piece	0.005]	
[Worksharing dropship pallet discount]	Piece	0.011]	
<u>Container</u>	<u>Container</u>	N/A	0.85

OUTSIDE COUNTY (INCLUDING SCIENCE OF AGRICULTURE) (continued)**[Experimental Discounts**

Co-palletization discounts DSCF	Piece	0.011
Zones 1 & 2 Avoided	Pound	0.015
Zone 3 Avoided	Pound	0.020
Zone 4 Avoided	Pound	0.036
Zone 5 Avoided	Pound	0.059
Zone 6 Avoided	Pound	0.083
Zone 7 Avoided	Pound	0.113
Zone 8 Avoided	Pound	0.138
Co-palletization discounts DADC	Piece	0.007
Zones 1 & 2 Avoided	Pound	0.008
Zone 3 Avoided	Pound	0.014
Zone 4 Avoided	Pound	0.030
Zone 5 Avoided	Pound	0.053
Zone 6 Avoided	Pound	0.077
Zone 7 Avoided	Pound	0.106
Zone 8 Avoided	Pound	0.132]

SCHEDULE 421 NOTES

1. The rates in this schedule also apply to Nonprofit (DMCS Section 422.2) and Classroom rate (DMCS Section 422.3) categories. These categories receive a 5 percent discount on all components of postage except advertising pounds. Moreover, the 5 percent discount does not apply to commingled nonsubscriber, nonrequestor, complimentary, and sample copies in excess of the 10 percent allowance under DMCS sections 412.34 and 413.42, or to Science of Agriculture mail.
 2. Rates do not apply to otherwise Outside County mail that qualifies for the Within County rates in Schedule 423.
 3. Charges are computed by adding the appropriate per piece charge to the sum of the nonadvertising pound portion and the advertising pound portion, as applicable.
 4. For postage calculations, multiply the proportion of nonadvertising content by this factor and subtract from the applicable piece rate.
 5. Advertising pound rate is not applicable to qualifying Nonprofit and Classroom publications containing 10 percent or less advertising content.
 6. For a Ride-Along item enclosed with or attached to a periodical, add [\$0.131] \$0.155 per copy.
 7. [Experimental discounts expire the later of a) October 3, 2006, or b) if, by the expiration date specified in (a), a proposal for a permanent replacement for the co-palletization dropship discounts is pending before the Postal Rate Commission, then 1) three months after the Commission takes action on such request under 39 U.S.C. § 3624 or, if applicable, 2) on the implementation date for a permanent replacement for the co-palletization dropship discounts.]
- [8.] Add \$0.015 per piece for pieces bearing a Repositionable Note as defined in Classification Schedule 424.

**PERIODICALS
RATE SCHEDULE 423**

WITHIN COUNTY

	Postage Rate Unit	Current	Proposed
Delivery Unit	Pound	\$0.109	\$0.142
All other zones	Pound	0.142	0.179
Basic			
Nonautomation	Piece	0.103	0.117
Automation letter	Piece	0.049	0.057
Automation flat	Piece	0.075	0.108
3-digit			
Nonautomation	Piece	0.095	0.108
Automation letter	Piece	0.047	0.050
Automation flat	Piece	0.071	0.097
5-digit			
Nonautomation	Piece	0.085	0.098
Automation letter	Piece	0.045	0.051
Automation flat	Piece	0.065	0.093
Carrier Route			
Basic	Piece	0.049	0.060
High density	Piece	0.033	0.044
Saturation	Piece	0.027	0.032
Discounts			
[Worksharing Discount] <u>Destination DU</u>	Piece	0.006	0.008

SCHEDULE 423 NOTES

1. Charges are computed by adding the appropriate per-piece charge to the appropriate pound charge.
2. For a Ride-Along item enclosed with or attached to a periodical, add [\$0.131] \$0.155 per copy.
3. Add \$0.015 per piece for pieces bearing a Repositionable Note as defined in Classification Schedule 424.

**PACKAGE SERVICES
RATE SCHEDULE 521.2A**

**PARCEL POST
INTER-BMC RATES**

Current

Proposed

Weight	Zone 1/2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Weight	Zone 1/2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1	\$3.89	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	1	\$4.30	\$4.46	\$4.55	\$4.55	\$4.55	\$4.55	\$4.55
2	4.06	4.06	4.36	4.36	4.73	4.73	4.73	2	4.55	4.95	5.30	5.67	5.90	6.07	6.15
3	4.90	4.90	5.85	5.96	6.02	6.08	6.66	3	5.05	5.80	6.45	6.90	6.97	7.26	7.87
4	5.12	5.48	6.63	7.30	7.53	7.59	8.29	4	5.80	6.79	7.35	7.67	7.97	8.38	9.20
5	5.30	6.02	7.31	8.17	9.04	9.11	9.94	5	6.45	7.46	8.12	8.49	8.91	9.45	10.47
6	5.93	6.33	7.84	8.96	10.03	10.43	12.11	6	7.00	8.08	8.87	9.27	9.77	10.43	11.75
7	6.11	6.62	8.34	9.70	10.91	12.01	13.52	7	7.55	8.61	9.58	10.01	10.59	11.40	12.87
8	6.30	6.88	8.75	10.37	11.71	13.22	15.85	8	8.00	8.94	10.27	10.73	11.37	12.30	14.08
9	6.44	7.13	9.21	11.01	12.47	14.10	17.96	9	8.37	9.27	10.92	11.41	12.11	13.13	15.22
10	6.62	7.98	9.59	11.60	13.18	14.94	19.12	10	8.61	10.32	11.55	12.07	12.82	13.92	16.19
11	6.76	8.22	9.98	12.16	13.84	15.73	20.18	11	8.79	10.69	12.16	12.71	13.50	14.68	17.11
12	6.89	8.44	10.33	12.69	14.46	16.46	21.19	12	8.96	10.97	12.75	13.33	14.16	15.41	18.00
13	7.03	8.63	10.67	13.19	15.05	17.15	22.12	13	9.14	11.22	13.31	13.93	14.79	16.12	18.85
14	7.17	8.87	10.99	13.65	15.61	17.81	23.02	14	9.32	11.53	13.87	14.51	15.41	16.80	19.67
15	7.29	9.07	11.31	14.10	16.14	18.43	23.86	15	9.48	11.79	14.40	15.08	16.00	17.46	20.47
16	7.40	9.26	11.59	14.52	16.64	19.02	24.67	16	9.62	12.04	14.93	15.64	16.58	18.10	21.24
17	7.54	9.42	11.89	14.92	17.12	19.59	25.43	17	9.80	12.25	15.43	16.18	17.14	18.72	21.98
18	7.64	9.60	12.14	15.30	17.58	20.12	26.16	18	9.93	12.48	15.78	16.71	17.68	19.32	22.70
19	7.77	9.78	12.41	15.67	18.01	20.64	26.86	19	10.10	12.71	16.13	17.23	18.22	19.91	23.41
20	7.86	9.94	12.63	16.02	18.42	21.13	27.53	20	10.22	12.92	16.42	17.74	18.73	20.48	24.09
21	7.98	10.11	12.86	16.36	18.82	21.60	28.16	21	10.37	13.14	16.72	18.23	19.24	21.04	24.75
22	8.07	10.24	13.09	16.67	19.20	22.05	28.77	22	10.49	13.31	17.02	18.72	19.73	21.58	25.40
23	8.18	10.42	13.33	16.98	19.57	22.47	29.35	23	10.63	13.55	17.33	19.20	20.21	22.11	26.03
24	8.25	10.55	13.52	17.28	19.92	22.89	29.92	24	10.73	13.72	17.58	19.67	20.68	22.63	26.65
25	8.36	10.69	13.73	17.56	20.26	23.28	30.46	25	10.87	13.90	17.85	20.13	21.14	23.13	27.25
26	8.44	10.82	13.92	17.83	20.58	23.67	30.98	26	10.97	14.07	18.10	20.58	21.59	23.63	27.84
27	8.55	10.96	14.10	18.10	20.90	24.04	31.48	27	11.12	14.25	18.33	21.03	22.04	24.12	28.42
28	8.62	11.09	14.31	18.35	21.20	24.39	31.96	28	11.21	14.42	18.60	21.47	22.47	24.59	28.98
29	8.72	11.23	14.49	18.59	21.49	24.74	32.42	29	11.34	14.60	18.84	21.90	22.90	25.06	29.53
30	8.80	11.34	14.65	18.83	21.77	25.06	32.87	30	11.44	14.74	19.05	22.32	23.31	25.51	30.07
31	8.90	11.45	14.82	19.06	22.04	25.38	33.31	31	11.57	14.89	19.27	22.74	23.72	25.96	30.61
32	8.96	11.58	14.99	19.28	22.30	25.69	33.73	32	11.65	15.05	19.49	23.15	24.13	26.40	31.13
33	9.04	11.70	15.16	19.49	22.56	25.98	34.13	33	11.75	15.21	19.71	23.56	24.52	26.83	31.64
34	9.13	11.78	15.29	19.70	22.80	26.28	34.52	34	11.87	15.31	19.88	23.95	24.91	27.26	32.14
35	9.21	11.91	15.45	19.90	23.03	26.55	34.90	35	11.97	15.48	20.09	24.35	25.29	27.68	32.63

**PARCEL POST
INTER-BMC RATES (continued)**

Current

Proposed

Weight	Zone 1/2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	Weight	Zone 1/2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
36	9.28	12.01	15.62	20.09	23.26	26.82	35.26	36	12.06	15.61	20.31	24.74	25.67	28.09	33.11
37	9.35	12.10	15.74	20.27	23.48	27.08	35.61	37	12.16	15.73	20.46	25.12	26.04	28.49	33.58
38	9.42	12.23	15.88	20.46	23.69	27.33	35.96	38	12.25	15.90	20.64	25.50	26.40	28.89	34.05
39	9.51	12.30	16.01	20.63	23.90	27.58	36.29	39	12.36	15.99	20.81	25.87	26.76	29.28	34.51
40	9.58	12.42	16.15	20.80	24.10	27.82	36.62	40	12.45	16.15	21.00	26.24	27.12	29.66	34.96
41	9.67	12.52	16.27	20.96	24.31	28.05	36.93	41	12.57	16.28	21.15	26.61	27.46	30.04	35.41
42	9.73	12.61	16.40	21.12	24.49	28.27	37.24	42	12.65	16.39	21.32	26.97	27.81	30.41	35.85
43	9.78	12.70	16.53	21.28	24.67	28.49	37.53	43	12.71	16.51	21.49	27.32	28.15	30.78	36.28
44	9.85	12.77	16.64	21.43	24.85	28.70	37.82	44	12.81	16.60	21.63	27.67	28.48	31.14	36.70
45	9.92	12.88	16.77	21.58	25.03	28.91	38.09	45	12.90	16.74	21.80	28.02	28.81	31.50	37.12
46	9.99	12.96	16.89	21.72	25.20	29.11	38.37	46	12.99	16.85	21.96	28.24	29.13	31.86	37.53
47	10.08	13.06	16.99	21.86	25.36	29.30	38.63	47	13.10	16.98	22.09	28.42	29.45	32.20	37.94
48	10.13	13.14	17.12	21.99	25.53	29.49	38.88	48	13.17	17.08	22.26	28.59	29.77	32.55	38.34
49	10.18	13.23	17.22	22.12	25.68	29.67	39.14	49	13.23	17.20	22.39	28.76	30.08	32.88	38.73
50	10.24	13.29	17.31	22.25	25.83	29.85	39.38	50	13.31	17.28	22.50	28.93	30.39	33.22	39.12
51	10.32	13.39	17.43	22.38	25.98	30.03	39.62	51	13.42	17.41	22.66	29.09	30.70	33.55	39.51
52	10.37	13.47	17.53	22.49	26.13	30.20	39.84	52	13.48	17.51	22.79	29.24	31.00	33.87	39.89
53	10.45	13.53	17.60	22.61	26.27	30.37	40.07	53	13.59	17.59	22.88	29.39	31.29	34.20	40.26
54	10.50	13.64	17.72	22.72	26.40	30.52	40.28	54	13.65	17.73	23.04	29.54	31.59	34.51	40.63
55	10.55	13.67	17.82	22.84	26.53	30.68	40.51	55	13.72	17.77	23.17	29.69	31.88	34.83	41.00
56	10.63	13.79	17.91	22.95	26.67	30.83	40.71	56	13.82	17.93	23.28	29.84	32.16	35.14	41.36
57	10.69	13.85	18.01	23.05	26.79	30.98	40.92	57	13.90	18.01	23.41	29.97	32.45	35.44	41.71
58	10.74	13.92	18.09	23.16	26.91	31.12	41.11	58	13.96	18.10	23.52	30.11	32.73	35.75	42.06
59	10.81	13.99	18.19	23.26	27.04	31.27	41.31	59	14.05	18.19	23.65	30.24	33.01	36.05	42.41
60	10.87	14.06	18.29	23.36	27.15	31.41	41.49	60	14.13	18.28	23.78	30.37	33.28	36.34	42.76
61	10.95	14.16	18.36	23.45	27.27	31.54	41.68	61	14.24	18.41	23.87	30.49	33.55	36.63	43.10
62	11.00	14.21	18.45	23.55	27.37	31.67	41.85	62	14.30	18.47	23.99	30.62	33.82	36.92	43.43
63	11.04	14.29	18.54	23.64	27.49	31.80	42.02	63	14.35	18.58	24.10	30.73	34.09	37.21	43.76
64	11.09	14.34	18.61	23.73	27.59	31.93	42.19	64	14.42	18.64	24.19	30.85	34.35	37.49	44.09
65	11.15	14.42	18.70	23.82	27.70	32.05	42.36	65	14.50	18.75	24.31	30.97	34.61	37.77	44.41
66	11.23	14.49	18.77	23.90	27.79	32.17	42.53	66	14.60	18.84	24.40	31.07	34.87	38.05	44.74
67	11.29	14.56	18.86	23.99	27.90	32.28	42.69	67	14.68	18.93	24.52	31.19	35.12	38.33	45.05
68	11.33	14.62	18.95	24.07	27.99	32.40	42.83	68	14.73	19.01	24.64	31.29	35.37	38.60	45.37
69	11.38	14.67	19.02	24.15	28.09	32.51	42.99	69	14.79	19.07	24.73	31.40	35.62	38.87	45.68
70	11.45	14.76	19.10	24.22	28.18	32.62	43.14	70	14.89	19.19	24.83	31.49	35.87	39.13	45.99
Oversized	43.95	49.25	57.04	69.40	83.99	97.82	127.24	Oversized	50.54	54.00	57.16	69.40	83.99	97.82	127.24

SCHEDULE 521.2A NOTES

1. For Origin Bulk Mail Center (OBMC) Presort Discount, deduct [~~\$1.23~~] \$1.30 per piece.
2. For BMC Presort discount, deduct [~~\$0.30~~] \$0.32 per piece.
3. For barcode discount, deduct \$0.03 per piece (machinable parcels only).
4. For nonmachinable parcels, add [~~\$2.90~~] \$3.62 per piece.
5. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
6. Pieces exceeding 84 inches in length and girth combined and weighing less than [~~15~~] 20 pounds are subject to a rate equal to that for a [~~15~~]20-pound parcel for the zone to which the parcel is addressed.
7. For each Pickup On-Demand [pickup] stop, add [~~\$13.25~~] \$14.25.

**PACKAGE SERVICES
RATE SCHEDULE 521.2B**

**PARCEL POST
INTRA-BMC RATES**

Current

Proposed

Weight	Local Zone	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Weight	Local Zone	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	\$2.96	\$3.12	\$3.15	\$3.21	\$3.31	1	\$3.31	\$3.56	\$3.59	\$3.66	\$3.96
2	3.30	3.72	3.75	3.83	3.94	2	3.69	4.23	4.27	4.36	4.72
3	3.63	4.30	4.33	4.43	4.55	3	4.04	4.85	4.89	5.00	5.46
4	3.93	4.51	4.87	4.97	5.12	4	4.35	5.26	5.47	5.63	6.13
5	4.21	4.69	5.29	5.43	5.64	5	4.65	5.63	5.96	6.15	6.76
6	4.46	4.86	5.67	5.81	6.11	6	4.92	5.98	6.42	6.58	7.32
7	4.60	5.02	6.00	6.16	6.55	7	5.13	6.31	6.83	6.99	7.86
8	4.70	5.62	6.30	6.47	6.96	8	5.31	6.84	7.22	7.39	8.34
9	4.81	5.75	6.56	6.80	7.33	9	5.49	7.13	7.58	7.78	8.79
10	4.91	5.93	6.88	7.10	7.67	10	5.66	7.44	7.95	8.53	9.21
11	5.00	6.07	7.10	7.38	7.99	11	5.82	7.71	8.27	8.86	9.59
12	5.10	6.23	7.31	7.65	8.29	12	5.98	7.99	8.58	9.18	9.96
13	5.19	6.37	7.48	7.91	8.57	13	6.13	8.25	8.85	9.48	10.30
14	5.27	6.49	7.61	8.17	8.83	14	6.28	8.44	9.11	9.81	10.61
15	5.35	6.61	7.79	8.39	9.09	15	6.42	8.59	9.38	10.07	10.90
16	5.45	6.72	7.97	8.60	9.32	16	6.56	8.74	9.64	10.33	11.20
17	5.51	6.86	8.14	8.83	9.54	17	6.69	8.92	9.90	10.61	11.45
18	5.59	6.96	8.29	9.03	9.74	18	6.82	9.05	10.14	10.84	11.70
19	5.65	7.08	8.45	9.22	9.94	19	6.94	9.20	10.38	11.08	11.94
20	5.75	7.19	8.60	9.39	10.12	20	7.07	9.35	10.61	11.28	12.15
21	5.81	7.28	8.75	9.55	10.30	21	7.19	9.46	10.84	11.46	12.36
22	5.87	7.40	8.87	9.70	10.46	22	7.30	9.62	11.05	11.65	12.55
23	5.94	7.48	9.04	9.84	10.61	23	7.42	9.72	11.28	11.82	12.76
24	6.01	7.58	9.17	9.97	10.77	24	7.53	9.85	11.49	12.03	12.93
25	6.08	7.66	9.30	10.10	10.91	25	7.64	9.96	11.70	12.24	13.11
26	6.13	7.77	9.41	10.23	11.05	26	7.75	10.10	11.89	12.44	13.26
27	6.20	7.85	9.55	10.35	11.17	27	7.86	10.21	12.09	12.64	13.42
28	6.26	7.93	9.68	10.45	11.30	28	7.96	10.31	12.29	12.83	13.56
29	6.33	8.02	9.80	10.56	11.41	29	8.06	10.43	12.48	13.01	13.69
30	6.41	8.11	9.91	10.67	11.52	30	8.18	10.54	12.66	13.20	13.85
31	6.46	8.19	9.99	10.76	11.64	31	8.27	10.65	12.83	13.37	14.05
32	6.51	8.28	10.12	10.87	11.73	32	8.36	10.76	13.02	13.55	14.22
33	6.59	8.35	10.22	10.95	11.84	33	8.47	10.86	13.19	13.71	14.40
34	6.64	8.43	10.31	11.04	11.92	34	8.56	10.96	13.35	13.88	14.57
35	6.69	8.50	10.42	11.12	12.02	35	8.65	11.05	13.52	14.04	14.74

**PARCEL POST
INTRA-BMC RATES (continued)**

Current

Proposed

Weight	Local Zone	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Weight	Local Zone	Zones 1 & 2	Zone 3	Zone 4	Zone 5
36	\$6.75	\$8.57	\$10.51	\$11.19	\$12.10	36	\$8.74	\$11.14	\$13.66	\$14.19	\$14.90
37	6.79	8.66	10.60	11.28	12.18	37	8.83	11.26	13.78	14.35	15.06
38	6.84	8.73	10.70	11.35	12.26	38	8.89	11.35	13.91	14.50	15.22
39	6.91	8.81	10.80	11.41	12.33	39	8.98	11.45	14.04	14.64	15.37
40	6.97	8.86	10.88	11.48	12.41	40	9.06	11.52	14.14	14.79	15.52
41	7.03	8.96	10.99	11.54	12.48	41	9.14	11.65	14.29	14.93	15.67
42	7.08	9.01	11.07	11.62	12.54	42	9.20	11.71	14.39	15.08	15.81
43	7.14	9.07	11.15	11.68	12.60	43	9.28	11.79	14.50	15.18	15.95
44	7.21	9.15	11.24	11.74	12.65	44	9.37	11.90	14.61	15.26	16.08
45	7.25	9.20	11.31	11.91	12.70	45	9.43	11.96	14.70	15.48	16.21
46	7.29	9.30	11.40	11.96	12.75	46	9.48	12.09	14.82	15.55	16.57
47	7.36	9.37	11.47	12.02	12.81	47	9.57	12.18	14.91	15.63	16.96
48	7.41	9.42	11.56	12.06	12.86	48	9.63	12.25	15.03	15.68	17.37
49	7.45	9.50	11.64	12.11	12.91	49	9.69	12.35	15.13	15.74	17.77
50	7.50	9.53	11.71	12.15	12.96	50	9.75	12.39	15.22	15.80	18.19
51	7.57	9.62	11.77	12.21	13.02	51	9.84	12.51	15.30	15.87	18.61
52	7.60	9.69	11.88	12.25	13.07	52	9.88	12.60	15.44	15.93	19.05
53	7.65	9.72	11.93	12.28	13.12	53	9.95	12.64	15.51	15.96	19.50
54	7.72	9.78	11.97	12.33	13.18	54	10.04	12.71	15.56	16.03	19.96
55	7.77	9.84	12.02	12.38	13.23	55	10.10	12.79	15.63	16.09	20.15
56	7.80	9.91	12.06	12.43	13.28	56	10.14	12.88	15.68	16.16	20.23
57	7.85	9.98	12.08	12.45	13.33	57	10.21	12.97	15.70	16.19	20.37
58	7.91	10.03	12.12	12.49	13.39	58	10.28	13.04	15.76	16.24	20.46
59	7.96	10.09	12.15	12.53	13.44	59	10.35	13.12	15.80	16.29	20.56
60	7.98	10.16	12.18	12.55	13.49	60	10.37	13.21	15.83	16.32	20.67
61	8.07	10.22	12.22	12.60	13.54	61	10.49	13.29	15.89	16.38	20.76
62	8.09	10.28	12.25	12.66	13.60	62	10.52	13.36	15.93	16.46	20.85
63	8.15	10.33	12.27	12.73	13.65	63	10.60	13.43	15.95	16.55	20.94
64	8.20	10.39	12.29	12.79	13.70	64	10.66	13.51	15.98	16.63	21.04
65	8.24	10.45	12.33	12.85	13.75	65	10.71	13.59	16.03	16.71	21.11
66	8.27	10.52	12.35	12.92	13.81	66	10.75	13.68	16.06	16.80	21.22
67	8.35	10.58	12.38	13.00	13.86	67	10.86	13.75	16.09	16.90	21.29
68	8.39	10.60	12.40	13.04	13.91	68	10.91	13.78	16.12	16.95	21.37
69	8.40	10.68	12.42	13.11	13.97	69	10.92	13.88	16.15	17.04	21.46
70	8.41	10.73	12.45	13.18	14.02	70	10.93	13.95	16.19	17.13	21.54
Oversized	25.06	36.33	36.67	37.40	38.50	Oversized	28.82	41.78	42.17	43.01	44.28

SCHEDULE 521.2B NOTES

1. For barcode discount, deduct \$0.03 per piece (machinable parcels only).
2. For nonmachinable parcels, add [\$1.42] \$1.85 per piece.
3. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
4. Pieces exceeding 84 inches in length and girth combined and weighing less than [15] 20 pounds are subject to a rate equal to that for a [15] 20-pound parcel for the zone to which the parcel is addressed.
5. For each Pickup On-Demand [pickup] stop, add [\$13.25] \$14.25.

**PACKAGE SERVICES
RATE SCHEDULE 521.2C**

**PARCEL POST
PARCEL SELECT DESTINATION BULK MAIL CENTER RATES**

Current

Proposed

DBMC					DBMC				
Weight	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Weight	Zones 1 & 2	Zone 3	Zone 4	Zone 5
1	\$2.12	\$2.38	\$2.62	\$3.26	1	\$2.41	\$2.74	\$3.08	\$3.91
2	2.36	2.91	3.36	3.89	2	2.70	3.38	4.02	4.67
3	2.62	3.45	4.05	4.51	3	2.99	3.99	4.86	5.41
4	2.87	3.95	4.65	5.07	4	3.26	4.56	5.58	6.08
5	3.10	4.43	5.08	5.59	5	3.52	5.10	6.10	6.71
6	3.32	4.85	5.44	6.06	6	3.76	5.59	6.53	7.27
7	3.52	5.23	5.77	6.51	7	3.99	6.04	6.92	7.81
8	3.72	5.61	6.07	6.91	8	4.21	6.49	7.28	8.29
9	3.91	5.94	6.38	7.28	9	4.42	6.90	7.66	8.74
10	4.09	6.29	7.07	7.63	10	4.62	7.31	8.48	9.16
11	4.26	6.61	7.34	7.95	11	4.81	7.70	8.81	9.54
12	4.43	6.91	7.61	8.26	12	5.00	8.07	9.13	9.91
13	4.58	7.17	7.86	8.54	13	5.18	8.41	9.43	10.25
14	4.74	7.29	8.13	8.80	14	5.36	8.67	9.76	10.56
15	4.89	7.46	8.35	9.04	15	5.53	8.95	10.02	10.85
16	5.03	7.63	8.57	9.29	16	5.69	9.16	10.28	11.15
17	5.18	7.79	8.80	9.50	17	5.86	9.35	10.56	11.40
18	5.30	7.95	8.99	9.71	18	6.00	9.54	10.79	11.65
19	5.44	8.09	9.19	9.91	19	6.16	9.71	11.03	11.89
20	5.57	8.24	9.36	10.08	20	6.31	9.89	11.23	12.10
21	5.69	8.39	9.51	10.26	21	6.45	10.07	11.41	12.31
22	5.81	8.52	9.67	10.42	22	6.60	10.22	11.60	12.50
23	5.92	8.67	9.81	10.59	23	6.73	10.40	11.77	12.71
24	6.04	8.79	9.94	10.73	24	6.87	10.55	11.93	12.88
25	6.16	8.92	10.07	10.88	25	7.01	10.70	12.08	13.06
26	6.26	9.02	10.19	11.01	26	7.13	10.82	12.23	13.21
27	6.38	9.16	10.31	11.14	27	7.27	10.99	12.37	13.37
28	6.47	9.29	10.41	11.26	28	7.38	11.15	12.49	13.51
29	6.58	9.40	10.54	11.37	29	7.51	11.28	12.65	13.64
30	6.68	9.51	10.63	11.49	30	7.63	11.41	12.76	13.79
31	6.78	9.59	10.72	11.60	31	7.75	11.51	12.86	13.92
32	6.87	9.71	10.82	11.71	32	7.86	11.65	12.98	14.05
33	6.97	9.80	10.92	11.79	33	7.98	11.76	13.10	14.15
34	7.06	9.90	10.99	11.89	34	8.09	11.88	13.19	14.27
35	7.15	10.00	11.09	11.98	35	8.20	12.00	13.31	14.38

**PARCEL POST
PARCEL SELECT DESTINATION BULK MAIL CENTER RATES (continued)**

Current

Proposed

DBMC					DBMC				
Weight	Zones 1 & 2	Zone 3	Zone 4	Zone 5	Weight	Zones 1 & 2	Zone 3	Zone 4	Zone 5
36	\$7.24	\$10.48	\$11.17	\$12.07	36	\$8.33	\$12.58	\$13.40	\$14.48
37	7.33	10.57	11.24	12.15	37	8.44	12.68	13.49	14.58
38	7.41	10.67	11.32	12.23	38	8.54	12.80	13.58	14.68
39	7.49	10.76	11.38	12.31	39	8.64	12.91	13.66	14.77
40	7.58	10.85	11.45	12.37	40	8.75	13.02	13.74	14.84
41	7.66	10.96	11.51	12.44	41	8.85	13.15	13.81	14.93
42	7.74	11.04	11.58	12.51	42	8.95	13.25	13.90	15.01
43	7.82	11.13	11.65	12.82	43	9.05	13.36	13.98	15.38
44	7.89	11.20	11.71	13.12	44	9.14	13.44	14.05	15.74
45	7.97	11.27	11.87	13.45	45	9.24	13.52	14.24	16.14
46	8.04	11.37	11.92	13.77	46	9.33	13.64	14.30	16.52
47	8.12	11.44	11.97	14.09	47	9.43	13.73	14.36	16.91
48	8.19	11.53	12.03	14.43	48	9.52	13.84	14.44	17.32
49	8.26	11.60	12.08	14.77	49	9.61	13.92	14.50	17.72
50	8.34	11.68	12.12	15.12	50	9.70	14.02	14.54	18.14
51	8.40	11.75	12.17	15.47	51	9.79	14.10	14.60	18.56
52	8.47	11.84	12.22	15.83	52	9.87	14.21	14.66	19.00
53	8.54	11.89	12.26	16.21	53	9.96	14.27	14.71	19.45
54	8.60	11.94	12.31	16.59	54	10.04	14.33	14.77	19.91
55	8.67	11.98	12.36	16.75	55	10.13	14.38	14.83	20.10
56	8.74	12.02	12.38	16.82	56	10.22	14.42	14.86	20.18
57	8.80	12.05	12.42	16.93	57	10.30	14.46	14.90	20.32
58	8.86	12.09	12.46	17.01	58	10.38	14.51	14.95	20.41
59	8.93	12.12	12.49	17.09	59	10.46	14.54	14.99	20.51
60	8.98	12.15	12.52	17.18	60	10.54	14.58	15.02	20.62
61	9.04	12.18	12.56	17.26	61	10.62	14.62	15.07	20.71
62	9.11	12.22	12.63	17.33	62	10.70	14.66	15.16	20.80
63	9.16	12.24	12.70	17.41	63	10.77	14.69	15.24	20.89
64	9.22	12.27	12.75	17.49	64	10.85	14.72	15.30	20.99
65	9.28	12.30	12.82	17.55	65	10.93	14.76	15.38	21.06
66	9.34	12.33	12.90	17.64	66	11.01	14.80	15.48	21.17
67	9.39	12.35	12.95	17.70	67	11.08	14.82	15.54	21.24
68	9.44	12.36	13.01	17.77	68	11.15	14.83	15.61	21.32
69	9.50	12.38	13.07	17.84	69	11.22	14.86	15.68	21.41
70	9.55	12.41	13.14	17.91	70	11.29	14.89	15.77	21.49
Oversized	19.12	25.64	34.58	35.94	Oversized	21.48	29.49	39.77	41.33

SCHEDULE 521.2C NOTES

- [1. For barcode discount, deduct \$0.03 per piece (machinable parcels only). Barcode discount is not available for DBMC mail entered at an ASF, except at the Phoenix, AZ, ASF.]
- [2]1. For nonmachinable parcels, add [~~\$1.53~~] \$1.85 per piece.
- [3]2. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
- [4]3. Pieces exceeding 84 inches in length and girth combined and weighing less than [15] 20 pounds are subject to a rate equal to that for a [15] 20-pound parcel for the zone to which the parcel is addressed.
- [5]4. A mailing fee of [~~\$160.00~~] \$175.00 must be paid once each 12-month period for Parcel Select.

**PACKAGE SERVICES
RATE SCHEDULE 521.2D**

**PARCEL POST
PARCEL SELECT DESTINATION SECTIONAL CENTER FACILITY RATES**

Current

Proposed

Weight	DSCF
1	\$1.61
2	1.80
3	1.95
4	2.10
5	2.23
6	2.36
7	2.48
8	2.58
9	2.70
10	2.79
11	2.89
12	2.98
13	3.08
14	3.16
15	3.27
16	3.36
17	3.46
18	3.54
19	3.64
20	3.72
21	3.80
22	3.88
23	3.96
24	4.04
25	4.11
26	4.18
27	4.26
28	4.33
29	4.40
30	4.47
31	4.53
32	4.60
33	4.66
34	4.72
35	4.79

Weight	DSCF
1	\$1.90
2	2.11
3	2.29
4	2.46
5	2.62
6	2.77
7	2.91
8	3.05
9	3.18
10	3.30
11	3.43
12	3.54
13	3.66
14	3.77
15	3.88
16	3.99
17	4.10
18	4.20
19	4.30
20	4.40
21	4.50
22	4.59
23	4.68
24	4.78
25	4.86
26	4.95
27	5.04
28	5.12
29	5.20
30	5.29
31	5.36
32	5.44
33	5.52
34	5.60
35	5.67

PARCEL POST
PARCEL SELECT DESTINATION SECTIONAL CENTER FACILITY RATES (continued)

Current

Proposed

Weight	DSCF
36	\$4.84
37	4.90
38	4.95
39	5.02
40	5.07
41	5.12
42	5.18
43	5.23
44	5.28
45	5.33
46	5.39
47	5.44
48	5.48
49	5.53
50	5.58
51	5.63
52	5.67
53	5.71
54	5.75
55	5.81
56	5.85
57	5.89
58	5.93
59	5.98
60	6.02
61	6.05
62	6.09
63	6.13
64	6.18
65	6.21
66	6.25
67	6.29
68	6.32
69	6.37
70	6.40
Oversized	12.60

Weight	DSCF
36	\$5.74
37	5.82
38	5.89
39	5.96
40	6.03
41	6.10
42	6.17
43	6.23
44	6.30
45	6.36
46	6.43
47	6.49
48	6.55
49	6.62
50	6.68
51	6.74
52	6.80
53	6.85
54	6.90
55	6.97
56	7.02
57	7.07
58	7.12
59	7.18
60	7.22
61	7.26
62	7.31
63	7.36
64	7.42
65	7.45
66	7.50
67	7.55
68	7.58
69	7.64
70	7.68
Oversized	13.53

SCHEDULE 521.2D NOTES

1. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
2. Pieces exceeding 84 inches in length and girth combined and weighing less than [15] 20 pounds are subject to a rate equal to that for a [15] 20-pound parcel for the zone to which the parcel is addressed.
3. A mailing fee of [~~\$160.00~~] \$175.00 must be paid once each 12-month period for Parcel Select.
4. For nonmachinable parcels sorted to 3-digit ZIP code areas, add [~~\$1.15~~] \$1.01 per piece.

**PACKAGE SERVICES
RATE SCHEDULE 521.2E**

**PARCEL POST
PARCEL SELECT DESTINATION DELIVERY UNIT RATES**

Current

Proposed

Weight		Weight		Weight		Weight		DDU
1	\$1.30	36	\$2.27	1	\$1.44	36	\$2.63	
2	1.35	37	2.28	2	1.50	37	2.66	
3	1.40	38	2.29	3	1.56	38	2.68	
4	1.45	39	2.30	4	1.61	39	2.70	
5	1.51	40	2.31	5	1.67	40	2.72	
6	1.55	41	2.32	6	1.71	41	2.74	
7	1.59	42	2.33	7	1.76	42	2.76	
8	1.63	43	2.34	8	1.80	43	2.78	
9	1.67	44	2.35	9	1.84	44	2.80	
10	1.71	45	2.36	10	1.88	45	2.82	
11	1.74	46	2.37	11	1.92	46	2.84	
12	1.77	47	2.38	12	1.96	47	2.86	
13	1.80	48	2.39	13	1.99	48	2.87	
14	1.83	49	2.40	14	2.03	49	2.88	
15	1.87	50	2.41	15	2.06	50	2.89	
16	1.89	51	2.42	16	2.10	51	2.90	
17	1.92	52	2.43	17	2.13	52	2.92	
18	1.95	53	2.45	18	2.16	53	2.94	
19	1.97	54	2.46	19	2.19	54	2.95	
20	1.99	55	2.47	20	2.22	55	2.96	
21	2.02	56	2.48	21	2.25	56	2.98	
22	2.04	57	2.49	22	2.28	57	2.99	
23	2.07	58	2.50	23	2.31	58	3.00	
24	2.09	59	2.51	24	2.34	59	3.01	
25	2.11	60	2.52	25	2.37	60	3.02	
26	2.13	61	2.53	26	2.39	61	3.04	
27	2.15	62	2.54	27	2.42	62	3.05	
28	2.17	63	2.55	28	2.44	63	3.06	
29	2.18	64	2.56	29	2.47	64	3.07	
30	2.20	65	2.57	30	2.49	65	3.08	
31	2.21	66	2.58	31	2.52	66	3.10	
32	2.22	67	2.59	32	2.54	67	3.11	
33	2.23	68	2.60	33	2.57	68	3.12	
34	2.25	69	2.61	34	2.59	69	3.13	
35	2.26	70	2.62	35	2.61	70	3.14	
		Oversized	7.36			Oversized	7.36	

SCHEDULE 521.2E NOTES

1. Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.
2. Pieces exceeding 84 inches in length and girth combined and weighing less than [15] 20 pounds are subject to a rate equal to that for a [15] 20-pound parcel for the zone to which the parcel is addressed.
3. A mailing fee of [\$160.00] \$175.00 must be paid once each 12-month period for Parcel Select.

**PACKAGE SERVICES
RATE SCHEDULE 521.2F**

**PARCEL POST
PARCEL SELECT RETURN SERVICE[S]
RETURN DELIVERY UNIT RATE CATEGORY**

Current

Proposed

Weight		Weight		Weight		Weight	
1	\$2.11	36	\$2.11	1	\$ 2.32	36	\$2.32
2	2.11	37	2.11	2	2.32	37	2.32
3	2.11	38	2.11	3	2.32	38	2.32
4	2.11	39	2.11	4	2.32	39	2.32
5	2.11	40	2.11	5	2.32	40	2.32
6	2.11	41	2.11	6	2.32	41	2.32
7	2.11	42	2.11	7	2.32	42	2.32
8	2.11	43	2.11	8	2.32	43	2.32
9	2.11	44	2.11	9	2.32	44	2.32
10	2.11	45	2.11	10	2.32	45	2.32
11	2.11	46	2.11	11	2.32	46	2.32
12	2.11	47	2.11	12	2.32	47	2.32
13	2.11	48	2.11	13	2.32	48	2.32
14	2.11	49	2.11	14	2.32	49	2.32
15	2.11	50	2.11	15	2.32	50	2.32
16	2.11	51	2.11	16	2.32	51	2.32
17	2.11	52	2.11	17	2.32	52	2.32
18	2.11	53	2.11	18	2.32	53	2.32
19	2.11	54	2.11	19	2.32	54	2.32
20	2.11	55	2.11	20	2.32	55	2.32
21	2.11	56	2.11	21	2.32	56	2.32
22	2.11	57	2.11	22	2.32	57	2.32
23	2.11	58	2.11	23	2.32	58	2.32
24	2.11	59	2.11	24	2.32	59	2.32
25	2.11	60	2.11	25	2.32	60	2.32
26	2.11	61	2.11	26	2.32	61	2.32
27	2.11	62	2.11	27	2.32	62	2.32
28	2.11	63	2.11	28	2.32	63	2.32
29	2.11	64	2.11	29	2.32	64	2.32
30	2.11	65	2.11	30	2.32	65	2.32
31	2.11	66	2.11	31	2.32	66	2.32
32	2.11	67	2.11	32	2.32	67	2.32
33	2.11	68	2.11	33	2.32	68	2.32
34	2.11	69	2.11	34	2.32	69	2.32
35	2.11	70	2.11	35	2.32	70	2.32
		Oversized	7.92			Oversized	8.28

SCHEDULE 521.2F NOTES

1. Regardless of weight, any parcel that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.

**PACKAGE SERVICES
RATE SCHEDULE 521.2G**

**PARCEL POST
PARCEL SELECT RETURN SERVICE[S]
RETURN BMC RATE CATEGORY
MACHINABLE PIECES**

Current

Proposed

Weight	RBMC Zones 1/2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5	Weight	RBMC Zones 1/2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5
1	\$2.21	\$2.25	\$2.31	\$2.40	1	\$ 2.42	\$ 2.45	\$ 2.52	\$ 2.82
2	2.81	2.85	2.92	3.04	2	3.09	3.13	3.22	3.58
3	3.39	3.43	3.52	3.65	3	3.71	3.75	3.86	4.32
4	3.60	3.96	4.07	4.22	4	4.12	4.33	4.49	4.99
5	3.78	4.38	4.52	4.73	5	4.49	4.82	5.01	5.62
6	3.95	4.76	4.90	5.21	6	4.74	5.28	5.44	6.18
7	4.11	5.09	5.25	5.64	7	4.93	5.69	5.85	6.72
8	4.71	5.40	5.57	6.05	8	5.65	6.08	6.25	7.20
9	4.85	5.65	5.89	6.42	9	5.82	6.44	6.64	7.65
10	5.03	5.98	6.20	6.77	10	6.04	6.81	7.39	8.07
11	5.16	6.20	6.47	7.08	11	6.19	7.13	7.72	8.45
12	5.32	6.41	6.75	7.39	12	6.38	7.44	8.04	8.82
13	5.46	6.58	7.00	7.66	13	6.55	7.71	8.34	9.16
14	5.59	6.70	7.26	7.93	14	6.71	7.97	8.67	9.47
15	5.70	6.88	7.48	8.18	15	6.84	8.24	8.93	9.76
16	5.82	7.06	7.69	8.41	16	6.98	8.47	9.19	10.06
17	5.96	7.23	7.93	8.63	17	7.15	8.68	9.47	10.31
18	6.05	7.39	8.13	8.83	18	7.26	8.87	9.70	10.56
19	6.18	7.55	8.32	9.03	19	7.42	9.06	9.94	10.80
20	6.28	7.69	8.48	9.21	20	7.54	9.23	10.14	11.01
21	6.38	7.84	8.64	9.39	21	7.66	9.41	10.32	11.22
22	6.49	7.97	8.79	9.55	22	7.79	9.56	10.51	11.41
23	6.58	8.14	8.94	9.71	23	7.90	9.77	10.68	11.62
24	6.67	8.26	9.06	9.87	24	8.00	9.91	10.87	11.79
25	6.76	8.39	9.19	10.00	25	8.11	10.07	11.03	11.97
26	6.86	8.51	9.33	10.14	26	8.23	10.21	11.20	12.12
27	6.95	8.64	9.44	10.27	27	8.34	10.37	11.33	12.28
28	7.02	8.77	9.54	10.39	28	8.42	10.52	11.45	12.42
29	7.11	8.90	9.65	10.51	29	8.53	10.68	11.58	12.55
30	7.20	9.00	9.76	10.61	30	8.64	10.80	11.71	12.71
31	7.28	9.09	9.85	10.73	31	8.74	10.91	11.82	12.88
32	7.38	9.21	9.96	10.82	32	8.86	11.05	11.95	12.98
33	7.44	9.32	10.04	10.93	33	8.93	11.18	12.05	13.12
34	7.53	9.40	10.13	11.01	34	9.04	11.28	12.16	13.21
35	7.59	9.52	10.21	11.11	35	9.11	11.42	12.25	13.33

SCHEDULE 521.2G NOTES

1. Parcels that weigh less than [15] 20 pounds but measure more than 84 inches in combined length and girth are charged the applicable rate for a [15] 20-pound parcel.

**PACKAGE SERVICES
RATE SCHEDULE 521.2G (continued)**

**PARCEL POST
PARCEL SELECT RETURN SERVICE[S]
RETURN BMC RATE CATEGORY
NONMACHINABLE PIECES**

Current					Proposed				
Weight	RBMC Zones 1/2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5	Weight	RBMC Zones 1/2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5
1	\$3.63	\$3.67	\$3.73	\$3.82	1	\$4.27	\$4.30	\$4.37	\$4.67
2	4.23	4.27	4.34	4.46	2	4.94	4.98	5.07	5.43
3	4.81	4.85	4.94	5.07	3	5.56	5.60	5.71	6.17
4	5.02	5.38	5.49	5.64	4	5.97	6.18	6.34	6.84
5	5.20	5.80	5.94	6.15	5	6.34	6.67	6.86	7.47
6	5.37	6.18	6.32	6.63	6	6.59	7.13	7.29	8.03
7	5.53	6.51	6.67	7.06	7	6.78	7.54	7.70	8.57
8	6.13	6.82	6.99	7.47	8	7.50	7.93	8.10	9.05
9	6.27	7.07	7.31	7.84	9	7.67	8.29	8.49	9.50
10	6.45	7.40	7.62	8.19	10	7.89	8.66	9.24	9.92
11	6.58	7.62	7.89	8.50	11	8.04	8.98	9.57	10.30
12	6.74	7.83	8.17	8.81	12	8.23	9.29	9.89	10.67
13	6.88	8.00	8.42	9.08	13	8.40	9.56	10.19	11.01
14	7.01	8.12	8.68	9.35	14	8.56	9.82	10.52	11.32
15	7.12	8.30	8.90	9.60	15	8.69	10.09	10.78	11.61
16	7.24	8.48	9.11	9.83	16	8.83	10.32	11.04	11.91
17	7.38	8.65	9.35	10.05	17	9.00	10.53	11.32	12.16
18	7.47	8.81	9.55	10.25	18	9.11	10.72	11.55	12.41
19	7.60	8.97	9.74	10.45	19	9.27	10.91	11.79	12.65
20	7.70	9.11	9.90	10.63	20	9.39	11.08	11.99	12.86
21	7.80	9.26	10.06	10.81	21	9.51	11.26	12.17	13.07
22	7.91	9.39	10.21	10.97	22	9.64	11.41	12.36	13.26
23	8.00	9.56	10.36	11.13	23	9.75	11.62	12.53	13.47
24	8.09	9.68	10.48	11.29	24	9.85	11.76	12.72	13.64
25	8.18	9.81	10.61	11.42	25	9.96	11.92	12.88	13.82
26	8.28	9.93	10.75	11.56	26	10.08	12.06	13.05	13.97
27	8.37	10.06	10.86	11.69	27	10.19	12.22	13.18	14.13
28	8.44	10.19	10.96	11.81	28	10.27	12.37	13.30	14.27
29	8.53	10.32	11.07	11.93	29	10.38	12.53	13.43	14.40
30	8.62	10.42	11.18	12.03	30	10.49	12.65	13.56	14.56
31	8.70	10.51	11.27	12.15	31	10.59	12.76	13.67	14.73
32	8.80	10.63	11.38	12.24	32	10.71	12.90	13.80	14.83
33	8.86	10.74	11.46	12.35	33	10.78	13.03	13.90	14.97
34	8.95	10.82	11.55	12.43	34	10.89	13.13	14.01	15.06
35	9.01	10.94	11.63	12.53	35	10.96	13.27	14.10	15.18

**PARCEL POST
PARCEL SELECT RETURN SERVICE[S]
RETURN BMC RATE CATEGORY
NONMACHINABLE PIECES (continued)**

Current

Proposed

Weight	RBMC Zones1/2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5	Weight	RBMC Zones1/2	RBMC Zone 3	RBMC Zone 4	RBMC Zone 5
36	\$9.11	\$11.05	\$11.74	\$12.65	36	\$11.08	\$13.41	\$14.23	\$15.33
37	9.19	11.13	11.80	12.71	37	11.17	13.50	14.31	15.40
38	9.23	11.20	11.85	12.76	38	11.22	13.59	14.37	15.46
39	9.29	11.29	11.90	12.81	39	11.29	13.69	14.43	15.52
40	9.33	11.34	11.94	12.87	40	11.34	13.75	14.47	15.59
41	9.40	11.43	11.98	12.92	41	11.43	13.86	14.52	15.65
42	9.43	11.49	12.03	12.96	42	11.46	13.93	14.58	15.70
43	9.47	11.55	12.08	12.99	43	11.51	14.01	14.64	15.73
44	9.53	11.61	12.12	13.02	44	11.58	14.08	14.69	15.77
45	9.56	11.66	12.27	13.06	45	11.62	14.14	14.87	15.82
46	9.63	11.74	12.30	13.09	46	11.70	14.23	14.91	15.85
47	9.68	11.78	12.33	13.12	47	11.76	14.28	14.94	15.89
48	9.71	11.85	12.35	13.15	48	11.80	14.37	14.97	15.93
49	9.77	11.91	12.38	13.18	49	11.87	14.44	15.00	15.96
50	9.78	11.96	12.40	13.21	50	11.88	14.50	15.03	16.00
51	9.85	12.00	12.43	13.25	51	11.97	14.55	15.06	16.05
52	9.89	12.09	12.46	13.28	52	12.01	14.65	15.10	16.08
53	9.90	12.12	12.47	13.31	53	12.03	14.69	15.11	16.12
54	9.95	12.14	12.50	13.34	54	12.09	14.71	15.15	16.15
55	9.99	12.16	12.53	13.37	55	12.13	14.74	15.18	16.19
56	10.03	12.18	12.55	13.40	56	12.18	14.76	15.21	16.23
57	10.08	12.18	12.55	13.44	57	12.24	14.76	15.21	16.27
58	10.12	12.20	12.57	13.47	58	12.29	14.79	15.23	16.31
59	10.15	12.21	12.59	13.50	59	12.33	14.80	15.25	16.35
60	10.20	12.22	12.59	13.53	60	12.39	14.81	15.25	16.38
61	10.24	12.23	12.61	13.56	61	12.43	14.82	15.28	16.42
62	10.27	12.24	12.66	13.59	62	12.47	14.83	15.34	16.45
63	10.31	12.24	12.71	13.63	63	12.52	14.83	15.40	16.50
64	10.35	12.24	12.74	13.66	64	12.57	14.83	15.43	16.54
65	10.38	12.27	12.78	13.69	65	12.60	14.87	15.48	16.57
66	10.43	12.27	12.83	13.72	66	12.66	14.87	15.54	16.61
67	10.47	12.28	12.89	13.75	67	12.71	14.88	15.61	16.65
68	10.47	12.28	12.91	13.78	68	12.71	14.88	15.64	16.68
69	10.53	12.28	12.96	13.82	69	12.78	14.88	15.70	16.73
70	10.56	12.28	13.00	13.85	70	12.82	14.88	15.75	16.77
Oversized	27.39	27.73	28.46	29.56	Oversized	30.09	30.48	31.32	32.59

SCHEDULE 521.2G NOTES

1. Parcels that weigh less than [15] 20 pounds but measure more than 84 inches in combined length and girth are charged the applicable rate for a [15] 20-pound parcel. Regardless of weight, any parcel that measures more than 108 inches (but not more than 130 inches) in combined length and girth must pay the oversized rate.

FEE SCHEDULES**FEE SCHEDULE 911
ADDRESS CORRECTIONS**

Description	Current	Proposed
Manual correction, each	\$0.75	\$0.50
Electronic correction, each		
<u>First-Class Mail</u>	0.21	0.06
<u>Other</u>	0.21	0.25
<u>Automated correction (Letters Only)</u>		
<u>First-Class Mail</u>		
<u>First two notices, each¹</u>	N/A	0.00
<u>Additional notices, each²</u>	N/A	0.05
<u>Standard Mail</u>		
<u>First two notices, each¹</u>	N/A	0.02
<u>Additional notices, each²</u>	N/A	0.15

SCHEDULE 911 NOTES

1. For a given address change.
2. After the second notice for a given address change.

FEE SCHEDULE 912

ZIP CODING OF MAILING LISTS

Description	Current	Proposed
Per 1,000 addresses, or fraction	\$105.00	\$110.00

CORRECTION OF MAILING LISTS

Description	Current	Proposed
Per submitted address	\$0.30	\$0.33
Minimum charge per list (30 items)	9.00	9.90

**ADDRESS CHANGES FOR ELECTION BOARDS
AND REGISTRATION COMMISSIONS**

Description	Current	Proposed
Per change of address	\$0.28	\$0.32

SEQUENCING OF ADDRESS CARDS

Description	Current	Proposed
Per correction	\$0.30	\$0.33
Insertion of blanks	0.00	0.00

SCHEDULE 912 NOTES

1. When rural routes have been consolidated or changed to another post office, no charge will be made for correction if the list contains only names of persons residing on the routes involved.

**FEE SCHEDULE 921
POST OFFICE BOXES AND CALLER SERVICE**

**I. Post Office Boxes
Semi-annual Box Fees**

Current

Box Size	Fee Group							E
	1	2	3	4	5	6	7	
1	\$37.00	\$31.00	\$25.00	\$20.00	\$14.00	\$13.00	\$9.00	\$0.00
2	53.00	47.00	40.00	36.00	23.00	19.00	14.00	0.00
3	105.00	84.00	72.00	66.00	36.00	35.00	24.00	0.00
4	216.00	179.00	124.00	116.00	69.00	63.00	42.00	0.00
5	348.00	332.00	220.00	184.00	132.00	102.00	74.00	0.00

Proposed

Box Size	Fee Group							E
	1	2	3	4	5	6	7	
1	\$42.00	\$35.00	\$28.00	\$20.00	\$18.00	\$13.00	\$10.00	\$0.00
2	64.00	54.00	46.00	34.00	26.00	20.00	16.00	0.00
3	118.00	94.00	84.00	52.00	48.00	35.00	28.00	0.00
4	242.00	184.00	150.00	102.00	88.00	62.00	48.00	0.00
5	390.00	326.00	250.00	196.00	148.00	110.00	86.00	0.00

1. When the Postal Service determines not to provide carrier delivery to a customer's physical address or business location that constitutes a potential carrier delivery point, as defined by the Postal Service, that customer becomes eligible for one post office box at the Group E fee. [A customer ineligible for carrier delivery may obtain a post office box at Group E fees, subject to administrative decisions regarding customer's proximity to post office.]

2. Box Size 1 = under 296 cubic inches; 2 = 296-499 cubic inches; 3 = 500-999 cubic inches; 4 = 1000-1999 cubic inches; 5 = 2000 cubic inches and larger.

Key Duplication and Lock Charges

	<u>Current</u>	<u>Proposed</u>
Key duplication or replacement	\$4.65	\$6.00
Post office box lock replacement	11.60	14.00

II. Caller Service

	<u>Current</u>	<u>Proposed</u>
<u>Semi-annual Caller Service Fees</u>		
<u>Group 1</u>	\$434.00	\$630.00
<u>Group 2</u>	434.00	550.00
<u>Group 3</u>	434.00	485.00
<u>Group 4</u>	434.00	475.00
<u>Group 5</u>	434.00	465.00
<u>Group 6</u>	434.00	415.00
<u>Group 7</u>	434.00	370.00
Annual Call Number Reservation Fee	34.00	38.00

FEE SCHEDULE 931**BUSINESS REPLY MAIL**

Description	Current	Proposed
Regular (no account[ing] <u>maintenance</u> fee)		
Permit fee (per year)	\$160.00	\$175.00
Per piece charge	0.65	0.70
Regular (with account[ing] <u>maintenance</u> fee)		
Permit fee (per year)	160.00	175.00
Account[ing] <u>maintenance</u> fee (per year)	500.00	550.00
Per piece charge	0.11	0.08
Qualified Business Reply Mail, low-volume		
Permit fee (per year)	160.00	175.00
Account[ing] <u>maintenance</u> fee (per year)	500.00	550.00
Per piece charge, basic	0.06	0.05
Qualified Business Reply Mail, high-volume		
Permit fee (per year)	160.00	175.00
Account[ing] <u>maintenance</u> fee (per year)	500.00	550.00
Quarterly fee	1,900.00	1,800.00
Per piece charge, high-volume	0.008	0.009
Bulk Weight Averaged		
Permit fee (per year)	160.00	175.00
Account[ing] <u>maintenance</u> fee (per year)	500.00	550.00
Per piece charge, bulk weight averaged	0.01	0.01
Monthly maintenance fee	790.00	900.00

**FEE SCHEDULE 932
MERCHANDISE RETURN SERVICE**

Description	Current	Proposed
Permit fee (per year)	\$160.00	\$175.00
Account[ing] <u>maintenance</u> fee (per year)	500.00	550.00
Per-piece charge	0.00	0.00

FEE SCHEDULE 933

RESERVED

[ON-SITE METER SERVICE

Description	Current	Proposed
Per employee, per visit	\$37.00	N/A
Per meter reset or examined	5.25	N/A
Per meter checked into or out of service	4.25	N/A

SCHEDULE 933 NOTES

1. Fee for checking meters into service does not apply if a Postal Service –approved automated process is used to check a second meter into and out of service.]

**FEE SCHEDULE 935
BULK PARCEL RETURN SERVICE**

Description	Current	Proposed
Permit fee (per year)	\$160.00	\$175.00
Account[ing] <u>maintenance</u> fee (per year)	500.00	550.00
Per-piece charge	1.90	2.10

**FEE SCHEDULE 936
SHIPPER PAID FORWARDING**

Description	Current	Proposed
Account[ing] <u>maintenance</u> fee (per year)	\$500.00	\$550.00

**FEE SCHEDULE 937
PREMIUM FORWARDING SERVICE**

	Current	Proposed
Enrollment Fee	\$10.00	\$10.00
Weekly Reshipment Fee	2.85	2.85

SCHEDULE 937 NOTES

1. The weekly reshipment fee is in additon to the postage applicable to a 3-pound parcel mailed to zone 6, as stated in Rate Schedule 223 (Priority Mail).

**FEE SCHEDULE 941
CERTIFIED MAIL**

Description	Current	Proposed
Fee per piece, in addition to postage	\$2.40	\$2.65

**FEE SCHEDULE 942
REGISTERED MAIL**

Declared Value	Current Fee (in addition to postage)	Proposed Fee (in addition to postage)
\$0.00	\$7.90	\$11.95
\$0.01 to 100.00	8.45	12.70
100.01 to 500.00	9.35	14.00
500.01 to 1,000.00	10.25	15.35
1,000.01 to 2,000.00	11.15	16.70
2,000.01 to 3,000.00	12.05	18.05
3,000.01 to 4,000.00	12.95	19.40
4,000.01 to 5,000.00	13.85	20.75
5,000.01 to 6,000.00	14.75	22.10
6,000.01 to 7,000.00	15.65	23.45
7,000.01 to 8,000.00	16.55	24.80
8,000.01 to 9,000.00	17.45	26.15
9,000.01 to 10,000.00	18.35	27.50
10,000.01 to 11,000.00	19.25	28.85
11,000.01 to 12,000.00	20.15	30.20
12,000.01 to 13,000.00	21.05	31.55
13,000.01 to 14,000.00	21.95	32.90
14,000.01 to 15,000.00	22.85	34.25
15,000.01 to 16,000.00	23.75	35.60
16,000.01 to 17,000.00	24.65	36.95
17,000.01 to 18,000.00	25.55	38.30
18,000.01 to 19,000.00	26.45	39.65
19,000.01 to 20,000.00	27.35	41.00
20,000.01 to 21,000.00	28.25	42.35
21,000.01 to 22,000.00	29.15	43.70
22,000.01 to 23,000.00	30.05	45.05
23,000.01 to 24,000.00	30.95	46.40
24,000.01 to 25,000.00	31.85	47.75
25,000.01 to \$1 million	\$31.85 plus \$0.90 handling charge for each \$1,000 or fraction thereof over \$25,000.00	\$47.75 plus \$1.35 handling charge for each \$1,000 or fraction thereof over \$25,000.00
Over \$1 million to \$15 million	\$909.35 plus \$0.90 handling charge for each \$1,000 or fraction thereof over \$1,000,000.00	\$1,364.00 plus \$1.35 handling charge for each \$1,000 or fraction thereof over \$1,000,000.00
Over \$15 million	\$13,509.35 plus amount determined by the Postal Service based on weight, space, and value	\$20,264.00 plus amount determined by the Postal Service based on weight, space, and value

SCHEDULE 942 NOTES

- Articles with a declared value of more than \$25,000 can be registered, but compensation for loss or damage is limited to \$25,000.

FEE SCHEDULE 943
INSURANCE

Description	Fee	
	Current	Proposed
Express Mail Insurance		
Merchandise coverage		
\$0.01 to 100.00	\$0.00	\$ 0.00
[Fee per \$100 or fraction over \$100, up to \$5,000]	1.05	0.75
<u>100.01 to \$200.00</u>		
200.01 to 500.00	N/A	2.10
<u>500.01 to 5,000.00</u>	N/A	\$2.10 plus \$1.35 for each \$500 or fraction thereof over \$500.
\$200.01 to \$5,000.00	\$1.05 plus \$1.05 for each \$100 or fraction thereof over \$100.	N/A
Document reconstruction coverage		
\$0.00 to 100.00	0.00	0.00
Regular Insurance		
Amount of coverage		
\$0.01 to 50.00	1.35	1.65
50.01 to 100.00	2.30	2.05
100.01 to [5,000.00] <u>200.00</u>	3.35	2.45
<u>200.01 to 300.00</u>	4.40	4.60
<u>300.01 to 5,000.00</u>	\$4.40 plus \$1.05 for each \$100 or fraction thereof over \$300	\$4.60 plus \$.90 for each \$100 or fraction thereof over \$300
Bulk Insurance		
Amount of coverage		
\$0.01 to 50.00	0.75	0.85
50.01 to 100.00	1.50	1.25
100.01 to [5,000.00] <u>200.00</u>	2.55	1.65
<u>200.01 to 300.00</u>	3.60	3.80
<u>300.01 to 5,000.00</u>	\$3.60 plus \$1.05 for each \$100 or fraction thereof over \$300	\$3.80 plus \$.90 for each \$100 or fraction thereof over \$300

SCHEDULE 943 NOTES

1. Fees for bulk insurance represent a discount of \$0.80. [Fees for bulk insurance represents a discount of \$.060 per piece for coverage between \$0.01 and \$50.00 and a discount of \$0.80 for coverage between \$50.01 and \$5,000.00.]

FEE SCHEDULE 944
COLLECT ON DELIVERY

Description	Current	Proposed
Amount to be collected		
\$0.01 to 50.00	\$4.75	\$5.75
50.01 to 100.00	5.80	6.60
100.01 to 200.00	6.85	7.45
200.01 to 300.00	7.90	8.30
300.01 to 400.00	8.95	9.15
400.01 to 500.00	10.00	10.00
500.01 to 600.00	11.05	10.85
600.01 to 700.00	12.10	11.70
700.01 to 800.00	13.15	12.55
800.01 to 900.00	14.20	13.40
900.01 to 1,000.00	15.25	14.25
Notice of nondelivery	3.15	3.45
Alteration of COD charges	3.15	3.45
Designation of new addressee	3.15	3.45
Registered COD	4.20	4.60

**FEE SCHEDULE 945
RETURN RECEIPTS**

Description	Current	Proposed
Return Receipt		
Requested at time of mailing		
Original signature	\$1.85	\$2.15
Copy of signature (electronic)	1.35	.85
Requested after mailing	3.45	3.80
Return Receipt for Merchandise		
Requested at time of mailing	\$3.15	\$3.50
Delivery record	3.45	3.80

**FEE SCHEDULE 946
RESTRICTED DELIVERY**

Description	Current	Proposed
Per piece	\$3.70	\$4.10

FEE SCHEDULE 947
CERTIFICATE OF MAILING

Description	Current	Proposed
Individual Pieces		
Original certificate of mailing for listed pieces of all classes of ordinary mail	\$0.95	\$1.05
Three or more pieces individually listed in a firm mailing book or an approved customer-provided manifest (per piece)	0.30	0.35
Each additional copy of original certificate of mailing or original mailing receipt for registered, insured, certified, and COD mail (each copy)	0.95	1.05
Bulk		
Identical pieces of First-Class Mail and Standard Mail paid with ordinary stamps, precanceled stamps, or meter stamps are subject to the following fees:		
Up to 1,000 pieces (one certificate for total number)	4.75	5.50
For each additional 1,000 pieces or fraction	0.55	0.60
Duplicate copy	0.95	1.05

FEE SCHEDULE 948
DELIVERY CONFIRMATION

Description	Current	Proposed
First-Class Mail Letters and Sealed Parcels		
Electronic	\$0.14	\$0.18
Retail	0.60	0.75
Priority Mail		
Electronic	0.00	0.00
Retail	0.50	0.65
Standard Mail		
Electronic	0.14	0.18
Package Services Parcel Select		
Electronic	0.00	0.00
Other Package Services		
Electronic	0.14	0.18
Retail	0.60	0.75

FEE SCHEDULE 949
SIGNATURE CONFIRMATION

Description	Current	Proposed
First-Class Mail Letters and Sealed Parcels		
Electronic	\$1.35	\$1.75
Retail	1.90	2.10
Priority Mail		
Electronic	1.35	1.75
Retail	1.90	2.10
Package Services		
Electronic	1.35	1.75
Retail	1.90	2.10

**FEE SCHEDULE 951
PARCEL AIR LIFT**

Description	Current	Proposed
For pieces weighing:		
Not more than 2 pounds	\$0.45	\$0.50
Over 2 but not more than 3 pounds	0.90	1.00
Over 3 but not more than 4 pounds	1.30	1.45
Over 4 but not more than 30 pounds	1.80	2.00

**FEE SCHEDULE 952
SPECIAL HANDLING**

Description	Current	Proposed
For pieces weighing:		
Not more than 10 pounds	\$6.25	\$6.90
More than 10 pounds	8.70	9.60

FEE SCHEDULE 961
STAMPED ENVELOPES

Description	Current	Proposed
Plain stamped envelopes		
Basic, size 6-3/4, each	\$0.08	\$0.09
Basic, size 6-3/4, 500	13.00	14.50
Basic, over size 6-3/4, each	0.08	0.09
Basic, over size 6-3/4, 500	15.00	16.50
Personalized stamped envelopes		
Basic, size 6-3/4, 50	3.75	4.25
Basic, size 6-3/4, 500	18.00	20.00
Basic, over size 6-3/4, 50	3.75	4.25
Basic, over size 6-3/4, 500	21.00	23.00

FEE SCHEDULE 962
STAMPED CARDS

Description	Current	Proposed
Single card	\$0.02	\$0.02
Double reply-paid card	0.04	0.04
Sheet of 40 cards (uncut)	0.80	0.80

FEE SCHEDULE 971
MONEY ORDERS

Description	Current	Proposed
Domestic (\$0.01 - \$500.00)	\$0.95	\$1.10
Domestic (\$500.01 - \$1,000.00)	1.30	1.50
APO/FPO (\$0.01 - \$1,000.00)	0.25	0.30
Inquiry, including a copy of paid money order	3.15	5.00

FEE SCHEDULE 991**CONFIRM**

Current	
Description	Fees
Silver Subscription	
Subscription Fee (3 months)	\$2,000.00
Additional ID Codes (lesser of 3 months or end of subscription term)	500
Additional Scans (block of 2 million)	500
Gold Subscription	
Subscription Fee (12 months)	4,500.00
Additional ID Codes (lesser of 3 months or end of subscription term)	500
Additional Scans (block of 6 million)	750
Platinum Subscription	
Subscription Fee (12 months)	10,000.00
Additional ID Codes (lesser of 3 months or end of subscription term)	500
Proposed	
<u>First ID Code (Annual)</u>	5,000.00
<u>Additional ID Codes</u>	
<u>Annual</u>	2,000.00
<u>Quarterly</u>	750.00
<u>Blocks of One Million Units</u>	
<u>1st to 9th</u>	70.00
<u>10th to 99th</u>	35.00
<u>100th or more</u>	17.50

SCHEDULE 991 NOTES

1. A scan for a First-Class Mail piece costs 1 unit; a scan for a mail piece mailed using another class of mail costs 5 units.

FEE SCHEDULE 1000
MISCELLANEOUS FEES

	<u>Current</u>	<u>Proposed</u>
First-Class Presorted Mailing Fee (per year)	\$160.00	\$175.00
Standard Mail Mailing Fee (per year)	160.00	175.00
Periodicals		
A. Original Entry	395.00	500.00
B. Additional Entry	65.00	75.00
C. Re-entry	45.00	55.00
D. Registration for News Agents	40.00	45.00
Parcel Select Mailing Fee (per year)	160.00	175.00
Bound Printed Matter Destination Entry Mailing Fee (per year)	160.00	175.00
Media Mail Presorted Mailing Fee (per year)	160.00	175.00
Library Mail Presorted Mailing Fee (per year)	160.00	175.00
Authorization to Use Permit Imprint (one-time only)	160.00	175.00
Account[ing] <u>Maintenance</u> Fee (per year)	500.00	550.00
Permit Fee (per year)	160.00	175.00

**FIRST-CLASS MAIL
CLASSIFICATION SCHEDULE**

221 Letters and Sealed Parcels Subclass

221.2 Regular Rate Categories. The regular rate categories consist of Letters and Sealed Parcels subclass mail not mailed under section 221.3 or 221.4.

221.21 Single-Piece Rate Category. The single-piece rate category applies to regular rate Letters and Sealed Parcels subclass mail not mailed under section 221.22 or 221.24.

221.211 Letters. The letter rates apply to pieces that are letter-shaped as specified by the Postal Service, and are not nonmachinable as defined in 232.

221.212 Flats. The flat rates apply to pieces that are flat-shaped as specified by the Postal Service. Letter-size pieces that are nonmachinable as defined in 232 are subject to the flat rates.

221.213 Parcels. The parcel rates apply to Single Piece Rate Category pieces that are not eligible for letter or flat rates as defined in 221.211 and 221.212.

221.22 Presort Rate Category. ***

221.221 Letter. The letter rates apply to pieces that are letter-shaped as specified by the Postal Service, and are not nonmachinable as defined in 232.

221.222 Flat. The flat rates apply to pieces that are flat-shaped as specified by the Postal Service. Letter-size pieces that are nonmachinable as defined in 232 are subject to the flat rates.

221.22[2]3 Repositionable Notes. Repositionable Notes. ***

- b. If the Postal Service determines not to file such request, this provision expires on such date as specified [specifiefd] by the Postal Service, but no later than April 3, 2007.

[221.26 Nonmachinable Surcharge. Regular rate category Letters and Sealed Parcels subclass mail is subject to a surcharge if it is nonmachinable mail, as defined in section 232.]

[221.27 Presort Discount for Pieces Weighing More Than Two Ounces. Presort rate category Letters and Sealed Parcels subclass mail is eligible for an additional presort discount on each piece weighing more than two ounces.]

221.323 Three-Digit Rate Category. The three-digit rate category applies to letter-size automation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

221.324 Five-Digit Rate Category. The five-digit rate category applies to letter-size automation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

[221.325 Carrier Route Rate Category. The carrier route rate category applies to letter-size automation rate category mail presorted to carrier routes. It is available only for those carrier routes specified by the Postal Service.]

221.325[6] Repositionable Notes. ***

221.33 Flats Categories

[221.335 Nonmachinable Surcharge. Flat-size automation rate category pieces are subject to a surcharge if they are nonmachinable mail, as defined in section 232.]

221.335[6] Repositionable Notes. ***

This provision for Repositionable Notes expires as provided below.

- a. If a request to continue to test or make Repositionable Notes permanent is filed, this provision expires on the implementation date for the replacement service, or if no replacement is implemented, three months after the Commission takes action under section 3624 of title 39, on such [requeset] request.

[221.34 Presort Discount for Pieces Weighing More Than Two Ounces.

Presorted automation rate category mail is eligible for an additional presort discount on each piece weighing more than two ounces.]

221.4 Business Parcels Categories

221.41 General. The Business Parcels Categories apply to Letters and Sealed Parcels subclass mail that:

- a. Is prepared in a mailing of at least 500 pieces;
- b. Is presorted, marked, and presented as specified by the Postal Service;
and
- c. Meets the addressing and other preparation requirements specified by the Postal Service.

221.42 Single Piece Rate. The single-piece rate category as defined in 221.213 applies to pieces not qualifying under 221.43, 221.44, or 221.45.

221.43 ADC Parcels Rate Category. The ADC parcels rate category applies to parcel rate category mail presorted to area distribution center destinations as specified by the Postal Service.

221.44 Three-Digit Parcels Rate Category. The three-digit parcels rate category applies to parcels rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

221.45 Five-Digit Parcels Rate Category. The five-digit parcels rate category applies to parcels rate category mail presorted to single or multiple five digit ZIP Code destinations as specified by the Postal Service.

221.46 Nonbarcoded and Nonmachinable Surcharge. Parcels rate category pieces qualifying for 221.43 and 221.44 are subject to a surcharge if not barcoded and machinable as specified by the Postal Service.

222 Cards Subclass

222.4 Automation Rate Categories

[222.46 Carrier Route Rate Category. The carrier route rate category applies to automation rate category cards presorted to carrier routes. It is available only for those carrier routes specified by the Postal Service.]

223 Priority Mail Subclass

223.4 Flat Rate Box

223.41 General. Priority Mail subclass mail sent in a “flat rate” box with an external size of 0.34 cubic feet, provided by the Postal Service, is charged the rate designated in Rate Schedule 223, note 2. [A “flat rate” box with an internal capacity of .34 cubic feet is charged the rate designated in note 5¹ for Rate Schedule 223.]

[223.42 Duration of the Flat Rate Box Experiment. The provisions of section 223.4 expire the later of:

- a. two years after the implementation date specified by the Postal Service Board of Governors, or
- b. if, by the expiration date specified above, a request for the establishment of a permanent Flat Rate Box classification is pending before the Postal Rate Commission, the later of:
 - (1) three months after the Commission takes action on such proposal under section 3624 of Title 39, or, if applicable,
 - (2) on the implementation date for a permanent Flat Rate Box classification.]

223.6 Pickup On-Demand [Service]. Pickup On-Demand service is available for Priority Mail subclass mail under terms and conditions specified by the Postal Service.

[¹ The expiration of provisions related to Docket No. MC2001-1 eliminated Note 4. Note 5 now becomes Note 4 in this new version.]

223.7 **Bulky [Bulk] Parcels.** In Zones 1 through 4 (including Local), Priority Mail subclass mail weighing less than 20 [15] pounds but [, and] measuring more than [over] 84 inches in combined length and girth [combined,] is charged the applicable rate [a minimum rate equal to that] for a 20-pound [15-pound] parcel (balloon rate) [for the zone to which the piece is addressed].

223.8 **Low-Density Parcels.** In Zones 5 through 8, Priority Mail subclass mail exceeding one cubic foot is rated at the actual weight or the dimensional weight, whichever is greater.

- a. For box-shaped parcels, the dimensional weight, in pounds, is calculated as the length times the width times the height, all in inches, divided by 194.
- b. For irregularly shaped parcels (not appearing box-shaped), the dimensional weight, in pounds, is calculated as the length times the width times the height at their maximum cross-sections, all in inches, divided by 194, and multiplied by an adjustment factor of 0.785.

230 PHYSICAL LIMITATIONS

232 Nonmachinable Mail

Letters and Sealed Parcels subclass mail [weighing one ounce or less] is nonmachinable if:

a. Its aspect ratio does not fall between 1 to 1.3 and 1 to 2.5 inclusive; it exceeds any of the following dimensions:

- i. 11.5 inches in length;
- ii. 6.125 inches in width; or
- iii. 0.25 inch in thickness; or

[b. For letter-sized pieces:]

b. [i.] It [it] does not meet the letter machinability requirements of the Postal Service; [or]

[ii. manual processing is requested.]

272 Keys and Identification Devices. Keys, identification cards, identification tags, or similar identification devices that:

are subject to the following rates and fees:

- i. the applicable single-piece rates in schedules 221 or 223;
- ii. the fee set forth in fee schedule 931 for payment of postage due charges if an active business reply mail advance deposit account is not used; and
- [iii. if applicable, the surcharge for nonmachinable mail, as defined in section 232.]

**STANDARD MAIL
CLASSIFICATION SCHEDULE**

320 DESCRIPTION OF SUBCLASSES**321 Regular Subclass**

321.1 General. The Regular subclass consists of Standard Mail that is not mailed under sections 322, 323, or 324. Eligibility for Regular subclass rate categories is based on the size or mail processing shape of the mail piece as specified by the Postal Service. Mail processing shapes include letter-size mail, flat-size mail, parcels and not flat-machinable (NFM) mail.

321.2 [Presort]Nonautomation Rate Categories

321.21 General. The [presort]nonautomation rate categories apply to Regular subclass mail that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces;
- b. Is presorted, marked, and presented as specified by the Postal Service; [and]
- c. Meets the machinability, addressing, and other preparation requirements specified by the Postal Service[.]; and
- d. Is not entered as Customized Market Mail under section 321.5.

[321.22 Basic Rate Categories. The basic rate categories apply to presort rate category mail not mailed under section 321.23, and to all mail entered as Customized Market Mail (CMM). CMM must be marked and bear endorsements as specified by the Postal Service, and must meet the preparation, addressing, and acceptance requirements specified by the Postal Service. Notwithstanding section 6020, Customized Market Mail may be nonrectangular in shape. The following size standards apply to Customized Market Mail:

- a. Thickness: at least 0.007 inch and no more than 0.75 inch;

- b. Length: at least 5 inches and no more than 15 inches, measured for nonrectangular shapes as specified by the Postal Service;
- c. Height: at least 3.5 inches and no more than 12 inches, measured for nonrectangular shapes as specified by the Postal Service.]

321.22 Mixed AADC Rate Category. The Mixed AADC rate category applies to nonautomation rate category letter-size mail that meets machinability criteria specified by the Postal Service and that is not mailed under section 321.23.

[321.23 Three- and Five-Digit Rate Categories. The three- and five-digit rate categories apply to presort rate category mail presorted to single or multiple three- and five-digit ZIP Code destinations as specified by the Postal Service.]

321.23 AADC Rate Category. The AADC rate category applies to letter-size nonautomation rate category mail that meets machinability criteria specified by the Postal Service and that has been presorted to automated area distribution center destinations as specified by the Postal Service.

321.24 Mixed ADC Rate Categories. The Mixed ADC rate categories apply to nonautomation rate category mail not mailed under sections 321.22, 321.23, 321.25, 321.26, 321.27, 321.28 or 321.29.

321.25 ADC Rate Categories. The ADC rate categories apply to nonautomation rate category mail that has been presorted to area distribution center destinations as specified by the Postal Service.

321.26 Three-Digit Rate Categories. The three-digit rate categories apply to nonautomation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

321.27 Five-Digit Rate Categories. The five-digit rate categories apply to nonautomation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

321.28 Mixed BMC Rate Category. The Mixed BMC rate category applies to parcel-shaped nonautomation rate category mail that meets machinability criteria specified by the Postal Service and that not mailed under section 321.29.

321.29 BMC Rate Category. The BMC rate category applies to parcel-shaped nonautomation rate category mail that meets machinability criteria specified by the Postal Service and that has been presorted to bulk mail center (or equivalent facility) destinations as specified by the Postal Service.

321.3 Automation Rate Categories

321.34 Three-Digit Barcoded Rate [Category]Categories. The three-digit barcoded rate [category applies]categories apply to letter-size or flat-size automation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.

321.35 Five-Digit Barcoded Rate [Category]Categories. The five-digit barcoded rate [category applies]categories apply to letter-size or flat-size automation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.

321.36 [Basic Barcoded Flats]Mixed ADC Rate Category. The [basic barcoded flats]Mixed ADC rate category applies to flat-size automation rate category mail not mailed under section 321.37.

321.37 [Three- and Five-Digit Barcoded Flats]ADC Rate Category. The [three- and five-digit barcoded flats]ADC rate category applies to flat-size automation rate category mail presorted to [single or multiple three- and five-digit ZIP Code] area distribution center destinations as specified by the Postal Service.

321.4 Destination Entry Discounts. The destination entry discounts apply to Regular subclass mail, except [Regular Presort category] mail entered as Customized Market Mail under section [321.22]321.5, prepared as specified by the Postal Service and addressed for delivery within the service area of the BMC (or auxiliary service facility), [or] sectional center facility (SCF), or destination delivery unit (DDU) at which it is entered, as defined by the Postal Service.

[321.5 Residual Shape Surcharge. Regular subclass mail is subject to a surcharge if it is entered as Customized Market Mail under section 321.22 or is prepared as a parcel or if it is not letter or flat shaped.]

321.5 Customized Market Mail (CMM). CMM must be marked and bear endorsements as specified by the Postal Service, and must meet the preparation, addressing, and acceptance requirements specified by the Postal Service. Notwithstanding section 6020, Customized Market Mail may be nonrectangular in shape. The following size standards apply to Customized Market Mail:

- a. Thickness: at least 0.007 inch and no more than 0.75 inch;
- b. Length: at least 5 inches and no more than 15 inches, measured for nonrectangular shapes as specified by the Postal Service;
- c. Height: at least 3.5 inches and no more than 12 inches, measured for nonrectangular shapes as specified by the Postal Service.
- d. Weight: not to exceed the maximum weight for CMM specified by the Postal Service.

321.6 [Barcode Discount]Non-barcoded Surcharge. [The barcode discount applies to Regular Subclass mail, except Regular Presort category mail entered as Customized Market Mail under section 321.22, that is subject to the residual shape surcharge in 321.5, is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service, and meets all other preparation and machinability requirements of the Postal Service.]Regular nonautomation mail pieces not qualifying for letter-size or flat-size rate categories and that do not bear a barcode specified by the Postal Service are subject to a Non-barcoded Surcharge. The surcharge will not apply to pieces sorted to 5-digit ZIP Codes.

321.7 Nonmachinable [Surcharge] Rate Categories. The nonmachinable [surcharge applies] rate categories apply to Regular [presort]nonautomation category letter-sized pieces and pieces to which the parcel rate categories apply, [except Regular Presort category mail entered as Customized Market Mail under section 321.22,] [(i)] that do not meet the machinability requirements specified by the Postal Service[; or (ii) for which manual processing is requested].

321.9 **Standard Mail Forwarding.** As described in section 353, undeliverable-as-addressed Standard Mail Regular subclass mail that is forwarded on request of the mailer who is a user of Address Correction Service (automated or electronic) is charged the appropriate rate shown in note 4 to Rate Schedule 321A or note 5 to Rate Schedule 321B. Mail for which Standard Mail Forwarding is purchased must meet preparation requirements and bear endorsements as specified by the Postal Service. Payment for Standard Mail Forwarding is made through advance deposit account, or as specified by the Postal Service.

322 **Enhanced Carrier Route Subclass**

322.1 **Definition.** The Enhanced Carrier Route subclass consists of Standard Mail [weighing less than 16 ounces] that is not mailed under section 321, 323, or 324, and that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces;
- b. Is prepared, marked, and presented as specified by the Postal Service;
- c. Is presorted to carrier routes as specified by the Postal Service;
- d. Is sequenced as specified by the Postal Service;
- e. Meets the machinability, addressing, and other preparation requirements specified by the Postal Service; and
- e. For high-density and saturation category letters, bears a barcode representing not more than 11 digits (not including “correction” digits) as specified by the Postal Service.

Eligibility for Enhanced Carrier Route subclass rate categories is based on the size or mail processing shape of the mail piece as specified by the Postal Service. Mail processing shapes include letter-size mail, flat-size mail, parcels and not flat-machinable (NFM) mail.

322.2 **Basic Rate Category.** The basic rate category applies to Enhanced Carrier Route subclass mail not mailed under section 322.3[,] or 322.4[or 322.5].

[322.3 Basic Pre-Barcoded Rate Category. The basic pre-barcoded rate category applies to letter-size Enhanced Carrier Route subclass mail which bears a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service, and which meets the machinability, addressing, and barcoding specifications and other preparation requirements specified by the Postal Service.]

322.[4]3 High Density Rate Category. The high density rate category applies to Enhanced Carrier Route subclass mail presented in walk-sequence order and meeting the high density requirements specified by the Postal Service. High density rate category letters must meet the applicable automation requirements specified by the Postal Service, and must bear a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service.

322.[5]4 Saturation Rate Category. The saturation rate category applies to Enhanced Carrier Route subclass mail presented in walk-sequence order and meeting the saturation requirements specified by the Postal Service. Saturation rate category letters must meet the applicable automation requirements specified by the Postal Service, and must bear a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service.

322.[6]5 Destination Entry Discounts. Destination entry discounts apply to Enhanced Carrier Route subclass mail prepared as specified by the Postal Service and addressed for delivery within the service area of the BMC (or auxiliary service facility), sectional center facility (SCF), or destination delivery unit (DDU) at which it is entered, as defined by the Postal Service. Letter-size mail is not eligible for the DDU discount.

[322.7 Residual Shape Surcharge. Enhanced Carrier Route subclass mail is subject to a surcharge if it is prepared as a parcel or if it is not letter or flat shaped.]

322.6 DAL Surcharge. Saturation rate category Enhanced Carrier Route subclass mail is subject to a per-piece surcharge if it is addressed using a detached address label (DAL).

322.7 Standard Mail Forwarding. As described in section 353, undeliverable-as-addressed Standard Mail Enhanced Carrier Route subclass mail that is forwarded on request of the mailer who is a

user of Address Correction Service (automated or electronic) is charged the appropriate rate shown in note 8 to Rate Schedule 322. Mail for which Standard Mail Forwarding is purchased must meet preparation requirements and bear endorsements as specified by the Postal Service. Payment for Standard Mail Forwarding is made through advance deposit account, or as specified by the Postal Service.

323 Nonprofit Regular Subclass

323.1 General. The Nonprofit Regular subclass consists of Standard Mail weighing less than 16 ounces that is not mailed under section 321, 322, or 324, and that is mailed by authorized nonprofit organizations or associations of the following types:

- a. Religious, as defined in section 1009;
- b. Educational, as defined in section 1009;
- c. Scientific, as defined in section 1009;
- d. Philanthropic, as defined in section 1009;
- e. Agricultural, as defined in section 1009;
- f. Labor, as defined in section 1009;
- g. Veterans', as defined in section 1009;
- h. Fraternal, as defined in section 1009;
- i. Qualified political committees;
- j. State or local voting registration officials when making a mailing required or authorized by the National Voter Registration Act of 1993.

Eligibility for Nonprofit Regular subclass rate categories is based on the size or mail processing shape of the mail piece as specified by the Postal Service. Mail processing shapes include letter-size mail, flat-size mail, parcels and not flat-machinable (NFM) mail.

323.2 [Presort]Nonautomation Rate Categories

323.21 General. The [presort]nonautomation rate categories apply to Nonprofit Regular subclass mail that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces;
- b. Is presorted, marked, and presented as specified by the Postal Service; and
- c. Meets the machinability, addressing, and other preparation requirements specified by the Postal Service.
- d. Is not entered as Customized Market Mail under section 323.5.

[323.22 Basic Rate Categories. The basic rate categories apply to presort rate category mail not mailed under section 322.23, and to all mail entered as Customized Market Mail, as defined in section 321.22.]

[323.23 Three- and Five-Digit Rate Categories. The three- and five-digit rate categories apply to presort rate category mail presorted to single or multiple three- and five-digit ZIP Code destinations as specified by the Postal Service.]

323.22 Mixed AADC Rate Category. The Mixed AADC rate category applies to nonautomation rate category letter-size mail that meets machinability criteria specified by the Postal Service and that is not mailed under section 323.23.

323.23 AADC Rate Category. The AADC rate category applies to letter-size nonautomation rate category mail that meets machinability criteria specified by the Postal Service and that has been presorted to automated area distribution center destinations as specified by the Postal Service.

323.24 Mixed ADC Rate Categories. The Mixed ADC rate categories apply to nonautomation rate category mail not mailed under sections 323.22, 323.23, 323.25, 323.26, 323.27, 323.28 or 323.29.

- 323.25** **ADC Rate Categories.** The ADC rate categories apply to nonautomation rate category mail that has been presorted to area distribution center destinations as specified by the Postal Service.
- 323.26** **Three-Digit Rate Categories.** The three-digit rate categories apply to nonautomation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.
- 323.27** **Five-Digit Rate Categories.** The five-digit rate categories apply to nonautomation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.
- 323.28** **Mixed BMC Rate Category.** The Mixed BMC rate category applies to parcel-shaped nonautomation rate category mail that meets machinability criteria specified by the Postal Service and that not mailed under section 323.29.
- 323.29** **BMC Rate Category.** The BMC rate category applies to parcel-shaped nonautomation rate category mail that meets machinability criteria specified by the Postal Service and that has been presorted to bulk mail center (or equivalent facility) destinations as specified by the Postal Service.
- 323.3** **Automation Rate Categories**
- ***
- 323.34** **Three-Digit Barcoded Rate [Category]Categories.** The three-digit barcoded rate [category applies]categories apply to letter-size or flat-size automation rate category mail presorted to single or multiple three-digit ZIP Code destinations as specified by the Postal Service.
- 323.35** **Five-Digit Barcoded Rate [Category]Categories.** The five-digit barcoded rate [category applies]categories apply to letter-size or flat-size automation rate category mail presorted to single or multiple five-digit ZIP Code destinations as specified by the Postal Service.
- 323.36** **[Basic Barcoded Flats]Mixed ADC Rate Category.** The [basic barcoded flats]Mixed ADC rate category applies to flat-size automation rate category mail not mailed under section 323.37.

- 323.37 [Three- and Five-Digit Barcoded Flats]ADC Rate Category.** The [three- and five-digit barcoded flats]ADC rate category applies to flat-size automation rate category mail presorted to [single or multiple three- and five-digit ZIP Code]area distribution center destinations as specified by the Postal Service.
- 323.4 Destination Entry Discounts.** Destination entry discounts apply to Nonprofit Regular subclass mail, except [Nonprofit Presort category] mail entered as Customized Market Mail under section 323.22, prepared as specified by the Postal Service and addressed for delivery within the service area of the BMC (or auxiliary service facility), [or] sectional center facility (SCF), or destination delivery unit (DDU) at which it is entered, as defined by the Postal Service.
- [323.5 Residual Shape Surcharge.** Nonprofit subclass mail is subject to a surcharge if it is entered as Customized Market Mail under section 323.22 or is prepared as a parcel or if it is not letter or flat shaped.]
- 323.5 Customized Market Mail (CMM).** Nonprofit Regular subclass mail may be entered as CMM as defined in section 321.5.
- 323.6 [Barcode Discount]Non-barcoded Surcharge.** [The barcode discount applies to Nonprofit subclass mail, except Nonprofit Presort category mail entered as Customized Market Mail under section 323.22, that is subject to the residual shape surcharge in 323.5, is entered at designated facilities, bears a barcode specified by the Postal Service, is prepared as specified by the Postal Service and meets all other preparation and machinability requirements of the Postal Service.]Nonprofit Regular nonautomation mail pieces not qualifying for letter-size or flat-size rate categories and that do not bear a barcode specified by the Postal Service are subject to a Non-barcoded Surcharge. The surcharge will not apply to pieces sorted to 5-digit ZIP Codes.
- 323.7 Nonmachinable [Surcharge]Rate Categories.** The nonmachinable [surcharge applies]rate categories apply to Nonprofit [presort]Regular nonautomation category letter-sized pieces and pieces to which the parcel rate categories apply, [except Nonprofit Presort category mail entered as Customized Market Mail under section 323.22,]

[(i)] that do not meet the machinability requirements specified by the Postal Service[; or (ii) for which manual processing is requested].

323.9 **Standard Mail Forwarding.** As described in section 353, undeliverable-as-addressed Standard Mail Nonprofit Regular subclass mail that is forwarded on request of the mailer who is a user of Address Correction Service (automated or electronic) is charged the appropriate rate shown in note 4 to Rate Schedule 323A or note 5 to Rate Schedule 323B. Mail for which Standard Mail Forwarding is purchased must meet preparation requirements and bear endorsements as specified by the Postal Service. Payment for Standard Mail Forwarding is made through advance deposit account, or as specified by the Postal Service.

324 Nonprofit Enhanced Carrier Route Subclass

324.1 Definition. The Nonprofit Enhanced Carrier Route subclass consists of Standard Mail [](weighing less than 16 ounces)[] that is not mailed under section 321, 322, or 323, that is mailed by authorized nonprofit organizations or associations (as defined in section 323) under the terms and limitations stated in section 323.12, and that:

- a. Is prepared in a mailing of at least 200 addressed pieces or 50 pounds of addressed pieces;
- b. Is prepared, marked, and presented as specified by the Postal Service;
- c. Is presorted to carrier routes as specified by the Postal Service;
- d. Is sequenced as specified by the Postal Service;
- e. Meets the machinability, addressing, and other preparation requirements specified by the Postal Service; and
- f. For high-density and saturation letters, bears a barcode representing not more than 11 digits (not including "correction: digits) as specified by the Postal Service.

Eligibility for Nonprofit Enhanced Carrier Route subclass rate categories is based on the size or mail processing shape of the mail piece as specified by the Postal Service. Mail processing shapes include letter-size mail, flat-size mail, parcels and not flat-machinable (NFM) mail.

- 324.2 Basic Rate Category.** The basic rate category applies to Nonprofit Enhanced Carrier Route subclass mail not mailed under section 324.3[,] or 324.4[, or 324.5].
- [324.3 Basic Pre-Barcoded Rate Category.** The basic pre-barcoded rate category applies to letter-size Nonprofit Enhanced Carrier Route subclass mail which bears a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service, and which meets the machinability, addressing, and barcoding specifications and other preparation requirements specified by the Postal Service.]
- 324.[4]3 High Density Rate Category.** The high density rate category applies to Nonprofit Enhanced Carrier Route subclass mail presented in walk-sequence order and meeting the high density requirements specified by the Postal Service. High density rate category letters must meet the applicable automation requirements specified by the Postal Service, and must bear a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service.
- 324.[5]4 Saturation Rate Category.** The saturation rate category applies to Nonprofit Enhanced Carrier Route subclass mail presented in walk-sequence order and meeting the saturation requirements specified by the Postal Service. Saturation rate category letters must meet the applicable automation requirements specified by the Postal Service, and must bear a barcode representing not more than 11 digits (not including “correction” digits), as specified by the Postal Service.
- 324.[6]5 Destination Entry Discounts.** Destination entry discounts apply to Nonprofit Enhanced Carrier Route subclass mail prepared as specified by the Postal Service and addressed for delivery within the service area of the BMC (or auxiliary service facility), sectional center facility (SCF), or destination delivery unit (DDU) at which it is entered, as defined by the Postal Service. Letter-size mail is not eligible for the DDU discount.
- 324.6 DAL Surcharge.** Saturation rate category Nonprofit Enhanced Carrier Route subclass mail is subject to a per-piece surcharge if it is addressed using a detached address label (DAL).

[324.7 Residual Shape Surcharge. Nonprofit Enhanced Carrier Route subclass mail is subject to a surcharge if it is prepared as a parcel or if it is not letter or flat shaped.]

324.7 Standard Mail Forwarding. As described in section 353, undeliverable-as-addressed Standard Mail Nonprofit Enhanced Carrier Route subclass mail that is forwarded on request of the mailer who is a user of Address Correction Service (automated or electronic) is charged the appropriate rate shown in note 8 to Rate Schedule 324. Mail for which Standard Mail Forwarding is purchased must meet preparation requirements and bear endorsements as specified by the Postal Service. Payment for Standard Mail Forwarding is made through advance deposit account, or as specified by the Postal Service.

330 PHYSICAL LIMITATIONS

331 Size

Standard Mail may not exceed 108 inches in length and girth combined. Additional size limitations apply to individual rate categories. The maximum size for mail in the Enhanced Carrier Route and Nonprofit Enhanced Carrier Route subclasses is [14 inches in length, 11.75 inches in width, and 0.75 inch in thickness]the same as the maximum size for flat-size mail in the Regular and Nonprofit Regular subclasses, except that merchandise samples mailed with detached address cards, prepared as specified by the Postal Service, may exceed those dimensions.

350 DEPOSIT AND DELIVERY

353 Forwarding and Return

Undeliverable-as-addressed Standard Mail, except Regular and Nonprofit Regular subclass[Presort category] mail entered as Customized Market Mail under sections 321.[22]5 and 323.[22]5, will be returned on request of the mailer, or forwarded and returned on request of the mailer. Undeliverable-as-addressed combined First-Class and Standard Mail pieces will be returned as specified by the

Postal Service. Except as provided in section 935, the applicable First-Class Mail rate is charged for each piece receiving return only service. Except as provided in sections 935 and 936, charges for forwarding-and-return service are assessed [only on those pieces which cannot be forwarded and are returned. Except as provided in sections 935 and 936, the charge for those returned pieces is the appropriate First-Class Mail rate for the piece plus that rate multiplied by a factor equal to the number of Standard Mail pieces nationwide that are successfully forwarded for every one piece that cannot be forwarded and must be returned.]as follows:

- a. if used in conjunction with Address Correction Service (automated or electronic),
 - i. Returned pieces are charged the appropriate First-Class Mail rate.
 - ii. Forwarded pieces are charged as described in section 321.9, 322.7, 323.9, or 324.7.
- b. if used in conjunction with Address Correction Service (manual), or if no Address Correction Service requested,
 - i. Returned pieces are charged the appropriate First-Class Mail rate for the piece plus the rate multiplied by a factor equal to the number of Standard Mail pieces successfully forwarded (using this method of payment) for every one piece that cannot be forwarded and must be returned.

360 ANCILLARY SERVICES

361 All Subclasses

All Standard Mail, except Regular and Nonprofit Regular subclass[Presort category] mail entered as Customized Market Mail under sections 321.[22]5 and 323.[22]5, will receive the following services upon payment of the appropriate fees:

Service	Schedule
a. Address correction	911
b. Certificates of mailing indicating that a specified number of pieces have been mailed	947

Certificates of mailing are not available for Standard Mail when postage is paid with permit imprint.

362 Regular and Nonprofit

362.1 Regular and Nonprofit Regular subclass mail, except Regular and Nonprofit Regular subclass [Presort category] mail entered as Customized Market Mail under sections 321.[22]5 and 323.[22]5, will receive the following additional services upon payment of the appropriate fees.

Service	Schedule
a. Bulk Parcel Return Service	935
b. Shipper-Paid Forwarding	936

362.2 Regular and Nonprofit Regular subclass mail [subject to the residual shape surcharge in 321.5 and 323.6] to which the parcels rate categories apply, [respectively, except Regular and Nonprofit Presort category mail entered as Customized Market Mail under sections 321.22 and 323.22,] will receive the following additional services upon payment of the appropriate fees.

Service	Schedule
a. Bulk Insurance	943
b. Return Receipt (merchandise only)	945
c. Delivery Confirmation	948

Bulk insurance may not be used selectively for individual pieces in a multi-piece Standard Mail mailing unless specific methods approved by the Postal Service for determining and verifying postage are followed.

370 RATES AND FEES

The rates and fees for Standard Mail are set forth as follows:

	Schedule
a. Regular subclass	
[Presort] <u>Nonautomation</u> category	321A
Automation category	321B
b. Enhanced Carrier Route subclass	322

- c. Nonprofit Regular subclass
 - [Presort]Nonautomation category 323A
 - Automation category 323B
- d. Nonprofit Enhanced Carrier Route subclass 324
- e. Fees 1000

**PERIODICALS
CLASSIFICATION SCHEDULE**

420 DESCRIPTION OF SUBCLASSES

421 Outside County Subclass

421.2 Outside County Pound Rates

An unzoned pound rate applies to the nonadvertising portion of Outside County subclass mail and may be reduced by applicable destination entry discounts. A zoned pound rate applies to the advertising portion and may be reduced by applicable destination entry discounts. The pound rate postage is the sum of the nonadvertising portion charge and the advertising portion charge.

421.3 Outside County Piece and Container Rates

421.35 Container Rate. The container rate applies to each container in which Outside County subclass mail is presented, as specified by the Postal Service.

[421.48 Pallet Discount. The pallet discount applies to Outside Country subclass nonletter mail that is presented on pallets and meets the preparation requirements specified by the Postal Service.]

[421.49 Dropship Pallet Discount. The dropship pallet discount applies to Outside County subclass nonletter mail under section 421.45, that is presented on pallets and meets the preparation requirements specified by the Postal Service.]

[421.50 Co-palletization Dropship Discounts. Either a per-piece or a per-pound co-palletization dropship discount (but not both) applies to Outside County subclass nonletter mail qualifying under section 421.49, that is presented on sectional center facility (SCF) or area distribution center (ADC) pallets containing more than one publication, as specified by the Postal Service. The discount is limited to those pieces which could not be prepared on a qualifying pallet under section 421.48 or 421.49, if the mail had been prepared without such combining. The per-pound discounts apply only to editorial pounds, and are also limited to publications that weigh 9 ounces or more, which contain no more than 15 percent advertising matter, and which have a mailed circulation of no more than 75,000 copies per issue. A participating mailer or consolidator must provide pre-consolidation and post-consolidation documentation for all qualifying pieces, as specified by the Postal Service. This section expires the later of:

- a. October 3, 2006, or
- b. if, by the expiration date specified in (a), a proposal for a permanent replacement for the co-palletization dropship discounts is pending before the Postal Rate Commission:
 - i. three months after the Commission takes action on such request under 39 U.S.C. § 3624 or, if applicable,
 - ii. on the implementation date for a permanent replacement for the copalletization dropship discounts.]

422 Preferred Qualification Categories

422.4 Science of Agriculture

422.42 Rates. Science of Agriculture mail is subject to pound rates, piece rates, the container rate, and piece rate discounts (except for the discount set forth in section 421.47) for Outside County Periodicals [M]mail, except for DDU, DSCF, DADC, and Zone 1 & 2 pound rates. Rates for Science of Agriculture are set forth in Rate Schedule 421.

**PACKAGE SERVICES
CLASSIFICATION SCHEDULE**

520 DESCRIPTION OF SUBCLASSES**521 Parcel Post Subclass**

521.23 Parcel Select—Destination Bulk Mail Center (DBMC) Rate Category. The Parcel Select—DBMC rate category applies to Parcel Post subclass mail barcoded (unless nonmachinable as defined in 521.7) and prepared as specified by the Postal Service in a mailing of at least 50 pieces entered at a designated destination BMC, auxiliary service facility, or other equivalent facility, as specified by the Postal Service.

521.27 Parcel Select Return Service—Return Delivery Unit (RDU) Rate Category. The Parcel Select Return Service—RDU rate category applies to merchandise returned as Parcel Post subclass mail barcoded and prepared as specified by the Postal Service; entered as specified by the Postal Service; and retrieved in bulk at a designated delivery unit, or other equivalent facility, as specified by the Postal Service.

521.28 Parcel Select Return Service—Return BMC (RBMC) Rate Category. The Parcel Select Return Service—RBMC rate category applies to merchandise returned as Parcel Post subclass mail barcoded and prepared as specified by the Postal Service; entered as specified by the Postal Service; and retrieved in bulk at a bulk mail center, or other equivalent facility, as specified by the Postal Service.

522 Bound Printed Matter Subclass

522.2 Description of Rate Categories

522.21 [Single-Piece] Nonpresort Rate Category. The single-piece rate category applies to Bound Printed Matter subclass mail which is not mailed under sections [522.3 or 522.4] 522.22, 522.23, 522.24, 522.25, or 522.26.

SPECIAL SERVICES CLASSIFICATION SCHEDULE**910 ADDRESSING****911 ADDRESS CORRECTION SERVICE**

911.22 Automated or electronic Address Correction Service is available to mailers who can receive computerized address corrections and meet the barcoding and other requirements specified by the Postal Service. Automated Address Correction Service is limited to mailers who meet address hygiene requirements, as specified by the Postal Service.

911.4 Other Services

911.41 Address Correction Service serves as a prerequisite for Shipper Paid Forwarding, and for the forwarding option for Standard Mail letters and flats in part a of section 353.

911.5 Fees

911.51 The fees for Address Correction Service are set forth in Fee Schedule 911. These fees do not apply when the correction is provided incidental to the return of the mailpiece to the sender. The "Automated" fees are available to customers meeting address hygiene requirements, as specified by the Postal Service.

930 PAYMENT ALTERNATIVES

932 MERCHANDISE RETURN SERVICE**932.1 Definition**

932.11 Merchandise Return service enables a Merchandise Return service permit holder to authorize a mailer to send [its customers to return a] parcels with the postage and fees paid by the permit holder.

932.2 Availability

932.21 Merchandise Return service is available to all Merchandise Return service permit holders who guarantee payment of postage and fees for all authorized [returned] parcels.

932.22 Merchandise Return service is available for the sending [return] of any parcel under the following classification schedules:

- a. First-Class Mail;
- b. Package Services, except Parcel Post or Bound Printed Matter subclass mail entered under section 521.27, 521.28, or 522.27.

932.5 Fees

932.51 The permit holder must pay the account[ing] maintenance fee specified in Fee Schedule 1000 once each 12-month period for each advance deposit account.

933 Reserved [ON-SITE METER SERVICE]**933.1 Definition**

933.11 On-Site Meter service enables a mailer or meter manufacturer to obtain the following meter-related services from the Postal Service at the mailer's or meter manufacturer's premises:

- a. checking a meter in or out of service; and
- b. setting or examining a meter.

933.2 Availability

933.21 On-Site Meter service is available on a scheduled basis, and meter setting may be performed on an emergency basis for those customers enrolled in the scheduled on-site meter setting or examination program.

933.3 Fees

933.31 The fees for On-Site Meter service are set forth in Fee Schedule 933. The basic meter service fee is charged whenever a postal employee is available to provide a meter-related service in section 933.11 at the mailer's or meter manufacturer's premises, even if no particular service is provided.]

934 *Reserved*

935 BULK PARCEL RETURN SERVICE

935.5 Fees

935.52 The permit holder must pay the account[ing] maintenance fee specified in Fee Schedule 1000 once each 12-month period for each advance deposit account.

936 SHIPPER-PAID FORWARDING

936.52 The account[ing] maintenance fee specified in Fee Schedule 1000 must be paid once each 12-month period for each advance deposit account.

940 ACCOUNTABILITY AND RECEIPTS

943 INSURANCE

943.23 Included Services

943.231 For General Insurance, the mailer is issued a receipt for each item mailed. For items insured for more than \$[5]200, a record of delivery is retained by the Postal Service for a specified period.

943.232 For items insured for more than \$~~5~~200, a notice of attempted delivery is left at the mailing address when the first attempt at delivery is unsuccessful.

943.24 Limitations and Mailer Requirements

943.247 For negotiable items, currency, or bullion, the maximum liability is \$15.

990 MAILPIECE INFORMATION

991 CONFIRM

991.1 Definition

991.12 Mailers may purchase Confirm service by subscribing to the service. Included with the subscription are one subscriber identification (ID) code, and 1 million units, which are used to acquire scan information[one or more of the following service levels: Silver, Gold, or Platinum]. Additional units can be purchased, but units expire at the end of the subscription period.

[991.121 Silver Subscription. The Silver subscription has a term of three months and includes the use of one identification (ID) code and up to 15 million scans. Subscribers may license the use of additional ID codes for a term of three months or until expiration of the subscription, whichever occurs first. Subscribers may license the use of additional scans in blocks of 2 million scans at any time prior to expiration of the subscription.]

[991.122 Gold Subscription. The Gold subscription has a term of twelve months and includes the use of one ID code and up to 50 million scans. Subscribers may license the use of additional ID codes for a term of three months or until expiration of the subscription, whichever occurs first. Subscribers may license the use of additional scans in blocks of 6 million scans at any time prior to expiration of the subscription.]

[991.123 Platinum Subscription. The Platinum subscription has a term of twelve months and includes the use of three ID codes and unlimited scans. Subscribers may license the use of additional ID codes for a term of three months or until expiration of the subscription, whichever occurs first.]

991.3 Mailer Requirements

991.31 Mailers [must] become Confirm subscribers by applying to, and being authorized by the Postal Service. Authorization requires that a customer demonstrate the capabilities of producing mailpieces with Confirm-compatible barcodes, and, for Destination Confirm, providing electronic notice of entering Confirm mail prior to or contemporaneous with mail entry, all] as specified by the Postal Service.

991.32 Qualifying mail must bear a [PLANET] barcode[s] or other coding, as specified by the Postal Service.

991.5 Fees

[991.52 A Gold subscription may be upgraded to a Platinum subscription at any time prior to the expiration of the Gold subscription by paying the difference in the respective subscription fees. Upgrading does not extend the term of the underlying subscription.]

SPECIFICATION OF THE
RULES, REGULATIONS, AND PRACTICES THAT ESTABLISH
STANDARDS OF SERVICE AND CONDITIONS OF MAILABILITY

In accordance with the Commission's rules of practice and procedure, 39 C.F.R. § 3001.54(b)(2), the Postal Service designates the contents of the Domestic Mail Manual (DMM) as specifying those rules, regulations, and practices that establish conditions of mailability and standards of service. The following sets forth the table of contents of the DMM. Compliance with this rule by the Postal Service is not an admission that any of the specified rules, regulations, and practices, or any other contents of the DMM or other postal manuals, are subject to the jurisdiction of the Postal Rate Commission, and the Postal Service expressly reserves the right to contest any assertion of such Commission jurisdiction.

Mailing Standards of the United States Postal Service

DOMESTIC MAIL MANUAL

UPDATED 4/13/2006

DMM Introduction

Summary of Changes

Quick Service Guides

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400 Discount Parcels

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CERTIFICATION

I, William P. Tayman, Jr., Manager, Corporate Financial Planning, United States Postal Service, am familiar with the attached Request of the United States Postal Service for a Recommended Decision on Changes in Rates of Postage and Fees for Postal Services, together with the accompanying direct testimony and exhibits.

Pursuant to Rule 54(p) of the Postal Rate Commission's Rules of Practice and Procedure, 39 C.F.R. § 3001.54(p), I hereby certify that I have read the Request, that the cost statements and supporting data submitted as part of that Request, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books, and that, to the best of my knowledge, information, and belief, every statement contained in the Request is proper.

William P. Tayman, Jr.

Audited Financial Statements

Attached is the Audited Financial Statements for Fiscal Year 2005, as filed with the Postal Rate Commission as part of the United States Postal Service Annual Report on February 15, 2006.

The Audited Financial Statements for Fiscal Year 2004 were filed as Attachment D to the Request in Docket No. R2005-1 on April 8, 2005.

Report of independent auditors



■ Ernst & Young LLP
8484 Westpark Drive
McLean, VA 22102

■ Phone: (703)-747-1000
www.ey.com

Report of Independent Auditors

Board of Governors
United States Postal Service

We have audited the accompanying balance sheets of the United States Postal Service as of September 30, 2005 and 2004, and the related statements of operations, changes in net capital (deficiency) and cash flows for each of the three years in the period ended September 30, 2005. These financial statements are the responsibility of the United States Postal Service's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the United States Postal Service's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the United States Postal Service's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the United States Postal Service as of September 30, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2005 in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2005 and November 10, 2004, for fiscal years 2005 and 2004, respectively, on our consideration of the United States Postal Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads 'Ernst & Young LLP'.

McLean, VA
November 14, 2005

Statement of operations

(Dollars in millions)	Year Ended September 30,		
	2005	2004	2003
Operating revenue	\$ 69,907	\$ 68,996	\$ 68,529
Operating expenses:			
Compensation and benefits	53,932	52,134	50,428
Transportation	5,437	4,969	4,989
Other	8,914	8,748	8,485
Total operating expenses	68,283	65,851	63,902
Income from operations	1,624	3,145	4,627
Interest and investment income	86	33	58
Interest expense on deferred retirement obligations	(263)	(103)	(116)
Debt repurchase expense	—	—	(360)
Other interest expense	(2)	(10)	(334)
Emergency preparedness appropriations	—	—	177
Emergency preparedness expenses	—	—	(184)
Net Income	\$ 1,445	\$ 3,065	\$ 3,868

See accompanying notes to the financial statements.

Balance Sheets – Assets

(Dollars in millions)	September 30,	
	2005	2004
Assets		
Current Assets:		
Cash and cash equivalents	\$ 930	\$ 877
Receivables:		
Foreign countries	590	621
U.S. government	280	327
Other	188	187
Receivables before allowances	1,058	1,135
Less allowances	50	111
Total receivables, net	1,008	1,024
Supplies, advances and prepayments	200	220
Total Current Assets	2,138	2,121
Other Assets, Principally Revenue Forgone Appropriations Receivable	376	361
Property and Equipment, at Cost:		
Buildings	20,480	20,171
Equipment	18,664	17,277
Land	2,878	2,810
Leasehold improvements	1,172	1,103
	43,194	41,361
Less allowances for depreciation and amortization	22,400	20,656
	20,794	20,705
Construction in progress	1,895	1,792
Total Property and Equipment, Net	22,689	22,497
Total Assets	\$ 25,203	\$ 24,979

See accompanying notes to the financial statements.

Balance Sheets – Liabilities & Equity

(Dollars in millions)

September 30,

	2005	2004
Liabilities and Net Capital		
Current Liabilities:		
Compensation and benefits	\$ 2,852	\$ 2,640
Estimated prepaid postage	1,200	1,256
Payables and accrued expenses:		
Commercial vendors and accrued expenses	1,568	1,711
Foreign countries	688	778
U.S. government	76	87
Total payables and accrued expenses	2,332	2,576
Customer deposit accounts	1,720	1,606
Outstanding postal money orders	830	767
Prepaid box rent and other deferred revenue	477	425
Debt	–	1,800
Total Current Liabilities	9,411	11,070
Non-Current Liabilities:		
Workers' compensation costs	6,695	6,651
Employees' accumulated leave	2,016	2,006
Deferred revenue	692	288
Long term portion capital lease obligations	644	652
Other	369	381
Total Non-Current Liabilities	10,416	9,978
Total Liabilities	19,827	21,048
Net Capital		
Capital contributions of the U.S. government	3,034	3,034
Retained earnings since reorganization	2,342	897
Total Net Capital	5,376	3,931
Total Liabilities and Net Capital	\$ 25,203	\$ 24,979

See accompanying notes to the financial statements.

Statements of changes in net capital

(Dollars in millions)	Year ended September 30, 2005, 2004 and 2003		
	Capital Contributions of U.S. Government	Retained Earnings (Deficit) Since Reorganization	Total Net Capital (Deficiency)
Balance, September 30, 2002	\$ 3,034	\$ (6,036)	\$ (3,002)
Net Income	–	3,868	3,868
Balance, September 30, 2003	3,034	(2,168)	866
Net income	–	3,065	3,065
Balance September 30, 2004	3,034	897	3,931
Net income	–	1,445	1,445
Balance, September 30, 2005	\$ 3,034	\$ 2,342	\$ 5,376

See accompanying notes to the financial statements.

Statements of cash flows

(Dollars in millions)	Year ended September 30,		
	2005	2004	2003
Cash flows from operating activities:			
Net income	\$ 1,445	\$ 3,065	\$ 3,868
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,089	2,145	2,295
Loss on disposals of property and equipment, net	5	71	64
(Increase) decrease in revenue forgone appropriations receivable	(15)	4	3
(Decrease) increase in workers' compensation liability	(58)	343	526
Increase (decrease) in employees' accumulated leave	10	74	(156)
(Decrease) increase in other non-current liabilities	(119)	170	(31)
Changes in current assets and liabilities:			
Decrease (increase) in receivables, net	16	167	(394)
Decrease (increase) in supplies, advances and prepayments	20	146	(39)
Increase (decrease) in compensation and benefits	314	106	(427)
Decrease in estimated prepaid postage	(56)	(93)	(151)
(Decrease) increase in payables and accrued expenses	(199)	(34)	1,378
Increase (decrease) in customer deposit accounts	114	40	(138)
Increase (decrease) in outstanding postal money orders	63	(1)	(218)
Increase (decrease) in prepaid box rent and other deferred revenue	52	(368)	(175)
Net cash provided by operating activities	3,681	5,835	6,405
Cash flows from investing activities:			
Purchase of property and equipment	(2,317)	(1,685)	(1,314)
Proceeds from sale of property and equipment	31	26	37
Net cash used in investing activities	(2,286)	(1,659)	(1,277)
Cash flows from financing activities:			
U.S. government appropriations – received	503	–	–
U.S. government appropriations – expended	(45)	(92)	(177)
Issuance of debt	–	–	4,609
Payments on debt	(1,800)	(5,473)	(8,450)
Net cash (used in) provided by financing activities	(1,342)	(5,565)	(4,018)
Net (decrease) increase in cash and cash equivalents	53	(1,389)	1,110
Cash and cash equivalents at beginning of year	877	2,266	1,156
Cash and cash equivalents at end of year	\$ 930	\$ 877	\$ 2,266

See accompanying notes to the financial statements.

Notes to the financial statements

Note 1 – Description of Business

Nature of Operations

The United States Postal Service provides mail service to the public, offering a variety of classes of mail services without undue discrimination among its many customers. This means that within each class of mail our price does not unreasonably vary by customer for the levels of service we provide. This fulfills our legal mandate to offer universal service at a fair price. Our primary lines of business are First-Class Mail, Standard Mail, Priority Mail, International Mail, Express Mail, Periodicals and Package Services. The principal markets for these services are the communications, distribution and delivery, advertising and retail markets. Our products are distributed through more than 37,000 Post Offices, stations and branches, contract postal units and a large network of consignees. We conduct our significant operations primarily in the domestic market, with international operations representing less than 3% of our total revenue.

Our labor force is primarily represented by the American Postal Workers Union, National Association of Letter Carriers, National Postal Mail Handlers Union and National Rural Letter Carriers Association. Almost 90% of our career employees are covered by collective bargaining agreements. The agreements with the major unions expire November 20, 2006.

By law, we also consult with management organizations representing most of the employees not covered by collective bargaining agreements. These consultations provide an opportunity to participate directly in the planning, development, and implementation of programs and policies affecting the managerial employees in the field. The management organizations include the National Association of Postal Supervisors, National League of Postmasters, and National Association of Postmasters of the United States. We participate in federal employee benefit programs covering retirement, health benefits, and workers' compensation.

Postal Reorganization

We commenced operations on July 1, 1971, in accordance with the provisions of the Postal Reorganization Act (the Act). The equity that the U.S. government held in the former Post Office Department became our initial capital. We valued the assets of the former Post Office Department at original cost less accumulated depreciation. The initial transfer of assets, including property, equipment and cash, totaled \$1.7 billion. Subsequent cash contributions and

transfers of assets between 1972 and 1982 totaled approximately \$1.3 billion, resulting in total government contributions of approximately \$3 billion. The U.S. government remained responsible for all the liabilities attributable to operations of the former Post Office Department; however, under the Balanced Budget Act of 1997, the remaining liability for Post Office Department workers' compensation costs was transferred to us.

Although we are excluded from the U.S. government budgetary process, we do enter into significant transactions with other government agencies, as disclosed throughout these financial statements.

Price Setting Process

Since 1971, the Act has required us to establish prices that cover the costs of operating the postal system. The Act established the independent Postal Rate Commission with oversight responsibility for mail prices, subject to approval by the Governors of the Postal Service. The ratemaking process provides for the recovery of financial losses through future rate increases.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

We maintain our accounting records and prepare our financial statements on the accrual basis of accounting. This basis conforms to accounting principles generally accepted in the United States. Following these principles, we make estimates and assumptions that affect the amounts we report in the financial statements and notes. Actual results may differ from our estimates.

Cash and Cash Equivalents

Cash equivalents are securities that mature within 90 days or less from the date we buy them. We recognize checks outstanding as a current liability until presented for payment.

Current Values of Financial Instruments

The current value of our debt is what it would cost to pay off the debt if we used the current yield on equivalent U.S. Treasury debt.

We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail. The majority of our international accounts are denominated in special drawing rights (SDRs). The SDR exchange rate fluctuates daily

based on a basket of currencies comprised of the euro, the Japanese yen, the pound sterling and the U.S. dollar. Changes in the relative value of these currencies will increase or decrease the value of our settlement accounts and result in a gain or loss from revaluation reported in the results from operations. The actual currency used to settle accounts varies by country.

The impact on the statements of operations from this revaluation was a gain of \$10 million in 2005, a gain of \$10 million in 2004, and a loss of \$9 million in 2003. In addition to the year end revaluation, we also recognize gains and losses on our payables and receivables when we settle with foreign postal administrations. The impact on the statements of operations from these settlements was a loss of \$14 million in 2005, \$15 million in 2004 and \$12 million in 2003.

Supplies, Advances and Prepayments

Supplies, advances and prepayments are primarily composed of our inventories of supplies, motor vehicle parts and parts for mail processing equipment. We value our inventories at the lower of average cost or current market price. Total inventories amounted to \$119 million at the end of 2005 and \$118 million at the end of 2004.

Property and Equipment

We record property and equipment at what it cost us to acquire the assets, including the interest we pay on the money we borrow to pay for the construction of major capital additions. No interest was capitalized in 2005 as no outstanding debt balance was carried for this period. In 2004, interest was capitalized in the amount of \$5 million and \$1 million in 2003. Repairs and maintenance are charged to expense as incurred. This expense amounted to \$809 million in 2005, \$744 million in 2004 and \$692 million in 2003.

We depreciate buildings and equipment over their estimated useful lives, which range from 3 to 75 years, using the straight-line method. We amortize leasehold improvements over the period of the lease or the useful life of the improvement, whichever time is shorter.

Impaired Assets

We record losses on long-lived assets when events and circumstances indicate that the assets might be impaired. In accordance with Statement of Financial Accounting Standards (FAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, we have written down our impaired assets to the lower of cost or fair value. On

August 29, 2005 hurricane Katrina devastated the gulf coast and damaged many of our facilities in that area. As of September 30, 2005 we have recorded an estimate for impaired assets in the amount of \$7.5 million. In 2004 we determined that an unused Post Office building in a major city was impaired. A contract granting a prospective buyer an option to buy this building was signed. This option was contingent on our making all necessary repairs to the building. An impairment loss of \$24 million was recorded in 2004 in order to reduce the carrying value of the property to its estimated fair value, including the cost of necessary repairs. No material impairments were recorded in 2003.

Allowance for Doubtful Accounts

We provide an allowance for doubtful accounts on our outstanding receivables based on our collection history and an estimate of uncollectible accounts. In 2005 we re-evaluated our allowance for bad debt methodology, based on our last five years of collection history. This change in estimate was the primary driver that reduced our allowance for doubtful accounts from \$111 million in 2004 to \$50 million at the end of 2005.

Revenue Recognition/Estimated Prepaid Postage

We recognize revenue when service is rendered. Estimated prepaid postage is the amount of cash we estimate that we collected by the end of the year for services that we will perform in the following year.

Compensation and Benefits Payable

This is the salaries and benefits we owe to current and retired employees, including the amounts employees have earned but have not yet been paid, current workers' compensation, unemployment costs and health benefits.

Outstanding Postal Money Orders

We sell money orders to the general public at our retail locations. We charge a fee to the customer at the time of sale. The fee is recognized as revenue at the time of sale. We recognize a liability for uncashed money orders we expect to be presented for payment.

Segment Information

We operate in one segment throughout the United States and internationally.

Deferred Retirement Benefits and Cost

We are an independent establishment of the executive branch of the U.S. government. We provide pension ben-

Notes to the financial statements

efits as defined and administered by OPM and, therefore, have a parent-subsidary type relationship. We cannot direct the costs, benefits, or funding requirements of the federally-sponsored plan. We account for our participation in the U.S. government sponsored retirement plans as a participant in a multi-employer plan arrangement in accordance with FAS 87, *Employers' Accounting For Pension Costs*. See notes 6 and 7 for additional information.

Retiree Health Benefits

We are required to pay a portion of the health insurance premiums of those retirees and their survivors who participate in the Federal Employees Health Benefits Program (FEHBP). FEHBP is sponsored by the U.S. government. We cannot direct the costs, benefits, or funding requirements of the federally-sponsored plan. We account for our participation in FEHBP as a participant in a multi-employer plan arrangement in accordance with FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. Therefore, the costs of retiree health benefits are expensed as we incur them. See note 4 for additional information.

Workers' Compensation Cost

We are self-insured for workers' compensation costs under a program administered by the Department of Labor (DOL). These costs include employees' medical expenses and payment for continuation of wages. We record these costs as an operating expense.

Our liability at September 30, 2005 represents the estimated present value of the total amount we expect to pay in the future for postal workers injured through the end of 2005. The estimated total cost of a claim is based upon the severity of the injury, the age of the injured employee, the assumed life expectancy of the employee, the trend of our experience with such an injury, and other factors. In our calculation of present value for 2005 and 2004, a net discount rate of -0.8% for medical expenses and 3.3% for compensation claims is used. During 2004 we changed these discount rates in order to more accurately reflect our liability. See note 3 for additional information.

Emergency Preparedness Appropriations

Emergency preparedness appropriations are the funds we receive from the federal government to help pay the costs to keep the mail, postal employees and postal customers safe and are restricted to such use. Upon receipt of the funds, we established a liability. Through 2003 we recognized these funds as non-operating revenue to the extent of the qualifying non-operating expenditure. In 2004 we

began recognizing these funds as operating revenue to the extent they offset operating expenses. The appropriations we use to purchase capital equipment will be offset against the depreciation expense over the life of the equipment. See note 11 for additional information.

Reclassifications

Certain comparative prior year amounts in the financial statements and accompanying notes have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported operating income and net income.

Note 3 – Workers' Compensation

At the end of 2005, we estimate our total liability for future workers' compensation costs at \$7,521 million. At the end of 2004 this liability was \$7,579 million. The payout period for this liability will, for some claimants currently on the rolls, be for the rest of their lives. The liability is sensitive to changes in inflation and discount rates. An increase of 1% in the assumptions would decrease our estimate of the liability by approximately \$655 million. A decrease of 1% would increase our estimate of the liability by approximately \$801 million.

In 2005, we recorded \$838 million in workers' compensation expense, compared to the \$1,239 million we recorded in 2004 and the \$1,473 million we recorded in 2003.

In 2004, we changed the net discount rates used to determine the present value of estimated future workers' compensation payments, in consultation with an independent actuary. Our net discount rate is the estimated difference between what we expect to earn on investments compared to what we assume the inflation rate will be for medical costs and wage increases. Our net discount rate of -0.8% for medical claims means that our assumptions show that the average rate of inflation for medical claims (5.5%) will exceed our investment returns (4.7%) by 0.8% per year over the expected life of the medical claims. Conversely we believe that our assumed investment returns (5.5%) will exceed the rate of inflation on the consumer wages index (2.2%) by 3.3% over the expected life of the compensation claims.

In 2004, we reduced the medical claims net discount rate from 1.4% to -0.8% resulting in an increase in our medical claims liability and expense of \$362 million. We increased the compensation claims net discount rate from 3.0% to 3.3%, thereby reducing that liability and expense by \$148 million. These combined changes increased

our total workers' compensation liability and expense by \$214 million. The effect of the adoption of these changes is accounted for as a change in accounting estimate.

In addition to the cost of workers' compensation claims, OWCP charges us an administrative fee for processing claims. In 2005, the administrative fee, included in the expense above, was \$56 million, compared to \$44 million in 2004 and \$45 million in 2003.

Note 4 – Health Benefit Programs

Substantially all of our employees are covered by the U.S. government health plan, the Federal Employees Health Benefits Program (FEHBP). The Office of Personnel Management administers the program and allocates the cost of the program to the various participating government agency employers. The parent-subsidiary relationship that we have as an "independent establishment" of the executive branch of the United States government allows for this accounting treatment. We cannot direct the costs, benefits, or funding requirements of the federally-sponsored plan.

Our portion of the cost is based upon the average premium cost of the various employee coverage choices and the specific coverage choices made by our employees. Our employees paid approximately 16% of the cost in 2005, 2004, and 2003, and we paid the remainder.

Our employees who participate in the FEHBP for at least the five years immediately before their retirement may participate in the FEHBP during their retirement. The Omnibus Budget Reconciliation Act of 1990 requires us to pay the employer's share of health insurance premiums for all employees and their survivors, who participate in the FEHBP and who retire on or after July 1, 1971. However, we do not include the costs attributable to federal civilian service before that date.

We account for retiree health benefits as a participant in a multi-employer plan arrangement in accordance with FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. Our retiree health benefit expenses amounted to \$1,495 million in 2005, \$1,313 million in 2004 and \$1,133 million in 2003. We include these costs in our compensation and benefits expense.

Note 5 – Debt And Related Interest Cost

Under the Postal Reorganization Act, as amended by Public Law 101-227, we can issue debt obligations. However, we are limited to net annual increases of \$2 billion in our

debt for capital improvements and \$1 billion for operating expenses. Our total debt cannot exceed \$15 billion.

Cash outlays for interest, including interest on the retirement "supplemental liability," discussed in note 7, were \$263 million in 2005, \$242 million in 2004, and \$426 million in 2003.

In January, July, and August 2003, we repaid debt with maturity dates that extended to 2031. In connection with the August transaction, we paid a premium (debt repurchase expense) of \$360 million which was expensed when incurred.

At September 30, 2005 no debt was outstanding on our balance sheet. At September 30, 2004 the market value of our debt was \$1,800 million. This debt consisted of \$1,800 million in cash drawn on our line of credit with the Federal Financing Bank.

Our Note Purchase Agreements with the Federal Financing Bank, renewed this year, provide for revolving credit lines of \$4 billion. These credit lines enable us to draw up to \$3.4 billion with two days' notice and up to \$600 million on the same business day the funds are needed. Under these agreements we can also use a series of other notes with varying provisions to draw upon with two days' notice. The notes provide us the flexibility to borrow short-term or long-term, using fixed or floating rate debt, and can be either callable or non-callable.

Note 6 – Retirement Programs

Our employees, retirees, and their survivors participate in pension programs of the U.S. government. We account for our involvement in these programs as participation in a multi-employer plan arrangement, in accordance with FAS 87, *Employers' Accounting for Pensions*. The parent-subsidiary relationship that we have as an "independent establishment" of the executive branch of the United States government allows for this accounting treatment. We cannot direct the costs, benefits, or funding requirements of the federally-sponsored plan.

With certain exceptions, employees participate in one of the following three retirement programs based upon the starting date of their employment with the Federal Government. Employee and employer contributions are made to the Civil Service Retirement System (CSRS), the Dual Civil Service Retirement System/ Social Security (Dual CSRS), or the Federal Employees Retirement System (FERS), which are administered by the Office of Personnel Management. Employees may also participate in the Thrift

Notes to the financial statements

Savings Plan, which is a defined contribution retirement savings and investment plan. Postal Service employees are authorized to participate in the Thrift Savings Plan by the Federal Employees Retirement System Act of 1986. The Plan is administered by the Federal Retirement Thrift Investment Board.

CSRS

Under the Postal Reorganization Act, officers and career employees hired prior to January 1, 1984 are covered by the Civil Service Retirement System, which provides a basic annuity toward which we and the employee contribute. We do not match contributions to the Thrift Savings Plan for employees who participate in the CSRS.

Dual CSRS

Employees with prior U.S. government service who were hired between January 1, 1984, and January 1, 1987, are covered by the Dual Civil Service Retirement System/ Social Security System, which consists of a basic annuity and Social Security. We and the employee contribute to Social Security and the basic annuity at the rate prescribed by law. We do not match contributions to the Thrift Savings Plan for employees who participate in the Dual System.

FERS

Effective January 1, 1987, officers and career employees hired since December 31, 1983, except for those covered by the Dual System, are covered by the Federal Employees Retirement System Act of 1986. In addition, employees hired before January 1, 1984, could choose during certain periods in 1987, 1988 and 1998 to participate in the FERS. This system consists of Social Security, a basic annuity plan, and a Thrift Savings Plan. We and the employee contribute to Social Security and the basic annuity plan at the rate prescribed by law. In addition, we are required to contribute to the Thrift Savings Plan a minimum of 1% per year of the basic pay of employees covered by this system. We also match a voluntary employee contribution up to 3% of the employee's basic pay, and 50% of a contribution between 3% and 5% of basic pay.

Employer and employee base contributions, as a percentage of employee basic pay, are as follows for each of the three plans for 2005, 2004, and 2003:

	2005	2004	2003
CSRS			
Employer	17.4	17.4	17.4*
Employee	7.0	7.0	7.0
Dual CSRS			
Employer	18.0	18.0	18.0
Employee	0.8	0.8	0.8
FERS			
Employer	11.2	10.7	10.7
Employee	0.8	0.8	0.8

*As of May 2003, P.L.108-18 changed our employer base contribution level for CSRS from 7.0%.

The number of employees enrolled in each of the retirement plans at the end of 2005, 2004, and 2003 is as follows:

	2005	2004	2003
CSRS	171,958	188,670	211,913
Dual CSRS	8,640	9,238	10,122
FERS	524,118	509,577	505,728

Expense Components

The following table lists the components of our total retirement expenses that are included in our compensation and benefits expense and related interest expense in the Statements of Operations for 2005, 2004 and 2003.

(Dollars in millions)

	2005	2004	2003
CSRS	\$ 1,533	\$ 1,641	\$ 1,128
FERS	2,510	2,255	2,172
FERS Thrift Savings Plan	912	877	856
Dual CSRS	78	76	52
Social Security	1,750	1,610	1,544
Accrued Postal Supplemental Liability	27	12	9
Subtotal	\$ 6,810	\$ 6,471	\$ 5,761
Interest expense on supplemental liability	263	103	116
Total retirement expense	\$ 7,073	\$ 6,574	\$ 5,877

Employer cash contributions to retirement plans were \$5,014 million in 2005, \$4,827 million in 2004, and \$4,031 million in 2003. These amounts do not include Social Security contributions and interest expense on deferred retirement liabilities.

Note 7 – The Postal Civil Service Retirement System Funding Reform Act of 2003 – P. L. 108-18

On April 23, 2003, the President signed into law the Postal Civil Service Retirement System Funding Reform Act of 2003 - P.L.108-18, which changed the way we contribute to the CSRS retirement plan. Although the law changed the funding of the plan, we determined that we are still a participant in a multi-employer pension plan. The parent-subsidiary relationship that we have as an “independent establishment” of the executive branch of the United States government allows for this accounting treatment under FAS 87. We cannot direct the costs, benefits, or funding requirements of the federally-sponsored plan.

We are required by P.L.108-18 to pay an additional annual amount, if necessary, each September, beginning in 2004, as determined by OPM. The additional amount is based on

a calculation of any potential “supplemental liability,” if one exists. The “supplemental liability” represents the excess of the actuarial present value of the future benefits liability over the actuarial present value of plan assets, future contributions, earnings, and other actuarial factors related to postal participants in the CSRS plan.

During 2005, OPM estimated the present value of benefits at \$195.0 billion, contributions at \$14.1 billion, and plan assets at \$176.7 billion. This resulted in a “supplemental liability” of \$4.2 billion as of September 2004, an increase of \$700 million over the \$3.5 billion “supplemental liability” as of September 30, 2003. This calculation assumed general salary increases of 4.0%, COLAs of 3.25%, and interest of 6.25% and is intended to provide for the liquidation of the “supplemental liability” over a 39-year period ending in September 30, 2043. Under the law OPM is not required to furnish the final actuarial calculation of the September 30, 2005, liability until June 30, 2006. OPM’s calculation of the September 30, 2005 “supplemental liability” payment was \$290 million, an increase of \$50 million over the \$240 million payment at September 30, 2004. OPM will recalculate the “supplemental liability,” if any, on an annual basis. Each September 30, we will make any required payment resulting from this calculation.

Because the law went into effect in May 2003, we estimated the portion of the amount payable on September 30, 2004 attributable to 2003 and expensed that amount in 2003. This amounted to \$125 million, of which \$116 million was included as interest expense on our 2003 income statement. The 2004 portion of the “supplemental liability” was \$115 million, of which \$103 million is included as interest expense. In 2005 we included \$263 million of the \$290 million payment as interest expense.

Note 8 – Revenue Forgone

Our operating revenue includes accruals for revenue forgone. Revenue is forgone when Congress mandates that we provide free mail for designated mailers. Congress appropriates money to reimburse us for the revenue that we have forgone in providing these services. We have included as operating revenue the amounts appropriated by Congress for revenue forgone of \$61 million for 2005, \$36 million for 2004, and \$31 million for 2003. We also included as operating revenue \$48 million in 2005 for amounts due from Congress but not yet appropriated. Legislation enacted in each year delayed payment of the amount authorized until the first day of 2006, 2005, and 2004, respectively. Accordingly, we have recorded these amounts as a receivable at year end.

Notes to the financial statements

Under the Revenue Forgone Reform Act of 1993, Congress is required to reimburse us \$29 million annually through 2035 (42 years). This reimbursement is for two purposes: services we performed in 1991, 1992, and 1993 for which we have not yet been paid; and for shortfalls in the reimbursement for the costs we incurred for processing and delivering certain nonprofit mail from 1994 through 1998.

The Revenue Forgone Reform Act of 1993 authorized a total of \$1,218 million in payments. We calculated the present value of these future reimbursements, at 7% interest, to be approximately \$390 million. We recognized the \$390 million as revenue during fiscal years 1991 through 1998. The amount receivable as of the years ended September 30 was \$360 million in 2005 and \$364 million in 2004.

Note 9 – Commitments

At September 30, 2005 we estimate our financial commitment for approved capital projects in progress to be approximately \$3,515 million.

Our total rental expense for the years ended September 30 is summarized as follows:

(Dollars in millions)

	2005	2004	2003
Non-cancelable real estate leases including related taxes	\$ 892	\$896	\$ 923
Facilities leased from General Services Administration Subject to 120-day notice of cancellation	42	49	53
Equipment and other short-term rentals	209	213	201
Total	\$ 1,143	\$1,158	\$ 1,177

At September 30, 2005 our future minimum lease payments for all non-cancelable leases are as follows:

(Dollars in millions)

	Operating	Capital
2006	\$ 825	\$ 100
2007	808	101
2008	777	100
2009	726	100
2010	669	100
After 2011	5,843	377
	<u>\$ 9,648</u>	\$ 878
Less: Interest		168
Total capital lease obligations		710
Less: Short-term portion of capital lease obligations		66
Long-term portion of capital lease obligations		\$ 644

Most of these leases contain renewal options for periods ranging from 3 to 20 years. Certain non-cancelable real estate leases give us the option to purchase the facilities at prices specified in the leases.

Capital leases included in buildings were \$906 million in 2005 and \$847 million in 2004. Total accumulated amortization is \$318 million in 2005 and \$259 million in 2004. Amortization expense for assets recorded under capital leases is included in depreciation expense which is included as "Other" in operating expenses in the statements of operations.

P.L.108-18 requires that we create an escrow, or restricted cash account of approximately \$3.1 billion by September 30, 2006 in the event that Congress has not yet decided how to deploy the savings from the change in the retirement funding provisions.

Note 10 – Contingent Liabilities

Each quarter we review litigation pending against us. As a result of this review, we classify and adjust our contingencies for claims that we think it is probable that we will pay and for which we can reasonably estimate the amount of the unfavorable outcome.

These claims cover labor, equal employment opportunity, environmental issues, traffic accidents, injuries on postal properties, personal claims and property damages, and suits and claims arising from postal contracts. We also recognize the settlements of claims and lawsuits and revisions of prior estimates. Additionally, we evaluate the materiality of cases determined to have a reasonably possible chance of adverse outcome. Such cases are immaterial to our financial statements taken as a whole.

(Dollars in millions)

Contingent Liabilities	2005	2004
Labor cases	\$ 308	\$ 243
Equal Employment Opportunity cases	79	54
Tort cases	49	52
Environmental cases	25	25
Contractual cases	8	41
	\$ 469	\$ 415

Management and General Counsel believe that we have made adequate provision for the probable amounts due under the suits, claims and proceedings we have discussed here. Amounts we expect to pay in the next year are accrued in Commercial vendors and accrued expenses of current liabilities. The long term portion of the liability is accrued in Other Non-Current Liabilities of the balance sheets.

Note 11 – Emergency Preparedness Funding

In 2002, the United States was subjected to biological terrorism, utilizing the mail as the delivery medium. In response, we implemented process changes and technology applications to reduce the risk to both our employees and our customers. The President of the United States and Congress authorized funding of \$762 million in 2002 to assist in paying for some of these safety measures, and to replace or repair postal facilities damaged or destroyed on September 11, 2001.

In 2003, the majority of our emergency preparedness expenses were for one-time activities, such as plant decontamination. We recognized these expenses as non-operating expenses and the corresponding revenue offset as non-operating revenue. Due to the ongoing nature of the remaining expenses, such as depreciation, supplies, and maintenance, beginning in 2004 we treated all emergency preparedness items as operating expenses and the associated revenue as operating revenue. As of September

30, 2004, all prior emergency preparedness appropriations have been fully expended or committed.

Not all our emergency preparedness expenditures are covered by the appropriations we received. The emergency preparedness expenses and capital equipment commitments for the years ended September 30 are as follows:

(Dollars in millions)

	2005	2004	2003
Operating expenses:			
Personnel costs	\$ –	\$ 9	\$ 12
Non-Personnel Costs	79	123	–
Total operating expenses	79	132	12
Non-operating expenses	–	–	184
Total Expenses	\$ 79	\$ 132	\$ 196
Capital Equipment commitments	\$ 313	\$ 222	\$ 189

In December 2004, an appropriation by Congress of \$503 million provided additional funds for Biohazard Detection Systems, Ventilation Filtration Systems, and an irradiation facility. Not all of these funds have been expended. We recognize the revenue when we depreciate the capital equipment purchased with the appropriation. The emergency preparedness appropriations revenues recognized during the years ended September 30 were \$45 million in 2005, \$92 million in 2004, and \$177 million in 2003. We are funding other costs of mail security and employee protection such as maintenance and consumable supplies from Postal revenue and charging them as operating expense.

Appropriations that have not been recognized as revenue during the years ended September 30 were \$772 million in 2005 and \$314 million in 2004 with the current portion included in Prepaid box rent and other deferred revenue and the long term portion in Deferred revenue. We recorded the balance as a liability until spent. We defer as a non-current liability the amounts we spend on capital equipment and amortize them to offset the depreciation expense of the related equipment.

INDEX OF TESTIMONIES – DOCKET NO. R2006-1

Attachment F

WITNESS	TESTIMONY	EXHIBIT TITLE	EXHIBIT NUMBER	WORKPAPERS	ATTORNEY
Dr. Martin Czigler	USPS-T-1				Ken Hollies 202-268-3083
Mr. Herbert B. Hunter, III	USPS-T-2				Ken Hollies 202-268-3083
Mr. Bradley V. Pafford	USPS-T-3				Ken Hollies 202-268-3083
Mr. Thomas W. Harahush	USPS-T-4				Ken Hollies 202-268-3083
Mr. Paul Riddle	USPS-T-5				Ken Hollies 202-268-3083
Mr. Richard G. Loutsch	USPS-T-6	Statements of Revenue and Expense, FY 2005 through Test Year After Rates	USPS-6A		Scott Reiter 202-268-2999
		Cost Segment Summary Tables, FY 2005 through Test Year After Rates	USPS-6B		
		Mail Volume, FY 2005 through Test Year After Rates	USPS-6C		
		Mail and Special Services Revenue, FY 2005 through Test Year After Rates	USPS-6D		
		Appropriation Revenue, FY 2005 through Test Year	USPS-6E		
		Statement of Cash Flows, FY 2005 through Test Year After Rates	USPS-6F		
		Interest Income, FY 2005 through Test Year After Rates	USPS-6G		
		Revenue Requirement, Summary Analysis of Income and Expense	USPS-6H		
		Summary of Net Income (Loss) & Equity	USPS-6I		
		Comparative Statements of Revenue and Expense / Computation of Weighted Average Percentage Revenue and Expense Variances	USPS-6J		

		Summary of Unit Labor Costs for Major Employee Groups	USPS-6K		
		Summary of Changes in Workyears by Source	USPS-6L		
		Summary of Changes in Accrued Costs by Source	USPS-6M		
		Adjustment of Rollforward Cost for Workyear Mix and Final Adjustments	USPS-6N		
		OPM Civil Service Retirement Reform Savings and Escrow	USPS-6O		
		Analysis of Changes in Personnel Cost Levels	USPS-6P		
Mr. Thomas E. Thress	USPS-T-7				Eric Koetting 202-268-2992
Mr. Peter Bernstein	USPS-T-8				Eric Koetting 202-268-2992
Mr. Mico Milanovic	USPS-T-9	Cost Segments and Components, BY 2005	USPS-9A	WP-A. Base Year 2005 Reports WP-B. Base Year 2005 Cost Segment Spreadsheets (1-20)	Brian Reimer 202-268-3037
		Final Adjustments, BY 2004	USPS-9B		
		Cost and Revenue Analysis, BY 2004	USPS-9C		
Ms. Lillian Waterbury	USPS-T-10	Roll Forward Model Factors	USPS-10A	WP-A , Fiscal Year 2006 WP-B , Fiscal Year 2007 (Before Rates) WP-C , Fiscal Year 2007 (After Rates) WP-D Test Year 2008 (Before Rates) WP-E , Test Year 2008 (After Rates)	Brian Reimer 202-268-3037
		Mail Volume Forecasts	USPS-10B		
		Final Adjustments	USPS-10C		
		"C" Report, Cost Segments & Components, Fiscal Year 2006	USPS-10D		

		"D" Report, Final Adjustments, Fiscal Year 2006	USPS-10E		
		"C" Report, Cost Segments & Components, Fiscal Year 2007 Before Rates	USPS-10F		
		"D" Report, Final Adjustments, Fiscal Year 2007 Before Rates	USPS-10G		
		"C" Report, Cost Segments & Components, Fiscal Year 2007 After Rates	USPS-10H		
		"D" Report, Final Adjustments, Fiscal Year 2007 After Rates	USPS-10I		
		"C" Report, Cost Segments & Components, Test Year 2008 Before Rates	USPS-10J		
		"D" Report, Final Adjustments, Test Year 2008 Before Rates	USPS-10K		
		"C" Report, Cost Segments & Components, Test Year 2008 After Rates	USPS-10L		
		"D" Report, Final Adjustments, Test Year 2008 After Rates	USPS-10M		
Ms. Eliane Van-Ty-Smith	USPS-T-11				Frank Heselton 202-268-5204
Dr. A.. Thomas Bozzo (I)	USPS-T-12				Frank Heselton 202-268-5204
Mr. Marc A. Smith	USPS-T-13				Frank Heselton 202-268-5204
Dr. Michael D. Bradley (I)	USPS-T-14				Eric Koetting 202-268-2992
Mr. John P. Kelley (I)	USPS-T-15				Brian Reimer 202-268-3037
Mr. Joseph E. Nash	USPS-T-16				Brian Reimer 202-268-3037
Dr. Michael D. Bradley (II)	USPS-T-17				Sheela Portonovo 202-268-3012
Ms. Dion E. Pifer	USPS-T-18			Workpapers in Support of Testimony of Dion Pifer, Volumes I and II	Eric Koetting 202-268-2992
Mr. Dennis P. Stevens	USPS-T-19				Eric Koetting 202-268-2992
Mr. Michael W. Miller (I)	USPS-T-20				Keith Weidner 202-268-6252
Mr. Michael W. Miller (II)	USPS-T-21				Keith Weidner 202-268-6252
Mr. Abdulkadir M. Abdirahman	USPS-T-22				Nan McKenzie 202-268-3089

Mr. James W. Page	USPS-T-23				David Rubin 202-268-2986 Ken Hollies 202 268-3083
Ms. Norma B. Nieto	USPS-T-24				Sheela Portonovo 202-268-3012
Ms. Virginia J. Mayes	USPS-T-25				Nan McKenzie 202-268-3089
Dr. Samuel T. Cutting	USPS-T-26				Nan McKenzie 202-268-3089
Dr. Daniel Talmo	USPS-T-27				Keith Weidner 202-268-6252
Mr. L. Paul Loetscher	USPS-T-28				Brian Reimer 202-268-3037
Mr. Steven M. Schroeder	USPS-T-29				Brian Reimer 202-268-3037
Mr. John P. Kelley (II)	USPS-T-30				Eric Koetting 202-268-2992
Dr. Donald J. O'Hara II	USPS-T-31				Michael Tidwell 202-268-2998
Mr. Altaf H. Taufique	USPS-T-32				Michael Tidwell 202-268-2998
Mr. Thomas M. Scherer	USPS-T-33				Brian Reimer 202-268-3037
Ms. Susan W. Berkeley (I)	USPS-T-34				Keith Weidner 202-268-6252
Ms. Rachel Tang	USPS-T-35				David Rubin 202-268-2986
Dr. James M. Kiefer (I)	USPS-T-36				Nan McKenzie 202-268-3089
Dr. James M. Kiefer (II)	USPS-T-37				Scott Reiter 202-268-2999
Ms. Nina Yeh	USPS-T-38				Scott Reiter 202-268-2999
Ms. Susan W. Berkeley (II)	USPS-T-39				David Rubin 202-268-2986
Mr. Drew Mitchum	USPS-T-40				David Rubin 202-268-2986
Mr. Kirk T. Kaneer	USPS-T-41				David Rubin 202-268-2986 Ken Hollies 202 268-3083
Mr. Marc D. McCrery	USPS-T-42				Sheela Portonovo 202-268-3012
Mr. Frederick J. Hintenach, III	USPS-T-43				Sheela Portonovo 202-268-3012
Ms. Joyce K. Coombs	USPS-T-44				Eric Koetting 202-268-2992
Mr. Anthony M. Pajunas	USPS-T-45				Brian Reimer 202-268-3037
Dr. A.. Thomas Bozzo (II)	USPS-T-46				Frank Heselton 202-268-5204 Ken Hollies 202 268-3083
Mr. Scott J. Davis	USPS-T-47				Eric Koetting 202-268-2992

COMPLIANCE STATEMENT

As with prior rate filings, the Postal Service is submitting a detailed guide to the manner in which it has complied with the basic standards set out in the Commission's rules of practice and procedure. This attachment to the request comprises that guide, which is organized by each pertinent provision of Rules 53, 54 and 64. Where information required is not included in direct testimony or exhibits of the Postal Service witnesses, it is contained in this or other attachments to the Request, or has been incorporated by reference in the testimony, exhibits, foundational materials, library references, Request, or attachments, and made available to the Commission.

RULE: 53(b – c)

REQUIREMENT: This rule requires the Postal Service to provide a single piece of testimony that presents an overview of the direct case and interrelationships among other witnesses. The Postal Service shall also identify those witnesses who address changes in cost methodology, volume estimation, and rate design as compared with Commission methods in the most recent general rate proceeding.

The requirement for roadmap testimony is met by the testimony of witness Davis (USPS-T-47). Witnesses who address actual changes in cost methodology, volume estimation and rate design since the last omnibus case are identified by the roadmap testimony, while specifics of those changes are addressed by the respective witnesses.

RULE: 54(a)(1)

REQUIREMENT: This rule requires a description of any changes proposed by the Postal Service in the attribution procedures applied by the Commission in the most recent general rate proceeding in which its recommended rates or fees were adopted. If a request proposes to change the cost attribution principles applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted, the Postal Service's request shall include an alternate cost presentation satisfying Rule 54(h) that shows what the effect on the Postal Service's request would be if it did not propose changes in attribution principles. If the required information is set forth in the Postal Service's prepared direct evidence, it shall be deemed to be part of the formal request without statement.

The testimony and workpapers of witnesses Milanovic and Pifer reflect the costing principles applied by the Postal Service to the base year in this case. Estimates applying these costs in the Test Year appear in the testimony and workpapers of witnesses Waterbury and Pifer. Alternate cost information is found in Library References L-93-104, and L-106-118, although the Postal Service is providing more information than is required by this rule. Other information pertaining to the Postal Service's distributions of costs can be found in the testimonies and supporting materials of witnesses Bozzo (USPS-T-12), Van-Ty-Smith (USPS-T-11), Bradley (USPS-T-14, USPS-T-17), Kelley (USPS-T-15), Nash (USPS-T-16), Smith (USPS-T-13), and O'Hara (USPS-T-31).

RULE: 54(b) (1), (2), (4)

REQUIREMENTS: These Rules require the submission of the schedule of the existing effective rates of postage and fees for all postal service and those rates and fees as proposed to be changed or adjusted. The schedule must

- specify the full rates and, where applicable, the phased rates under section 3626 of title 39 U.S.C., and any proposed adjustment to such phased rates under section 3627 of title 39 U.S.C., indicated by the circumstances known at the time of the filing;
- be presented in summary fashion and tariff-like form (e.g., there shall be a specification of those rules, regulations and practices which established conditions of mailability and standards of service);
- address such functions as mail pickup and delivery, process, and other similar functions;
- be accompanied by identification of all non postal services.

Attachment B to this Request specifies the present and proposed full rates of postage and fees for postal services, and the fees for special services.

Attachment C incorporates by references the rules, regulations, and practices that establish conditions of mailability and standards of service. The Postal Service's response to Rule 54(b)(2) should not be construed to admit that the Commission's jurisdiction extends to any of the specified rules, regulations, or practices.

Nonpostal services are discussed later in this statement.

RULE: 54(b)(3)

REQUIREMENT: This Rule requires that the rate and fee schedules required by Rule 54(b)(1) "contain a statement identifying the degree of economic substitutability between the various classes and subclasses, e.g., a description of cross-elasticity of demand as between various classes of mail."

This requirement is satisfied basically by the testimonies of witnesses Thress (USPS-T-7) and Bernstein (USPS-T-8). The nature of substitutability is also discussed in the testimony of witness O'Hara (USPS-T-31) and in the rate design testimony of witnesses Taufique (USPS-T-32), Scherer (USPS-T-33), Berkeley (USPS-T-34), Tang (USPS-T-35), and Kiefer (USPS-T-36 & 37).

RULE: 54(c)

REQUIREMENT: This rule requires "an identification of the characteristics of the mailer and recipient, and a description of the contents of items mailed within the various classes and subclasses of mail and service."

The subject matter of this requirement is addressed in the testimonies of witnesses Bernstein (USPS-T-8), Thress (USPS-T-7), O'Hara (USPS-T-31), Taufique (USPS-T-32), Scherer (USPS-T-33), Berkeley (USPS-T-34), Tang (USPS-T-35) and Kiefer (USPS-T-36 & 37).

RULE: 54(d)

REQUIREMENT: This Rule requires "an identification of the physical attributes of the items mailed by class and subclass, including shape, weight, and distance."

This information, in the form of Quarterly Statistics Reports, appears on both the Postal Rate Commission (www.prc.gov) and Postal Service (www.usps.com) websites. The reports from fiscal year 2005 were posted on the Commission website on February 2, 2006. Data pertaining to weight and distance are summarized in the testimonies and supporting materials of witnesses Milanovic (USPS-T-9), Waterbury (USPS-T-10), Nash (USPS-T-16), Schroeder (USPS-T-29) and Kelley (USPS-T-30). Further information describing the various classes and subclasses of mail and special services is contained in the rate and fee design testimony of Mr. Taufique (USPS-T-28).

RULE: 54(e)

REQUIREMENT: To the extent such information is not included within material supplied under Rule 54(b)(2), this Rule requires "a summary statement describing special service arrangements provided to, or requested or required of, mailers by the Postal Service which bear upon the cost of service or the value of the mail service to both the sender and the recipient, e.g., services relating to mailer preparations in excess of requirements specified by the [Domestic Mail Manual], pick-up and delivery, expedited or deferred processing, and other similar activities performed."

Domestic Mail Manual provisions are incorporated by reference in Attachment C. To the extent they might exist, other arrangements and circumstances having a bearing on the cost and value of mail service would be reflected in the testimony and supporting materials of witnesses Milanovic (USPS-T-9) and Waterbury (USPS-T-10), and may be mentioned in the testimonies and workpapers of witnesses listed in Attachment E for pertinent mail categories.

RULE: 54(f)(1)

REQUIREMENT: This rule requires the Request to present "the total actual accrued costs during the most recent fiscal year for which they are reasonably available."

The testimony and supporting materials for witness Loutsch present total actual accrued costs for FY 2005.

RULE: 54(f)(2) (Basic Submissions)

REQUIREMENT: This rule requires:

- for the year in which the filing is made (FY2006) estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for the year in which the filing is made (FY2006), estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees;
- for a year which forms the basis for the proposed rates and fees, beginning not more than 24 months after the filing date of the Request (FY2008), estimates of the total actual accrued costs of the Postal Service, assuming the prefiling (existing) rates and fees;
- for a year which forms the basis for the proposed rates and fees (FY2008), estimates of the total actual accrued costs of the Postal Service, assuming the proposed rates and fees.

Witness Waterbury's testimony presents FY2006 estimated total actual accrued costs assuming prefiling rates and fees ("Before-Rates"). Witness Waterbury's testimony also presents estimated total actual accrued costs for FY 2008, the year which forms the basis for the Postal Service's proposals, assuming prefiling ("Test Year Before Rates") and proposed ("Test Year After Rates") rates and fees.

RULE: 54(f)(2) (Methods and Procedures)

REQUIREMENT: For the estimated total accrued costs specified in this provision, the rule requires an explanation of the methods and procedures used for the cost projections, including

- an explanation of the projection of total volumes;
- an explanation of the effect of the projected volume levels on estimated total costs;
- specification of the cost savings which will be realized from gains and improvements in total productivity, indicating such factors as operational and technological advances and innovations;
- identification of abnormal costs which are expected to be incurred in the test year.

The testimonies of witnesses Thress and Bernstein explain the methods and procedures by which volumes were estimated. Witness Waterbury's testimony addresses the effect of projected volume levels on estimated costs. Witness Loutsch's testimony specifies the cost savings resulting from cost reduction programs, which are incorporated in witness Waterbury's roll-forward projections. The presence or absence of abnormal costs is addressed in Mr. Loutsch's testimony.

RULE: 54(f)(3)(i) and (ii) (Operating Costs)

REQUIREMENT: For the basic cost submissions required in Rule 54(f)(1) and (2), this rule requires a statement and explanation of

- operating costs in detail as to their accounting and functional classifications;
- the cost amounts for depreciation on capital facilities and equipment, debt service, contingencies, and extraordinary or nonrecurring expenses.

These financial data are presented in the testimony and workpapers of witness Loutsch.

RULE: 54(f)(3)(iii) (Cost Assignment and Distribution)

REQUIREMENT: For the basic cost submissions required in Rule 54(f)(1) and (2), this rule requires, assignment and distribution of costs to each of the functions comprising "the mail process." This presentation shall include

- an itemization of costs by the major accounts as reflected by the Service's books of accounts for all cost segments;
- an itemization of costs by functions such as collection, acceptance, general overheads, etc.;
- an assignment and distribution of the costs by account, together with related mail volumes, for each function;
- an assignment and distribution of the costs by account, together with related mail volumes, to "such subfunctions within each category for which information is available or can be developed;
- an explanation of the method by which the costs by accounts are assigned and distributed to functions.

For the development of base year cost estimates, witness Milanovic's testimony and supporting materials provide the itemization, allocation, and distribution of costs for all cost segments, and by function. The costs of particular cost segments are also addressed in the testimonies of witnesses Bozzo, Van-Ty-Smith, Bradley, Nash, Smith, Kelley, and Pifer. Data pertaining to "related mail volumes" associated with subfunctions are not produced by Postal Service data systems.

RULE: 54(g)

REQUIREMENT: This rule requires historical costs for "each fiscal year since the last filing pursuant to this section" to be submitted "in a form as nearly consistent as possible with the filing under [Rule 54(f)], together with explanations of any departures from such form and the effect of such departures."

Actual accrued costs for FY 2005 are presented in the Cost and Revenue Analysis (CRA) Reports on file with the Commission. Actual accrued costs for FY 2005 are also presented in the testimonies and supporting materials of witnesses Loutsch, Milanovic, and Pifer.

RULE: 54(h)(1)

REQUIREMENT: This rule requires the separation of actual and estimated total costs, for the fiscal years specified in Rule 54(f), as between postal services (including international mail) and nonpostal services.¹

International mail costs are separated in the testimonies and supporting materials of witnesses Milanovic, Pifer and Waterbury.

Costs and revenues for several domestic services which could be considered nonpostal -- such as insurance, C.O.D., and money orders -- are contained in the testimony and supporting materials of witnesses Milanovic, Pifer, Waterbury, and O'Hara.

The remaining domestic nonpostal services can be split into two groups. One group includes those nonpostal services which involve window clerk activity. Because of that, some of the costs associated with those services are derived from the Postal Service's traditional ratemaking data systems (e.g., IOCS). Other expenses associated with those programs, however, come from accounting data, with no sampling component. The other group of nonpostal services includes those services with no associated window clerk activity. For these programs, all of the reported costs are extracted from accounting data.

FY 2005 revenue and expenses by nonpostal product are shown on the attached sheet. For domestic nonpostal services as a whole (but excluding those such as C.O.D., insurance, and money orders already included in the exhibits of Witness Milanovic, etc.), the difference between known costs and revenues of approximately

¹ The word "nonpostal" is used here in a generic rather than jurisdictional sense. Some special services (such as money orders) have nonpostal aspects.

\$190.6 million directly reduced the institutional costs borne by postal services by that amount in FY 2005. Other indirect benefits may accrue from some of these programs as well. For example, hybrid mail products serve as alternate channels for the entry of mail by customers, with enhanced convenience and other attractive service features. To the extent that these channels generate postal volume that otherwise would not exist, the postage paid by such new volume generates additional institutional cost contribution that is not reflected on the attached sheet.

FY 2005 NONPOSTAL PRODUCTS (\$000)			
Product		FY 2005	
Migratory Bird	Revenue	223	
	Expenses	424	
	Net Income (Loss)	(200)	
Passports	Revenue	167,196	Note: Passport Expenses cannot be disaggregated, but Passport Revenues can be disaggregated between Applications (\$140,747) and Photos (\$26,449)
	Expenses	59,294	
	Net Income (Loss)	107,901	
Phone Cards	Revenue	6,298	
	Expenses	1,834	
	Net Income (Loss)	4,464	
Retail	Revenue	131,459	
	Expenses	123,349	
	Net Income (Loss)	8,111	
WINDOW SUBTOTAL	Revenue	305,177	
	Expenses	184,901	
	Net Income (Loss)	120,276	
AOL CD Program	Revenue	5,784	
	Expenses	-	
	Net Income (Loss)	5,784	
FedEx Dropboxes	Revenue	27,946	
	Expenses	-	
	Net Income (Loss)	27,946	
Meter Manufacturers Program	Revenue	70	
	Expenses	-	
	Net Income (Loss)	70	
Affiliates & Alliances	Revenue	241	
	Expenses	46	
	Net Income (Loss)	195	
Collaborative Logistics	Revenue	132	
	Expenses	-	
	Net Income (Loss)	132	
Magazine Subscriptions	Revenue	14	
	Expenses	196	
	Net Income (Loss)	(183)	
Electronic Postmark (EPM)	Revenue	185	
	Expenses	22	
	Net Income (Loss)	163	
Imagitas	Revenue	21,869	
	Expenses	1,363	
	Net Income (Loss)	20,506	
Licensing Programs	Revenue	3,709	
	Expenses	2,810	
	Net Income (Loss)	899	
Hybrid Mail	Revenue	905	
	Expenses	911	
	Net Income (Loss)	(6)	
NONWINDOW SUBTOTAL	Revenue	60,854	
	Expenses	5,348	
	Net Income (Loss)	55,507	
Dinero Seguro/Sure Money	Revenue	2,133	
	Expenses	1,395	
	Net Income (Loss)	737	
Photocopying	Revenue	14,817	Note: There are unknown local-level Photocopying expenses relating to removing money from machines, clearing jams, handling paperwork, etc.
	Expenses	Unknown	

RULE: 54(h)(2) and (3) (Separation of costs by functions)

REQUIREMENT: For the actual and estimated total costs presented for the years specified in Rule 54(f), these rules require the costs to be separated as follows:

- those direct costs which can be attributed to each class of mail or type of mail service;
- those indirect costs which can be attributed to each class of mail or type of mail service;
- any other costs of the Service which can be reasonably assigned to each class of mail or type of mail service;
- any other costs of the Postal Service which cannot be attributed or reasonably assigned.

The methodology used to derive these costs is required to be set forth in detail.

The testimonies and supporting materials of witnesses Milanovic and Pifer provide the information required by this rule for FY 2005.² See also the testimonies and supporting materials of witnesses Pifer, O'Hara, and Waterbury for information for the interim years, and the test year.

² The Postal Service interprets this rule in accordance with National Association of Greeting Card Publications v. United States Postal Service, 462 U.S. 810 (1983).

RULE: 54(h)(4), (12)

REQUIREMENT: This rule applies to the costs identified in Rule 54(h)(2). It requires that these costs be separately attributed to mail classes, subclasses, and special services. It also requires identification of the methodology used in attribution and an analysis of the effect of costs on the following:

- volume;
- peaking patterns;
- priority of handling;
- mailer preparations;
- quality of service;
- the physical nature of the item mailed;
- expected gains in total productivity, indicating such factors as operational and technological advances and innovations;
- any other factor affecting costs.

The data relevant to the analyses of the effect on costs of these factors must also be provided.

The methodologies employed by the Postal Service to develop direct and indirect costs are addressed in the testimonies and supporting materials of witnesses Milanovic, Waterbury, Pifer, Bozzo, Van-Ty-Smith, Bradley, Nash, and Smith. See also the testimony of witness O'Hara. The effect of volume on costs is also indicated by these testimonies.

Factors identified in this rule in addition to volume, which influence cost incurrence, and which are recognized in the methods of cost analysis employed by the Postal Service, include the following:

- peaking patterns;

- priority of handling;
- mailer preparations;
- quality of service;
- the physical nature of the item mailed;
- cost reduction programs.

These factors are associated with Postal Service cost attributions in the following ways:

1. The cost consequences of peaking patterns in mail processing and other relevant cost segments are reflected in the testimonies of witnesses Milanovic, Waterbury, Bozzo, and Van-Ty-Smith.
2. Mail entitled to priority handling often requires manual culling or other selection methods to separate it from the general mailstream. Such selection methods consume time, and the associated labor costs are charged to the affected categories. Also, to the extent priority handling involves a commitment to supply premium cost transportation, such costs are attributed to the mail so transported.
3. Mailer preparation enables the Postal Service to avoid the incurrence of certain costs in the mail processing and transportation functions. The results obtained by the In-Office Cost System (IOCS) and the Transportation Cost System (TRACS), by sampling the types of mail handled at various stages in these functions, reflect differences in costs resulting from mailer preparation. Other estimates of cost differences resulting from mailer preparation are

provided in the testimonies of witnesses Bradley, Mayes, Miller, Page, Abdirahman, Talmo, Cutting, Schroeder and Loetscher.

4. The cost consequences of quality of service are not isolated and quantified separately. They are, nevertheless, included to some extent in the level of costs. For example, the higher costs of air transportation are allocated to the classes and subclasses that benefit from that mode of transportation. Certain other features associated with quality of service, such as freedom from inspection, have no effect on the allocation of costs.
5. The physical nature of the item mailed affects the time consumed in processing mail, the space occupied in transportation, and the facility with which carriers can sort and deliver pieces of mail. The cost consequences of physical characteristics are not isolated and quantified separately in the allocation process, except insofar as particular characteristics are largely associated with particular categories of mail, *e.g.*, cards. These cost consequences are, however, reflected in cost distributions. For instance, incidence of time is affected by weight-density factors, and transportation costs are influenced by weight and cube.
6. The testimony of Mr. Loutsch indicates the role of cost reduction programs, including programs designed to improve productive relationships, in development of the Postal Service's overall revenue requirement. The results of these programs are carried

forward in estimates of costs for the test year and attributed to the classes and subclasses of mail as indicated by witnesses Waterbury and Pifer.

RULE: 54(h)(5) - (h)(10) ("Roll-Forward" model)

REQUIREMENT: These provisions generally specify particular items which must be included in the presentation of the process by which base year costs are rolled-forward to test-year costs, such as listings of the forecasting factors, piggyback factors, interim period workpapers, and an overall summary cost table. Rules 54(h)(6) and (7) require an explanation of the attributable cost final adjustments and the "other services" adjustments.

The items required by this rule are found in the testimony, exhibits, and workpapers of Ms. Waterbury, Mr. Smith, Mr. Page, and Mr. Pifer.

RULE: 54(h)(11) (Nonattributed costs)

REQUIREMENT: This rule applies to costs that are identified as "nonattributed or unassigned" pursuant to Rule 54(h)(2). It requires an explanation as to why such costs cannot be attributed or assigned. It further requires the identification, to the extent possible, of all such costs which benefit more than one class of mail or type of service (but not all classes or types), together with the mail classes or types of services so benefited.

Ultimately, all postal costs are either attributed or assigned. The following table identifies institutional costs which benefit more than one, but not all, classes or types of service, in accordance with the following standard: given the permissible shape, weight, method of postage payment, and other characteristics of a type of mail, would pieces of that type of mail likely appear in the operations encompassed by the cost element? If yes, the mail is "benefited."

As a practical matter, nearly all classes and services benefit to some degree from the various institutional costs. In the strict sense, therefore, there are few truly restricted institutional costs in the postal system. For example, Periodicals and Standard Regular mail are not listed as benefiting from clerk window service activities. Yet, these classes are handled by window service clerks at smaller offices. At larger offices, window service clerks may be responsible for accepting fees and trust fund payments relating to Periodicals and Standard Regular mail. Window service activities also include the sale of precanceled stamps, setting of postage meters for use on Standard Regular mail, and general delivery service for all types of mail. Consequently, the fact that a class is not listed as benefiting from a particular cost does not mean that the class is not handled at all in activities for which the particular cost is incurred.

Conversely, the fact that a class is listed as benefiting from a particular cost activity does not mean that a substantial portion of the class benefits, but only that given the characteristics of that class, some pieces of that class will of **necessity** require handlings contained within that cost component.

INSTITUTIONAL COSTS THAT BENEFIT MORE THAN
ONE TYPE OF MAIL BUT NOT ALL TYPES

<u>Type of Cost</u>	<u>Types Primarily Benefited</u>
Segments 2 and 3: Clerks-Window Service plus related supervision, primarily the institutional portion of stamps	First-Class Mail, Priority Mail, zone-rated parcels, non-presorted Media Mail, library rate, and Express Mail. I
Segments 6 and 7: City carriers-institutional portion of collection plus related supervision	First-Class Mail, Priority Mail, zone-rated parcels, non-presorted Media Mail, library rate, and Express Mail.
City carriers-institutional portion of parcel delivery plus related supervision	Package Services, free mail for the blind and handicapped, Priority Mail, Express Mail, First-Class Mail, Standard.

RULE: 54(i)

REQUIREMENT: This rule requires a statement of the criteria employed by the Postal Service in construction of the proposed rate schedule. The statement must include:

- the identification of the relationship between the revenues derived from the rates and fees for a particular class and subclass of mail or service and the costs attributed and assigned to that class or subclass of service;
- the identification of the procedures and methods used to apportion (to postal services) that part of the total revenue requirement, which is in excess of costs attributed;
- such other studies, information and data relevant to the criteria established by section 3622 of title 39, U.S.C., with appropriate explanations as will assist the Commission in determining whether or not the proposed rates or fees are in accordance with such criteria.

The testimonies and supporting materials of witnesses Kaneer, O'Hara, Taufique, Scherer, Berkeley, Tang, Mitchum, and Kiefer respond to this rule.

RULE: 54(j)(1), (2), (3), and (4)

REQUIREMENT: These rules require specification of revenues for certain fiscal years, including the test year. Revenues must be submitted for

- FY 2005, assuming prefiling (existing) rates and fees;
- test year (FY 2008), assuming prefiling (existing) rates and fees;
- test year (FY 2008), assuming proposed rates and fees.

The actual and estimated revenues for these years must be shown in total and separately for each class and subclass of mail and postal service and for all other sources from which the Postal Service collects revenues.

Each revenue presentation must be supported by identification of the methods and procedures employed.

Revenues for FY 2005 are provided by witness Milanovic. Revenues for the test year are provided by witness O'Hara. The testimonies and supporting materials of witnesses Kaneer, Taufique, Scherer, Berkeley, Tang, Mitchum, and Kiefer also respond to this rule.

FY 2006 revenues at suggested rates and fees are not provided.

RULE: 54(j)(5) (volume estimates)

REQUIREMENT: This rule requires that the Postal Service present for each class and subclass of mail and special service

- for each postal quarter beginning with the first quarter of the most recent complete fiscal year and ending one year beyond the last quarter of the test year, actual or estimated mail volumes at the prefiled (existing) rates and fees;
- for each postal quarter beginning with the quarter in which the rates are assumed to become effective and ending one year beyond the last quarter of the test year, the estimated volume of mail assuming the effectiveness of the proposed rates.

Volumes for FY2005 are presented by witness Milanovic. Volumes for FY 2005 through the test year (FY2008) are provided in the testimony of witness Thress. For purposes of this rule, the Postal Service's forecasts of volumes through FY 2009 are shown in Attachment A to USPS-T-7 (Thress).

RULE: 54(j)(5), (6), (7) (Demand study -- methodology and documentation)

REQUIREMENT: These rules require that the volume estimates provided pursuant to Rule 54(j)(5) must be derived from an econometric demand study relating postal volumes to their economic and noneconomic determinants, including postal rates, discounts and fees, personal income, business conditions, competitive and complementary postal services, competitive and complementary nonpostal activities, population, trend, seasonal patterns and other factors. The study must be furnished with the request, and any departure from the assumptions and specifications in the demand study made in estimating volumes of any class or subclass of mail must be explained.

For volume and revenue estimates, and subject to Rule 54(a)(2), the Postal Service must provide:

- a detailed explanation of the methodology employed to forecast volumes for each class and subclass of mail and postal service. Representative derivations of these forecasts from the econometric demand study must be presented in detail for two major mail classes, showing each intermediate value or factor employed. For remaining classes and subclasses of mail, such derivations may be summarized, except where their derivations depart from the representative methods presented;
- a detailed explanation of the methodology employed to forecast changes in revenues for each class and subclass of mail and postal service resulting from changes in rates and fees;
- a computer implementation of the methodology employed to forecast volumes and revenues for each class and subclass of mail and postal service. The computer implementation must comply with Rule 31(k)(3), and must be able to compute forecasts of volumes and revenues compatible with those specified in Rules 54(j)(2), (3), and (5) for
 - o any set of rates and fees within a reasonable range of the prefiled (existing) and the proposed rates,
 - o any date of implementation within the range spanned by the assumed date of implementation and the start of the test year,

- o alternative forecasts of the economic determinants of postal volumes, other than postal rates and fees, and
- o alternative values of any parameters with assigned values that are based upon unverifiable judgments.

Subject to Rule 54(a)(2), the Postal Service must make available at the offices of the Commission, in a form that can be read directly by a standard digital computer, the following:

- all of the input files and programs needed to replicate the required econometric demand study;
- any input files and programs employed to derive a price index for any class or subclass of mail or postal service from postal rates, discounts, and fees;
- any input files and programs used to prepare data for use in the required econometric demand study.

The material required by this rule is provided in the testimonies and supporting materials of witnesses Bernstein and Thress.

RULE: 54(k)

REQUIREMENT: This rule covers basic financial statement information. It requires the submission, for FY 2004 and FY 2005 (the two fiscal years immediately preceding the year in which the request is filed), the Balance Sheet, the Statement of Income and Expense, basic statistical information, and the Statement of Income and Expense by budget category. The request must include data with respect to the following:

- Balance Sheet and a supporting schedule for each item appearing thereon;
- Statement of Income and Expense and a supporting schedule for each item appearing thereon;
- as appropriate, statistical data with respect to revenue, pieces (by physical attributes, showing separately amounts of mail identified as stamped, metered, and imprinted, or other), weight, distance, postal employees (number, total payroll, productivity, etc.), postal space, post offices (numbers, classes, etc.), and any other pertinent factors which have been utilized in the development of the proposed rate schedule;
- Statement of Income and Expense by cost segment.

A reconciliation of the budgetary information with actual accrued costs must be provided for the most recent fiscal year.

If the fiscal information for FY 2005 (the immediately preceding fiscal year) is not fully available, a preliminary or pro forma submittal must be made, and upon final completion an updated report must be filed.

The data called for by this rule are presented primarily in the testimony and supporting materials of witness Loutsch.

Other data for revenue, pieces, weight, and distance are shown in exhibits to witness Milanovic's testimony, and in material supported by Mr. Loetscher's testimony.

Information concerning postal employees (number, total payroll, productivity) is included in witness Loutsch's workpapers.

The testimony and supporting materials of witness O'Hara furnish other "statistical data" referred to by this rule.

RULE: 54(I)(1)

REQUIREMENT: This rule requires a statement (which can be in workpaper form) indicating for each class and subclass of mail and postal service the relevant billing determinants (e.g., the volume of mail related to each rate element in determining revenues) separately for the current rates and the proposed rates. Proposed changes in rate design and the related adjustments should be explained in detail.

The information required by this rule is found generally in the materials provided by witnesses Kaneer, O'Hara, Taufique, Scherer, Berkeley, Tang, Mitchum, and Kiefer.

RULE: 54(I)(2)

REQUIREMENT: This rule requires, subject to subsection (a)(2), the base year volume of third-class bulk mail (Standard Mail) by ounce increment for each shape (letter-size, flat, irregular parcels, and parcels), submitted separately for regular and preferred, by presort level.

See Library Reference USPS-LR-L-87.

RULE: 54(m)

REQUIREMENT: This rule requires a statement, which can be in workpaper form, presenting detailed calculations of continuing appropriations according to 39 U.S.C. §2401(c) and phasing appropriations under 39 U.S.C. §3626 and any proposed adjustment to such phased rates under 39 U.S.C. §3627 indicated by circumstances known at the time of the filing. Calculation of all the phased rates for the entire applicable phasing period should be explained in detail.

The workpapers of witnesses O'Hara, Kiefer, and Taufique reflect preferred rate calculations, and incorporate issues related to phasing of rates. See also Attachment A.

There are no phased domestic rates.

RULE: 54(n)

REQUIREMENT: This rule requires identification of any performance goals which have been established for the classes and subclasses of mail. The Request must identify the achieved levels of service for those classes and subclasses of mail and mail services for which performance goals have been set.

The currently effective service standards for mail are shown below.

**UNITED STATES POSTAL SERVICE
SERVICE STANDARDS**
(ZIP Coded mail only)

Mail Class	Over night	2 nd Day	3 rd Day	4 th Day	5 th Day	6 th Day	7 th Day	8 th Day	9 th Day	10 th Day
Express Mail										
Priority Mail										
First-Class Mail										
Periodicals										
Package Services										
Standard Mail										

Achieved levels of performance are shown in the Origin-Destination Information System (ODIS) Quarterly Statistics Reports, This information appears on both the Postal Rate Commission (www.prc.gov) and Postal Service (www.usps.com) websites. The reports from fiscal year 2005 were posted on the Commission website on February 2, 2006.

RULE: 54(o)

REQUIREMENT: This rule requires the Postal Service to file workpapers providing detailed descriptions and explanations related to the submissions supporting its Request and proposals.

The required workpapers are supplied as supporting materials to the testimonies of Postal Service witnesses.

RULE: 54(p)

REQUIREMENT: This rule requires one or more certifications stating that the cost statements and supporting data submitted as part of the formal request, as well as the accompanying workpapers, which purport to reflect the books of the Postal Service, accurately set forth the results shown by such books. The required certification must be signed by one or more representatives of the Postal Service authorized to make such certification.

The required certification is submitted as Attachment D to this Request.

RULE: 54(q)

REQUIREMENT: This rule requires an opinion from an independent public accountant to the extent and as required by 39 U.S.C. § 2008(e).

An opinion by the independent accounting firm of Ernst & Young covering Fiscal Years 2004 and 2005 is submitted as Attachment E.

Rule: 64(b)

REQUIREMENT: This rule requires for every classification change proposed

- a statement of the present and proposed classification schedule provisions;
- a specification of the rules, regulations, and practices which establish the conditions of mailability and the standards of service;
- a statement identifying the degree of economic substitutability between the various classes and subclasses;
- an identification of nonpostal services.

1. Present and Proposed Classification Schedule Provisions

The affected present and proposed provisions of the DMCS, in legislative format, are contained in Attachment A.

2. Rules, Regulations and Practices

The practices of the Postal Service regarding those classes and subclasses of mail, and special service, for which classification schedule changes are proposed, are addressed in the testimonies of witnesses O'Hara, Taufique, Scherer, Berkeley, Tang, Kiefer, Yeh, Mitchum and Kaneer. A specification of the rules, regulations and practices that establish conditions of mailability and the standards of service are found in Attachment C. The Postal Service will promulgate rules and regulations consistent with the proposed classification schedule changes pursuant to its statutory authority. See 39 U.S.C. §401(2).

3. Degree of Economic Substitutability and Identification of Nonpostal Services

The degree of substitutability is addressed and discussed in the testimonies of witnesses Thress, Bernstein, O'Hara, Taufique, Scherer, Tang, Kiefer, Yeh, Berkeley, Mitchum and Kaneer..

Nonpostal services are identified in the discussion of Rule 54, which is incorporated here by reference.

Rule: 64(c)

REQUIREMENT: This rule requires information on mail characteristics concerning the nature of the items and the methods of mailing, characteristics of the mailer, recipient, and contents of items mailed, physical attributes of the mail, and applicable special service arrangements.

Discussions of the mailers and recipients of mail, the contents of mail, and methods of mailing are contained in the testimonies of witnesses O'Hara, Taufique, Scherer, Berkeley, Tang, Kiefer, Yeh, Berkeley, Mitchum and Kaneer. Physical attributes of mail are addressed in the response to Rule 54(d), incorporated here by reference. Special service arrangements are addressed in sections of this statement responding to Rule 54(b)(2) and Rule 54(e), incorporated here by reference.

Rule: 64(d), (e)

REQUIREMENT: This rule requires that effects of the changes on cost assignments, total cost assignments, total costs and total revenues be provided, on a before and after rates basis.

The testimonies of witnesses O'Hara, Taufique, Scherer, Berkeley, Tang, Kiefer, Yeh, Berkeley, Mitchum, Waterbury and Kaneer address the costs and revenues of the Postal Service on before and after changes bases.

Rule: 64(f)

REQUIREMENT: This rule requires a complete statement of the reasons and bases for the proposed changes.

The testimonies of witnesses O'Hara, Taufique, Scherer, Berkeley, Tang, Kiefer, Yeh, Berkeley, Mitchum and Kaneer provide explain reasons for the proposed changes.

Rule: 64(h)

REQUIREMENT: This rule provides that the requirements of Rule 54 apply in certain cases involving classification changes having rates, fee, or total cost change implications.

The Rule 54 compliance statements, which include the response to this requirement, are incorporated here by reference.