

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20260-0001

POSTAL RATE AND FEE CHANGES,
2006

Docket No. R2006-1

TESTIMONY OF
MICO MILANOVIC
ON BEHALF OF
THE UNITED STATES POSTAL SERVICE

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LIST OF EXHIBITS

A. COST SEGMENTS AND COMPONENTS, BY 2005USPS-9A

B. FINAL ADJUSTMENTS, BY 2005USPS-9B

C. COST AND REVENUE ANALYSIS, BY 2005USPS-9C

LIST OF WORKPAPERS

WP-A. BASE YEAR 2005 REPORTS

TABLE 1. MANUAL INPUT REQUIREMENT REPORT

TABLE 2. "A" REPORT (WITHOUT PESSA)

TABLE 3. FACTOR REPORT

TABLE 4. "B" REPORT (PESSA DETAIL)

WP-B. BASE YEAR 2005 COST SEGMENT SPREADSHEETS (1-20)

LIST OF LIBRARY REFERENCES

I am sponsoring the following library references:

- | | |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------|
| USPS LR-L-4 | Base Year 2005 CRA Model and Data Files (CD-ROM) |
| USPS LR-L-5 | Witness Milanovic's A and B Workpapers and Exhibits A, B and C (CD-ROM) |
| USPS LR-L-57 | Reconciliation of FY 2005 Statement of Revenues and Expenses to Audited Financial Statements and Reallocation of Expenses by Component |

1 Autobiographical Sketch

2 My name is Mico Milanovic. I am an Operations Research Analyst in Cost
3 Attribution, Finance at Postal Service Headquarters. I have been in my current
4 job since 2004 and have been employed by the Postal Service since 1987. I
5 perform work related to the Cost and Revenue Analysis (CRA) and International
6 Cost and Revenue Analysis (ICRA) reports.

7 Prior to my current assignment I worked in various positions throughout
8 the Postal Service. From 2002 to 2004 I was Account Management and Sales
9 Support Specialist in Marketing, Headquarters. From 1997 to 2002 I was Account
10 Manager and Direct Mail Sales Specialist in New York City. My duties included
11 managing business relationships with large mailers and presenting the benefits of
12 USPS products and services for customer acquisition and retention.

13 Prior to that I was a Customer Service Supervisor in various Delivery
14 Stations in Manhattan, and worked in mail processing operations in Manhattan,
15 New Haven and Boston.

16 Prior to my employment with the Postal Service I worked for a German
17 Multinational corporation in their German Headquarters for 3 years, as well as
18 their subsidiary in Bombay, India for 2 years. My job included account
19 management, international sales, market research and business climate and
20 investment analysis in India.

21 In 1991 I received a Bachelor of Arts Degree in Economics from the
22 University of Massachusetts, Boston. I received a professional degree in
23 Business Administration from a German educational institution in 1979.

1 PURPOSE AND SCOPE OF TESTIMONY

2 This testimony presents the development of Base Year 2005 costs. A
3 number of changes in the treatment of costs are introduced in this proceeding,
4 resulting in differences between the Base Year 2004 Cost and Revenue Analysis
5 (CRA) and Base Year 2005 costs. My testimony and related workpapers provide
6 a brief overview of these changes and report their results. However, a more
7 thorough treatment of these changes is addressed in the testimony of other
8 witnesses.

9 This testimony is divided into five sections. The first section is the
10 roadmap overview, which in response to Rule 53, lists the witnesses I receive
11 input from and give input to. The second section defines the postal costing
12 concepts used in the identification and development of base year costs. The
13 third section summarizes the changes in the treatment of costs between Base
14 Year 2004, which was the Base Year in Docket No. R2005-1, and Base Year
15 2005. The fourth section of my testimony provides an overview of the
16 development of Base Year 2005 costs. I present these costs as a series of
17 exhibits, which follow this narrative. The last section, again in response to Rule
18 53, describes proposed changes relative to the PRC methodology employed in
19 the most recently concluded rate proceeding.

20

21 I. Roadmap Overview

22 I receive inputs from the following the data systems, which are described
23 in the testimonies of witness Czigler, USPS-T-1, for IOCS inputs; witness

1 Harahush, USPS-T-4, for city carrier inputs; witness Riddle, USPS-T-5, for rural
2 carrier inputs; witness Hunter, USPS-T-2, for transportation inputs; witness
3 Kelley, USPS-T-15, for transportation inputs; witness Bradley, USPS-17, for
4 window service inputs; witness Bradley, USPS-T-14, for carrier cost study and
5 transportation inputs; witness Stevens, USPS-T-19, for rural carrier cost inputs in
6 USPS-LR-L-70; witness Pafford, USPS-T-3, for Revenue, Piece and Weights
7 (RPW) inputs; witness Loutsch, USPS-T-6, for the Statement of Revenue and
8 Expenses in USPS-LR-L-50; witness Van-Ty-Smith, USPS-T-11, for mail
9 processing inputs; and witness Smith, USPS-T-13, for facility and equipment
10 inputs.

11 I provide base year cost inputs to the following witnesses - Waterbury,
12 USPS-T-10 for the rollforward; witness Pifer, USPS-T-18, for the incremental
13 cost model; and witness Smith, USPS-T-13, for test year costs, and witness
14 Nieto, USPS-T-24, for special studies. Witness Loutsch, USPS-T-6, uses LR-L-
15 57.

16

17 II. Postal Costing Concepts

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

20 A. Volume Variable Costs

21 As in Dockets Nos. R97-1, R2000-1, R2001-1, and R2005-1, the term
22 "volume variable costs" refers to costs that change (increase or decrease) in

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

1 response to a small change in mail volume. The degree of variability is the ratio
2 of the percentage change in costs to the corresponding percentage change in
3 volume. The degree of variability is usually referred to as the “variability” and is
4 commonly expressed as a percentage.

5 B. Other Costs

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

9

10 III. Changes Between Base Year 2004 and Base Year 2005

11

12 A. Base Year 2004 to Base Year 2005

13

14 The Base Year 2005 CRA was a continuation of the Base Year 2004 CRA
15 methodology, except for the following general revisions, updates and special
16 studies. They are listed below.

17

1. General Revisions

18

The Base Year 2005 CRA and Fiscal Year 2005 CRA are the same.

19

Library references USPS-LR-L-2 and USPS-LR-L-3 show the Fiscal Year 2005

20

CRA and Fiscal Year 2005 Cost Segments and Components Report. Besides the

21

documentation that is part of the Base Year 2005 CRA model and data files

22

found in USPS-LR-L-4, further system documentation of the Base Year CRA

23

model can be found in USPS-LR-L-24.

24

The In-Office Cost System (IOCS) was modified in Fiscal Year 2005. The

25

IOCS and modifications are in the testimony of witness Czigler, USPS-T-1 and

26

witness Bozzo, USPS-T-46.

1

2 2. New Studies and Updates

3

4 A number of updates affecting the volume variable costs of selected
5 segments and components are incorporated in the Base Year 2005 costs. The
6 following is a summary of these new updates, as well as a reference to their
7 respective sponsoring witness.

8 Witness Czigler, USPS-T-1, and witness Bozzo, USPS-T-46, present
9 testimony regarding the In-Office Cost System, which provides data inputs used
10 to develop costs for various Cost Segments.

11 Updates to mail processing variabilities and to the subclass distribution of
12 volume-variable mail processing labor costs, affecting cost segment 3, Mail
13 Processing, were made, such as the merger of cost pools, and the elimination of
14 cost pools that were discontinued. The corresponding cost pools for facility
15 space have been similarly changed to reflect operational changes. Cost pool
16 formation is performed in the testimony and library references of witness Van-Ty-
17 Smith, USPS-T-11. Mail processing variabilities are discussed in the testimony
18 of witness Bozzo, USPS-T-12. Facility space-related costs are discussed in the
19 testimony of witness Smith, USPS-T-13.

20 Estimates of product specific costs are still developed and allocated to
21 categories of mail and special services in the estimation and application of
22 incremental costs. These are included in the workpapers of witness Pifer, USPS-
23 T-18. Also all product specific costs are shown in the workpapers of witness
24 Pifer, USPS-T-18.

1 In window service, Cost Segment 3.2, an update of the established
2 methodology was conducted and is presented in the testimony of witness
3 Bradley, USPS-T-17.

4 Witness Harahush, USPS-T-4, presents testimony regarding the Carrier
5 Cost Systems, which develops distribution key inputs for most of Cost Segment 7
6 and portions of Cost Segment 6. The distribution keys from the city carrier cost
7 system (CCS) were received as inputs included in the testimony of witness
8 Harahush, USPS-T-4.

9 City carrier costs, affecting Cost Segments 6 and 7, were changed in
10 Docket No. R2005-1 based on a new study. The methodology for calculating city
11 carrier costs is the same as presented in Docket No. R2005-1. The reason no
12 changes were made is provided by Witness Bradley, USPS-T-14.

13 Witness Riddle, USPS-T-5, provides testimony regarding the Rural Carrier
14 Cost System, affecting Cost Segment 10. The testimony of USPS-T-5 provides
15 distribution keys from the rural carrier cost system (RCS) as inputs to the Base
16 Year 2005 costs. An edit was made to the RCS distribution keys for the Base
17 Year 2005 to move international registered tallies to international, correcting an
18 oversight found in the Base Year in Docket No. R2005-1 where they were
19 formerly in domestic registered mail. This edit corrects the situation, which was
20 referred to in Docket No. R2005-1, in the Base Year 2004 supplemental
21 information filed June 20, 2005, which stated, "During the course of discovery, it
22 was determined that the FY 2004 inputs for domestic Registry from the rural
23 carrier system (RCS) contained international Registry."

1 Witness Hunter, USPS-T-2, presents testimony regarding the
2 Transportation Cost System (TRACS), which develops distribution keys for the
3 major domestic transportation cost components of Cost Segment 14. The
4 transportation costs are part of the testimony of witness Kelley, USPS-T-15.
5 Also, some calculations may be updated to reflect operational changes. Witness
6 Bradley, USPS-T-14, presents the theoretical basis for product costing in Postal
7 Service air networks. Witness Kelley, USPS-T-15, provides the numerical
8 computations.

9 Affecting Cost Segment 11, Custodial and Maintenance Services; Cost
10 Segment 16, Supplies and Service, and Cost Segment 20, Other Accrued
11 Expenses the testimony of witness Smith, USPS-T-13, includes discussions
12 related to equipment costs. For example, new cost pools for Point of Service
13 (POS) terminals, Mail Evaluation, Reliability & Lookup (MERLIN), mechanized
14 tray sorting, and Postal Automated Redirect System (PARS) have been added to
15 his analysis. Also related to equipment, in Cost Segment 16, one account,
16 54521, for repairs and maintenance of postal operations equipment, was moved
17 from Other Miscellaneous, Cost Segment 16.3.4 (Component 175), to
18 Equipment, Cost Segment 16.3.2, (Component 184) as this account relates to
19 'Equipment' rather than 'Other Miscellaneous'.

20

21 B. Cost Concepts

22 Prior to Docket No. R97-1, the Base Year cost presentation included
23 identification of specific-fixed costs. The Base Year 2005 cost presentation, like

1 Base Year 1996 in Docket No. R97-1, Base Year 1998 in Docket No. R2000-1,
2 Base Year 2000 in Docket No. R2001-1, and Base Year 2004 in Docket No.
3 R2005-1, is limited to the estimation of volume variable costs for each category
4 of mail and special service. Estimates of product specific costs are still
5 developed and allocated to categories of mail and special services in the
6 estimation and application of incremental costs. These are included in the
7 workpapers of witness Pifer, USPS-T-18.

8

9 IV. Development of Base Year 2005 Costs

10 Base Year 2005 costs are based on the established cost segments and
11 components. Accrued costs for Base Year 2005 are grouped into 20 cost
12 segments structured along costs for craft activities (e.g., rural carriers), work
13 activities or major functions (e.g., purchased transportation). The cost segments
14 are disaggregated into cost components and subcomponents. For each
15 component or subcomponent a determination of cost variability is made, and
16 then applied to the accrued costs for that component or subcomponent to arrive
17 at the level of volume variable cost. An appropriate distribution key is then
18 employed to distribute this cost to the classes and subclasses of mail and types
19 of special service.

20 Ongoing statistical sampling systems collect data and produce estimates
21 that underlie the costs presented in Exhibit USPS-9A. These cost systems are
22 IOCS, TRACS, CCS, and RCS. See witness Czigler, USPS-T-1, for IOCS,

1 witness Hunter, USPS-T-2, for TRACS; witness Riddle, USPS-T-5, for RCS, and
2 witness Harahush, USPS-T-4, for CCS.

3 Cost segments and components for Base Year 2005 are presented as
4 Exhibit USPS-9A to my testimony. Final adjustments are reported in my Exhibit
5 USPS-9B, and a Cost and Revenue Analysis report for Base Year 2005 is
6 provided as Exhibit USPS-9C.

7

8 V. Proposed Changes Relative to PRC Methodology

9 The proposed changes to the Base Year 2005 costs relative to PRC
10 methodology in the last rate proceeding are presented in Section III of my
11 testimony. The only other proposed changes/differences consist of the on-going
12 mail processing methods proposed but not adopted, starting in Docket No. R97-
13 1, and continuing in Docket Nos. R2000-1, R2001-1 and R2005-1; and the
14 different variability for FedEx Day Turn transportation used in the recommended
15 decision from Docket No. R2005-1.

16 The differences between the USPS 2005 base year costs relative to the
17 PRC methodology in the last rate proceeding are best approximated by
18 comparing the results shown in Attachment A of my testimony.

19 To the extent that, in response to Commission Rule 53, I discuss and
20 compare PRC versions of costing materials in this testimony, I do not sponsor
21 those materials, or in any way endorse the methodologies used to prepare them.
22 In its Order No. 1380 adopting the roadmap rule, the Commission included the

1 following statements regarding the role played by Postal Service witnesses under
2 these circumstances:

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

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

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ATTACHMENT A - USPS AND PRC BASE YEAR 2005 VOLUME VARIABLE COSTS
(in millions)

	USPS BY05 Volume Variable Cost	PRC BY05 Volume Variable Cost
First-Class Mail.....	\$17,163.8	\$18,450.8
Priority Mail.....	3,304.9	3,557.3
Express Mail.....	507.9	551.0
Mailgram.....	2.2	2.2
Periodicals:		
In County.....	77.9	82.6
Outside County.....	2,305.7	2,431.5
Total Periodicals.....	2,383.7	2,514.1
Standard Mail:		
Enhanced Carrier Route.....	2,758.8	2,813.8
Regular.....	8,265.5	8,579.8
Total Standard Mail.....	11,024.3	11,393.6
Package Services:		
Parcel Post.....	1,128.4	1,146.5
Bound Printed Matter.....	511.5	534.9
Media Mail.....	407.4	428.1
Total Package Services.....	2,047.3	2,109.5
Free Mail for the blind and handicapped..	55.6	59.4
Special Services.....	1,651.5	1,720.9

EXHIBIT USPS-9A
COST SEGMENTS AND COMPONENTS
BASE YEAR 2005

Development of Cost by Segment and Component - Base Year 2005

Cost Segment Summary

Component Name		C/S 1 Postmasters	C/S 2 Supervisors and Technicians	C/S 3 Clerks and Mailhandlers – CAG A-J Offices	C/S 4 Clerks – CAG K Offices	C/S 6 City Delivery Carriers – Office Activity	C/S 7 City Delivery Carriers – Street Activity	C/S 8 Vehicle Service Drivers	C/S 10 Rural Carriers	C/S 11 Custodial and Maintenance Services	C/S 12 Motor Vehicle Service
Component Number		(251)	(284)	(478)	(254)	(256)	(257)	(258)	(260)	(359)	(262)
Cost Segment											
First-Class Mail											
Single Piece Letters	101	109,243	677,542	4,915,524	1,343	1,250,191	1,190,758	22,538	314,178	667,004	55,177
Presort Letters	102	83,041	280,229	1,679,514	485	643,794	628,167	24,221	300,974	246,426	32,194
Total Letters	103	192,284	957,771	6,595,038	1,828	1,893,986	1,818,925	46,759	615,152	913,430	87,370
Single Piece Cards	104	3,327	33,715	198,894	52	87,370	76,934	217	20,849	24,016	3,285
Presort Cards	105	3,194	12,874	67,088	19	30,979	36,127	446	17,903	10,100	1,660
Total Cards	108	6,521	46,589	265,982	71	118,349	113,060	663	38,752	34,115	4,945
Total First-Class	109	198,805	1,004,360	6,861,021	1,899	2,012,335	1,931,985	47,422	653,904	947,546	92,315
Priority Mail	110	25,735	116,671	1,054,441	290	58,005	124,723	71,054	46,186	101,279	23,947
Express Mail	111	4,846	25,531	234,763	0	12,824	28,750	1,589	12,321	13,147	2,836
Mailgrams	112	0	132	1,268	0	99	148	0	2	161	15
Periodicals											
Within County	113	401	4,545	21,370	0	12,700	11,130	1,955	12,682	2,443	1,071
Outside County	117	11,495	130,711	925,447	0	322,178	121,227	29,168	138,141	99,035	13,459
Total Periodicals	123	11,896	135,256	946,817	0	334,878	132,357	31,123	150,823	101,478	14,530
Standard Mail											
Enhanced Carr Rte	126	31,265	147,417	515,842	92	507,603	467,708	42,782	518,676	84,097	34,993
Regular	127	73,435	466,574	3,075,251	577	1,080,941	905,958	50,379	581,805	443,872	52,612
Total Standard Mail	135	104,700	613,991	3,591,093	669	1,588,544	1,373,665	93,161	1,100,481	527,969	87,605
Package Services											
Parcel Post	136	6,848	45,234	351,204	67	19,817	69,923	73,843	35,262	47,269	20,231
Bound Printed Matter	137	3,310	24,818	162,998	33	18,611	67,671	27,798	25,293	28,764	10,903
Media Mail	139	2,056	16,670	137,157	26	10,965	27,712	9,546	12,042	23,950	3,932
Total Package Services	141	12,214	86,722	651,358	126	49,393	165,307	111,187	72,597	99,983	35,066
U.S. Postal Service	142	0	27,720	211,535	0	65,267	6,206	3,287	3,658	20,253	1,060
Free Mail	147	0	2,815	25,138	0	3,255	2,375	605	2,279	3,557	258
International Mail	161	8,388	34,493	331,111	1	15,485	21,935	7,601	20,017	34,689	3,303
Total All Mail	162	366,584	2,047,691	13,908,544	2,984	4,140,085	3,787,451	367,029	2,062,267	1,850,063	260,936
Special Services											
Registry	163	322	5,110	53,092	93	1,116	1,945	0	2,125	2,878	148
Certified	164	3,337	23,015	105,317	79	39,899	70,109	0	99,075	7,655	4,241
Insurance	165	698	6,077	41,853	3	3,844	6,965	0	16,141	2,060	545
Cod	166	52	391	2,348	2	226	913	0	1,835	136	74
Money Orders	168	1,258	12,235	106,616	0	0	0	0	1,309	4,374	26
Stamped Cards	159	13	0	0	0	0	0	0	0	1	0
Stamped Envelopes	169	103	387	3,383	0	0	0	0	0	141	0
Special Handling	170	57	655	7,334	15	0	0	0	0	323	0
Post Office Box	171	4,398	5,126	43,475	3	0	0	0	0	149,689	0
Other	172	3,157	21,522	152,240	156	16,643	42,239	0	31,325	10,630	2,067
Total Special Services	173	13,395	74,519	515,659	351	61,728	122,171	0	151,811	177,887	7,101
Total Volume Variable	198	379,979	2,122,210	14,424,203	3,335	4,201,813	3,909,622	367,029	2,214,077	2,027,950	268,037
Other Costs	199	1,756,872	1,984,945	4,436,816	2,638	868,515	6,693,689	240,232	3,384,314	1,097,077	748,790
Total Costs	200	2,136,851	4,107,155	18,861,019	5,973	5,070,328	10,603,311	607,261	5,598,391	3,125,027	1,016,827

Development of Cost by Segment and Component - Base Year 2005

Cost Segment Summary

Component Name		C/S 13 Miscellaneous Local Operations	C/S 14 Transportation	C/S 15 Building Occupancy	C/S 16 Supplies and Services	C/S 17 Research and Development	C/S 18 Administration and Area Operations	C/S 19 General Management Systems	C/S 20 Other Accrued Expenses (Servicewide)	Total Volume Variable
Component Number		(263)	(264)	(289)	(490)	(267)	(459)	(269)	(475)	(460)
Cost Segment										
First-Class Mail										
Single Piece Letters	101	1,244	568,394	313,758	433,009	0	442,177	0	492,357	11,454,438
Presort Letters	102	648	431,991	115,265	138,820	0	187,344	0	174,356	4,967,469
Total Letters	103	1,892	1,000,385	429,023	571,829	0	629,521	0	666,713	16,421,907
Single Piece Cards	104	85	5,804	11,845	20,154	0	21,409	0	16,809	524,764
Presort Cards	105	33	9,919	5,044	6,222	0	8,609	0	6,865	217,083
Total Cards	108	118	15,723	16,890	26,377	0	30,018	0	23,674	741,847
Total First-Class	109	2,010	1,016,108	445,913	598,206	0	659,539	0	690,387	17,163,754
Priority Mail	110	80	1,308,053	79,643	139,959	0	78,408	0	76,424	3,304,897
Express Mail	111	18	107,251	13,637	22,014	0	16,224	0	12,115	507,867
Mailgrams	112	0	0	56	77	0	87	0	105	2,151
Periodicals										
Within County	113	12	88	2,269	2,015	0	3,260	0	1,977	77,918
Outside County	117	254	228,781	62,280	60,456	0	86,022	0	77,091	2,305,743
Total Periodicals	123	266	228,869	64,549	62,470	0	89,282	0	79,068	2,383,661
Standard Mail										
Enhanced Carr Rte	126	501	94,601	67,899	68,423	0	111,862	0	65,017	2,758,777
Regular	127	1,034	406,272	229,549	245,151	0	323,075	0	328,998	8,265,484
Total Standard Mail	135	1,535	500,874	297,448	313,574	0	434,937	0	394,016	11,024,261
Package Services										
Parcel Post	136	37	332,156	31,688	23,534	0	31,989	0	39,282	1,128,386
Bound Printed Matter	137	35	72,743	15,888	12,910	0	17,644	0	22,097	511,515
Media Mail	139	17	111,083	12,559	9,560	0	11,804	0	18,300	407,378
Total Package Services	141	89	515,982	60,135	46,004	0	61,438	0	79,679	2,047,279
U.S. Postal Service	142	45	29,754	12,491	12,362	0	16,341	0	16,208	426,186
Free Mail	147	3	7,350	1,920	1,557	0	1,955	0	2,512	55,580
International Mail	161	18	849,966	20,777	18,893	0	23,142	0	33,901	1,423,720
Total All Mail	162	4,064	4,564,206	996,570	1,215,117	0	1,381,352	0	1,384,415	38,339,356
Special Services										
Registry	163	1	0	3,086	2,407	0	3,245	0	4,725	80,295
Certified	164	51	0	9,346	10,526	0	16,769	0	9,211	398,631
Insurance	165	5	0	2,585	2,835	0	3,745	0	22,409	109,765
Cod	166	0	0	164	187	0	284	0	2,124	8,736
Money Orders	168	0	0	5,511	11,363	0	6,095	0	7,834	156,621
Stamped Cards	159	0	0	1	1,593	0	1	0	0	1,609
Stamped Envelopes	169	0	0	178	5,888	0	195	0	250	10,526
Special Handling	170	0	0	300	313	0	405	0	342	9,744
Post Office Box	171	0	0	192,176	16,947	0	15,789	0	125,411	553,014
Other	172	26	0	8,019	11,320	0	13,372	0	9,880	322,597
Total Special Services	173	84	0	221,366	63,379	0	59,901	0	182,187	1,651,538
Total Volume Variable	198	4,148	4,564,206	1,217,936	1,278,496	0	1,441,253	0	1,566,601	39,990,895
Other Costs	199	315,988	872,560	614,197	1,608,902	40,727	2,887,302	59,800	943,404	28,556,769
Total Costs	200	320,136	5,436,766	1,832,133	2,887,398	40,727	4,328,555	59,800	2,510,006	68,547,664

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 01 - Postmasters

<i>Component Name</i>		Postmasters EAS 23 & Below	Postmasters EAS 24 & Above	C/S 1 Postmasters
<i>Component Number</i>		(1)	(2)	(251)
<i>Cost Segment</i>		1.1	1.2	
First-Class Mail				
Single Piece Letters	101	109,243	0	109,243
Presort Letters	102	83,041	0	83,041
Total Letters	103	192,284	0	192,284
Single Piece Cards	104	3,327	0	3,327
Presort Cards	105	3,194	0	3,194
Total Cards	108	6,521	0	6,521
Total First-Class	109	198,805	0	198,805
Priority Mail	110	25,735	0	25,735
Express Mail	111	4,846	0	4,846
Mailgrams	112	0	0	0
Periodicals				
Within County	113	401	0	401
Outside County	117	11,495	0	11,495
Total Periodicals	123	11,896	0	11,896
Standard Mail				
Enhanced Carr Rte	126	31,265	0	31,265
Regular	127	73,435	0	73,435
Total Standard Mail	135	104,700	0	104,700
Package Services				
Parcel Post	136	6,848	0	6,848
Bound Printed Matter	137	3,310	0	3,310
Media Mail	139	2,056	0	2,056
Total Package Services	141	12,214	0	12,214
U.S. Postal Service	142	0	0	0
Free Mail	147	0	0	0
International Mail	161	8,388	0	8,388
Total All Mail	162	366,584	0	366,584
Special Services				
Registry	163	322	0	322
Certified	164	3,337	0	3,337
Insurance	165	698	0	698
Cod	166	52	0	52
Money Orders	168	1,258	0	1,258
Stamped Cards	159	13	0	13
Stamped Envelopes	169	103	0	103
Special Handling	170	57	0	57
Post Office Box	171	4,398	0	4,398
Other	172	3,157	0	3,157
Total Special Services	173	13,395	0	13,395
Total Volume Variable	198	379,979	0	379,979
Other Costs	199	1,704,390	52,482	1,756,872
Total Costs	200	2,084,369	52,482	2,136,851

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 02 - Supervisors and Technicians

Component Name		Mail Processing	Central Mail Mark-up	Supervision of Mail Processing	Window Service	Supervision of Admin. and Support Activities	Supervision of City Delivery Carriers	Rural Delivery Carriers	Vehicle Service	Supervision of Collection and Delivery	Employee & Labor Relations
Component Number		(4)	(677)	(820)	(7)	(483)	(20)	(674)	(675)	(821)	(528)
Cost Segment		2.1.1	2.1.2	2.1	2.2	2.3	2.4.1	2.4.2	2.4.3	2.4	2.5.1
First-Class Mail											
Single Piece Letters	101	276,389	12,179	288,568	36,670	12,339	167,460	6,294	1,427	175,182	0
Presort Letters	102	100,021	11,248	111,269	2,430	5,247	87,262	6,030	1,534	94,826	0
Total Letters	103	376,410	23,427	399,837	39,101	17,586	254,723	12,324	2,961	270,008	0
Single Piece Cards	104	11,015	728	11,743	1,585	601	11,272	418	14	11,703	0
Presort Cards	105	3,938	596	4,534	100	241	4,604	359	28	4,991	0
Total Cards	108	14,953	1,324	16,277	1,684	843	15,876	776	42	16,694	0
Total First-Class	109	391,362	24,751	416,113	40,785	18,429	270,599	13,101	3,003	286,702	0
Priority Mail	110	59,527	427	59,954	8,560	2,162	12,536	925	4,499	17,960	0
Express Mail	111	12,195	53	12,248	3,461	451	2,852	247	101	3,200	0
Mailgrams	112	79	0	79	0	2	17	0	0	17	0
Periodicals											
Within County	113	1,252	137	1,389	20	91	1,635	254	124	2,013	0
Outside County	117	56,577	5,088	61,665	337	2,398	30,420	2,768	1,847	35,034	0
Total Periodicals	123	57,829	5,225	63,054	356	2,489	32,054	3,022	1,971	37,047	0
Standard Mail											
Enhanced Carr Rte	126	29,572	353	29,925	413	3,134	66,911	10,392	2,709	80,011	0
Regular	127	184,117	3,248	187,365	4,652	9,014	136,310	11,656	3,190	151,156	0
Total Standard Mail	135	213,689	3,601	217,290	5,065	12,148	203,221	22,048	5,899	231,168	0
Package Services											
Parcel Post	136	19,918	172	20,090	2,565	883	6,157	706	4,675	11,538	0
Bound Printed Matter	137	9,803	397	10,200	265	489	5,919	507	1,760	8,186	0
Media Mail	139	7,872	97	7,969	880	325	2,653	241	604	3,499	0
Total Package Services	141	37,594	666	38,260	3,710	1,697	14,729	1,454	7,040	23,224	0
U.S. Postal Service	142	11,052	2,264	13,316	2,374	455	4,903	73	208	5,185	0
Free Mail	147	1,517	26	1,543	45	54	386	46	38	470	0
International Mail	161	17,496	125	17,620	4,452	639	2,567	401	481	3,449	0
Total All Mail	162	802,339	37,138	839,477	68,807	38,526	543,865	41,317	23,239	608,421	0
Special Services											
Registry	163	2,845	4	2,849	656	90	210	43	0	253	0
Certified	164	2,419	0	2,419	5,779	471	7,547	1,985	0	9,532	0
Insurance	165	102	0	102	3,669	105	742	323	0	1,065	0
Cod	166	67	9	76	113	8	78	37	0	115	0
Money Orders	168	0	0	0	9,832	169	0	26	0	26	0
Stamped Cards	159	0	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	312	5	0	0	0	0	0
Special Handling	170	445	13	458	19	11	0	0	0	0	0
Post Office Box	171	77	0	77	3,881	271	0	0	0	0	0
Other	172	4,783	344	5,127	6,728	375	4,040	628	0	4,667	0
Total Special Services	173	10,737	370	11,107	30,988	1,506	12,616	3,041	0	15,658	0
Total Volume Variable	198	813,076	37,508	850,584	99,795	40,031	556,482	44,358	23,239	624,079	0
Other Costs	199	152,400	6,619	159,019	154,864	27,352	518,802	58,802	15,210	592,814	0
Total Costs	200	965,476	44,127	1,009,603	254,659	67,383	1,075,284	103,160	38,449	1,216,893	0

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 02 - Supervisors and Technicians

Component Name		Higher Level Supervisors	General Supervision of Mail Processing	General Supervision of Collection & Delivery	Supervisor Training	Quality Control/Revenue Protection	Joint Supervision Clerks & Carriers	Product Specific and Other S & T	Tech. Personnel & Other Sup. Activities	C/S 2 Supervisors and Technicians
Component Number		(30)	(31)	(32)	(601)	(676)	(678)	(33)	(822)	(284)
Cost Segment		2.5.2	2.5.3	2.5.4	2.5.5	2.5.6	2.5.7	2.5.8	2.5	
First-Class Mail										
Single Piece Letters	101	21,246	0	0	7,698	13,368	122,471	0	164,783	677,542
Presort Letters	102	8,985	0	0	3,180	5,205	49,087	0	66,457	280,229
Total Letters	103	30,231	0	0	10,878	18,573	171,559	0	231,240	957,771
Single Piece Cards	104	1,047	0	0	383	606	6,047	0	8,083	33,715
Presort Cards	105	415	0	0	146	215	2,231	0	3,008	12,874
Total Cards	108	1,463	0	0	529	821	8,278	0	11,091	46,589
Total First-Class	109	31,694	0	0	11,407	19,394	179,837	0	242,331	1,004,360
Priority Mail	110	3,653	0	0	1,325	2,469	20,587	0	28,035	116,671
Express Mail	111	770	0	0	291	508	4,603	0	6,171	25,531
Mailgrams	112	4	0	0	2	3	25	0	34	132
Periodicals										
Within County	113	158	0	0	51	74	750	0	1,033	4,545
Outside County	117	4,148	0	0	1,484	2,877	22,768	0	31,277	130,711
Total Periodicals	123	4,306	0	0	1,536	2,951	23,518	0	32,310	135,256
Standard Mail										
Enhanced Carr Rte	126	5,413	0	0	1,660	2,152	24,709	0	33,934	147,417
Regular	127	15,534	0	0	5,284	9,390	84,179	0	114,387	466,574
Total Standard Mail	135	20,947	0	0	6,944	11,542	108,888	0	148,321	613,991
Package Services										
Parcel Post	136	1,504	0	0	512	825	7,317	0	10,157	45,234
Bound Printed Matter	137	837	0	0	281	422	4,138	0	5,678	24,818
Media Mail	139	553	0	0	189	332	2,923	0	3,996	16,670
Total Package Services	141	2,893	0	0	982	1,580	14,377	0	19,832	86,722
U.S. Postal Service	142	792	0	0	316	568	4,714	0	6,390	27,720
Free Mail	147	93	0	0	32	66	512	0	703	2,815
International Mail	161	1,084	0	0	392	723	6,133	0	8,332	34,493
Total All Mail	162	66,236	0	0	23,226	39,804	363,194	0	492,460	2,047,691
Special Services										
Registry	163	154	0	0	58	115	936	0	1,263	5,110
Certified	164	820	0	0	260	171	3,564	0	4,815	23,015
Insurance	165	181	0	0	69	11	874	0	1,136	6,077
Cod	166	14	0	0	4	3	58	0	79	391
Money Orders	168	290	0	0	141	0	1,777	0	2,208	12,235
Stamped Cards	159	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	9	0	0	4	0	56	0	70	387
Special Handling	170	19	0	0	7	18	122	0	167	655
Post Office Box	171	116	0	0	57	3	722	0	898	5,126
Other	172	650	0	0	245	220	3,511	0	4,626	21,522
Total Special Services	173	2,256	0	0	846	540	11,619	0	15,260	74,519
Total Volume Variable	198	68,492	0	0	24,071	40,344	374,813	0	507,720	2,122,210
Other Costs	199	173,704	0	0	21,325	7,341	198,857	649,670	1,050,897	1,984,945
Total Costs	200	242,196	0	0	45,396	47,685	573,670	649,670	1,558,617	4,107,155

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 03 - Clerks and Mailhandlers – CAG A-J Offices

Component Name		Mail Processing	Window Services	Administrative Clerks	Time & Attendance	Product Specific	Administrative Support & Miscellaneous	C/S 3 Clerks and Mailhandlers – CAG A-J Offices
Component Number		(35)	(40)	(476)	(477)	(227)	(824)	(478)
Cost Segment		3.1	3.2	3.3.1	3.3.2	3.3.3	3.3	
First-Class Mail								
Single Piece Letters	101	4,318,431	388,318	198,320	10,456	0	208,776	4,915,524
Presort Letters	102	1,562,767	25,736	86,565	4,446	0	91,011	1,679,514
Total Letters	103	5,881,198	414,054	284,884	14,903	0	299,787	6,595,038
Single Piece Cards	104	172,101	16,779	9,505	509	0	10,014	198,894
Presort Cards	105	61,528	1,055	4,301	205	0	4,505	67,088
Total Cards	108	233,629	17,834	13,805	714	0	14,519	265,982
Total First-Class	109	6,114,827	431,888	298,689	15,616	0	314,306	6,861,021
Priority Mail	110	930,078	90,642	31,890	1,832	0	33,722	1,054,441
Express Mail	111	190,541	36,653	7,187	382	0	7,569	234,763
Mailgrams	112	1,231	0	35	2	0	37	1,268
Periodicals								
Within County	113	19,560	210	1,523	77	0	1,600	21,370
Outside County	117	883,980	3,564	35,870	2,032	0	37,903	925,447
Total Periodicals	123	903,541	3,774	37,393	2,109	0	39,502	946,817
Standard Mail								
Enhanced Carr Rte	126	462,053	4,372	46,761	2,656	0	49,416	515,842
Regular	127	2,876,722	49,262	141,629	7,638	0	149,267	3,075,251
Total Standard Mail	135	3,338,775	53,634	188,390	10,294	0	198,684	3,591,093
Package Services								
Parcel Post	136	311,214	27,164	12,078	748	0	12,827	351,204
Bound Printed Matter	137	153,166	2,804	6,613	414	0	7,028	162,998
Media Mail	139	123,001	9,319	4,562	275	0	4,837	137,157
Total Package Services	141	587,380	39,287	23,253	1,438	0	24,691	651,358
U.S. Postal Service	142	172,680	25,138	13,331	386	0	13,717	211,535
Free Mail	147	23,699	473	921	46	0	966	25,138
International Mail	161	273,358	47,139	10,072	541	0	10,614	331,111
Total All Mail	162	12,536,109	728,628	611,161	32,647	0	643,808	13,908,544
Special Services								
Registry	163	44,451	6,948	1,617	76	0	1,693	53,092
Certified	164	37,792	61,193	5,933	399	0	6,332	105,317
Insurance	165	1,592	38,857	1,316	89	0	1,404	41,853
Cod	166	1,047	1,198	96	7	0	103	2,348
Money Orders	168	0	104,111	2,361	143	0	2,505	106,616
Stamped Cards	159	0	0	0	0	0	0	0
Stamped Envelopes	169	0	3,304	74	5	0	79	3,383
Special Handling	170	6,956	200	169	10	0	178	7,334
Post Office Box	171	1,200	41,093	953	229	0	1,182	43,475
Other	172	74,728	71,241	5,954	318	0	6,271	152,240
Total Special Services	173	167,766	328,145	18,472	1,276	0	19,748	515,659
Total Volume Variable	198	12,703,875	1,056,773	629,633	33,922	0	663,556	14,424,203
Other Costs	199	2,381,164	1,639,915	383,360	23,178	9,199	415,737	4,436,816
Total Costs	200	15,085,039	2,696,688	1,012,994	57,100	9,199	1,079,292	18,861,019

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 04 - Clerks – CAG K Post Offices

Component Name		Clerks CAG K Offices (42) 4.1	C/S 4 Clerks – CAG K Offices (254)
Component Number			
Cost Segment			
First-Class Mail			
Single Piece Letters	101	1,343	1,343
Presort Letters	102	485	485
Total Letters	103	1,828	1,828
Single Piece Cards	104	52	52
Presort Cards	105	19	19
Total Cards	108	71	71
Total First-Class	109	1,899	1,899
Priority Mail	110	290	290
Express Mail	111	0	0
Mailgrams	112	0	0
Periodicals			
Within County	113	0	0
Outside County	117	0	0
Total Periodicals	123	0	0
Standard Mail			
Enhanced Carr Rte	126	92	92
Regular	127	577	577
Total Standard Mail	135	669	669
Package Services			
Parcel Post	136	67	67
Bound Printed Matter	137	33	33
Media Mail	139	26	26
Total Package Services	141	126	126
U.S. Postal Service	142	0	0
Free Mail	147	0	0
International Mail	161	1	1
Total All Mail	162	2,984	2,984
Special Services			
Registry	163	93	93
Certified	164	79	79
Insurance	165	3	3
Cod	166	2	2
Money Orders	168	0	0
Stamped Cards	159	0	0
Stamped Envelopes	169	0	0
Special Handling	170	15	15
Post Office Box	171	3	3
Other	172	156	156
Total Special Services	173	351	351
Total Volume Variable	198	3,335	3,335
Other Costs	199	2,638	2,638
Total Costs	200	5,973	5,973

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 06 - City Delivery Carriers – Office Activity

Component Name		In-Office Direct Labor	In-Office Support Overhead	In-Office Support Other	In-Office Support	C/S 6 City Delivery Carriers – Office Activity
Component Number		(43)	(44)	(604)	(837)	(256)
Cost Segment		6.1	6.2.2	6.2.3	6.2	
First-Class Mail						
Single Piece Letters	101	950,717	218,221	81,253	299,474	1,250,191
Presort Letters	102	488,635	112,158	43,001	155,159	643,794
Total Letters	103	1,439,352	330,379	124,255	454,634	1,893,986
Single Piece Cards	104	66,601	15,287	5,482	20,769	87,370
Presort Cards	105	23,351	5,360	2,268	7,628	30,979
Total Cards	108	89,952	20,647	7,750	28,397	118,349
Total First-Class	109	1,529,304	351,026	132,005	483,031	2,012,335
Priority Mail	110	43,084	9,889	5,031	14,920	58,005
Express Mail	111	9,609	2,206	1,010	3,215	12,824
Mailgrams	112	76	17	5	23	99
Periodicals						
Within County	113	9,682	2,222	796	3,018	12,700
Outside County	117	249,938	57,369	14,871	72,240	322,178
Total Periodicals	123	259,620	59,591	15,667	75,258	334,878
Standard Mail						
Enhanced Carr Rte	126	386,015	88,603	32,985	121,588	507,603
Regular	127	824,501	189,250	67,190	256,441	1,080,941
Total Standard Mail	135	1,210,516	277,853	100,175	378,028	1,588,544
Package Services						
Parcel Post	136	14,021	3,218	2,578	5,796	19,817
Bound Printed Matter	137	13,319	3,057	2,234	5,292	18,611
Media Mail	139	8,038	1,845	1,082	2,927	10,965
Total Package Services	141	35,378	8,120	5,894	14,014	49,393
U.S. Postal Service	142	51,132	11,736	2,398	14,135	65,267
Free Mail	147	2,494	572	189	761	3,255
International Mail	161	11,704	2,686	1,095	3,781	15,485
Total All Mail	162	3,152,917	723,699	263,469	987,168	4,140,085
Special Services						
Registry	163	834	191	91	282	1,116
Certified	164	29,413	6,751	3,735	10,486	39,899
Insurance	165	2,828	649	367	1,016	3,844
Cod	166	154	35	36	72	226
Money Orders	168	0	0	0	0	0
Stamped Cards	159	0	0	0	0	0
Stamped Envelopes	169	0	0	0	0	0
Special Handling	170	0	0	0	0	0
Post Office Box	171	0	0	0	0	0
Other	172	11,927	2,738	1,978	4,716	16,643
Total Special Services	173	45,156	10,365	6,207	16,572	61,728
Total Volume Variable	198	3,198,073	734,063	269,676	1,003,740	4,201,813
Other Costs	199	503,148	115,489	249,878	365,367	868,515
Total Costs	200	3,701,221	849,553	519,554	1,369,107	5,070,328

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 07 - City Delivery Carriers – Street Activity

Component Name		Network Travel	Delivery Activities	Delivery Support	C/S 7 City Delivery Carriers – Street Activity
Component Number		(54)	(46)	(280)	(257)
Cost Segment		7.1	7.2	7.3	
First-Class Mail					
Single Piece Letters	101	0	1,052,679	138,078	1,190,758
Presort Letters	102	0	559,478	68,689	628,167
Total Letters	103	0	1,612,158	206,767	1,818,925
Single Piece Cards	104	0	68,073	8,861	76,934
Presort Cards	105	0	32,172	3,955	36,127
Total Cards	108	0	100,245	12,816	113,060
Total First-Class	109	0	1,712,402	219,583	1,931,985
Priority Mail	110	0	103,917	20,806	124,723
Express Mail	111	0	23,135	5,615	28,750
Mailgrams	112	0	113	36	148
Periodicals					
Within County	113	0	9,854	1,275	11,130
Outside County	117	0	107,335	13,892	121,227
Total Periodicals	123	0	117,189	15,168	132,357
Standard Mail					
Enhanced Carr Rte	126	0	416,655	51,052	467,708
Regular	127	0	807,093	98,864	905,958
Total Standard Mail	135	0	1,223,748	149,917	1,373,665
Package Services					
Parcel Post	136	0	59,412	10,511	69,923
Bound Printed Matter	137	0	55,999	11,672	67,671
Media Mail	139	0	23,268	4,444	27,712
Total Package Services	141	0	138,679	26,628	165,307
U.S. Postal Service	142	0	5,447	759	6,206
Free Mail	147	0	2,106	268	2,375
International Mail	161	0	18,473	3,462	21,935
Total All Mail	162	0	3,345,210	442,241	3,787,451
Special Services					
Registry	163	0	1,653	292	1,945
Certified	164	0	62,525	7,584	70,109
Insurance	165	0	6,211	753	6,965
Cod	166	0	799	114	913
Money Orders	168	0	0	0	0
Stamped Cards	159	0	0	0	0
Stamped Envelopes	169	0	0	0	0
Special Handling	170	0	0	0	0
Post Office Box	171	0	0	0	0
Other	172	0	37,529	4,710	42,239
Total Special Services	173	0	108,716	13,454	122,171
Total Volume Variable	198	0	3,453,927	455,695	3,909,622
Other Costs	199	1,328,245	4,594,372	771,072	6,693,689
Total Costs	200	1,328,245	8,048,299	1,226,767	10,603,311

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 08 - Vehicle Service Drivers

Component Name		Vehicle Service Drivers (57)	C/S 8 Vehicle Service Drivers (258)
Component Number		8.1	
Cost Segment			
First-Class Mail			
Single Piece Letters	101	22,538	22,538
Presort Letters	102	24,221	24,221
Total Letters	103	46,759	46,759
Single Piece Cards	104	217	217
Presort Cards	105	446	446
Total Cards	108	663	663
Total First-Class	109	47,422	47,422
Priority Mail	110	71,054	71,054
Express Mail	111	1,589	1,589
Mailgrams	112	0	0
Periodicals			
Within County	113	1,955	1,955
Outside County	117	29,168	29,168
Total Periodicals	123	31,123	31,123
Standard Mail			
Enhanced Carr Rte	126	42,782	42,782
Regular	127	50,379	50,379
Total Standard Mail	135	93,161	93,161
Package Services			
Parcel Post	136	73,843	73,843
Bound Printed Matter	137	27,798	27,798
Media Mail	139	9,546	9,546
Total Package Services	141	111,187	111,187
U.S. Postal Service	142	3,287	3,287
Free Mail	147	605	605
International Mail	161	7,601	7,601
Total All Mail	162	367,029	367,029
Special Services			
Registry	163	0	0
Certified	164	0	0
Insurance	165	0	0
Cod	166	0	0
Money Orders	168	0	0
Stamped Cards	159	0	0
Stamped Envelopes	169	0	0
Special Handling	170	0	0
Post Office Box	171	0	0
Other	172	0	0
Total Special Services	173	0	0
Total Volume Variable	198	367,029	367,029
Other Costs	199	240,232	240,232
Total Costs	200	607,261	607,261

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 10 - Rural Carriers

<i>Component Name</i>		Evaluated Routes	Other Routes	Equipment Maintenance Allowance	C/S 10 Rural Carriers
<i>Component Number</i>		(69)	(70)	(73)	(260)
<i>Cost Segment</i>		10.1	10.2	10.3	
First-Class Mail					
Single Piece Letters	101	288,826	25,352	0	314,178
Presort Letters	102	276,951	24,024	0	300,974
Total Letters	103	565,777	49,375	0	615,152
Single Piece Cards	104	19,065	1,784	0	20,849
Presort Cards	105	16,433	1,470	0	17,903
Total Cards	108	35,498	3,253	0	38,752
Total First-Class	109	601,275	52,629	0	653,904
Priority Mail	110	42,323	3,862	0	46,186
Express Mail	111	11,271	1,050	0	12,321
Mailgrams	112	1	0	0	2
Periodicals					
Within County	113	11,720	962	0	12,682
Outside County	117	127,664	10,477	0	138,141
Total Periodicals	123	139,384	11,439	0	150,823
Standard Mail					
Enhanced Carr Rte	126	477,849	40,827	0	518,676
Regular	127	536,048	45,757	0	581,805
Total Standard Mail	135	1,013,898	86,583	0	1,100,481
Package Services					
Parcel Post	136	32,316	2,946	0	35,262
Bound Printed Matter	137	23,249	2,044	0	25,293
Media Mail	139	11,034	1,009	0	12,042
Total Package Services	141	66,599	5,998	0	72,597
U.S. Postal Service	142	3,347	311	0	3,658
Free Mail	147	2,079	200	0	2,279
International Mail	161	18,322	1,695	0	20,017
Total All Mail	162	1,898,499	163,767	0	2,062,267
Special Services					
Registry	163	1,944	181	0	2,125
Certified	164	90,635	8,440	0	99,075
Insurance	165	14,764	1,377	0	16,141
Cod	166	1,691	144	0	1,835
Money Orders	168	1,175	134	0	1,309
Stamped Cards	159	0	0	0	0
Stamped Envelopes	169	0	0	0	0
Special Handling	170	0	0	0	0
Post Office Box	171	0	0	0	0
Other	172	26,869	4,456	0	31,325
Total Special Services	173	137,079	14,732	0	151,811
Total Volume Variable	198	2,035,578	178,499	0	2,214,077
Other Costs	199	2,681,864	253,113	449,337	3,384,314
Total Costs	200	4,717,442	431,612	449,337	5,598,391

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 11 - Custodial and Maintenance Services

Component Name		Custodial Personnel	Contract Cleaners	Operating Equipment Maintenance	Plant & Building Equipment Maintenance	C/S 11 Custodial and Maintenance Services
Component Number		(74)	(81)	(75)	(79)	(359)
Cost Segment		11.1.1	11.1.2	11.2	11.3	
First-Class Mail						
Single Piece Letters	101	170,899	14,231	399,995	81,879	667,004
Presort Letters	102	62,236	5,182	149,190	29,818	246,426
Total Letters	103	233,135	19,414	549,185	111,697	913,430
Single Piece Cards	104	6,325	527	14,133	3,031	24,016
Presort Cards	105	2,711	226	5,864	1,299	10,100
Total Cards	108	9,037	753	19,996	4,330	34,115
Total First-Class	109	242,172	20,166	569,181	116,026	947,546
Priority Mail	110	44,084	3,671	32,402	21,121	101,279
Express Mail	111	7,360	613	1,648	3,526	13,147
Mailgrams	112	31	3	113	15	161
Periodicals						
Within County	113	1,244	104	499	596	2,443
Outside County	117	34,511	2,874	45,116	16,534	99,035
Total Periodicals	123	35,755	2,977	45,615	17,130	101,478
Standard Mail						
Enhanced Carr Rte	126	36,693	3,055	26,769	17,580	84,097
Regular	127	125,666	10,464	247,534	60,208	443,872
Total Standard Mail	135	162,359	13,520	274,303	77,787	527,969
Package Services						
Parcel Post	136	17,416	1,450	20,059	8,344	47,269
Bound Printed Matter	137	8,692	724	15,184	4,164	28,764
Media Mail	139	6,887	574	13,189	3,300	23,950
Total Package Services	141	32,995	2,748	48,432	15,808	99,983
U.S. Postal Service	142	6,773	564	9,672	3,245	20,253
Free Mail	147	1,068	89	1,888	512	3,557
International Mail	161	11,312	942	17,016	5,419	34,689
Total All Mail	162	543,909	45,292	1,000,270	260,591	1,850,063
Special Services						
Registry	163	1,651	137	298	791	2,878
Certified	164	4,716	393	286	2,260	7,655
Insurance	165	1,312	109	11	628	2,060
Cod	166	83	7	6	40	136
Money Orders	168	2,797	233	3	1,340	4,374
Stamped Cards	159	0	0	0	0	1
Stamped Envelopes	169	90	8	0	43	141
Special Handling	170	170	14	58	81	323
Post Office Box	171	95,808	7,978	2	45,902	149,689
Other	172	4,131	344	4,175	1,979	10,630
Total Special Services	173	110,760	9,223	4,839	53,066	177,887
Total Volume Variable	198	654,669	54,515	1,005,109	313,657	2,027,950
Other Costs	199	426,085	35,481	431,371	204,140	1,097,077
Total Costs	200	1,080,754	89,996	1,436,480	517,797	3,125,027

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 12 - Motor Vehicle Service

Component Name		Personnel	Supplies & Materials	Vehicle Hire	C/S 12 Motor Vehicle Service
Component Number		(90)	(99)	(108)	(262)
Cost Segment		12.1	12.2	12.3	
First-Class Mail					
Single Piece Letters	101	22,531	30,897	1,748	55,177
Presort Letters	102	12,856	18,389	949	32,194
Total Letters	103	35,387	49,286	2,698	87,370
Single Piece Cards	104	1,362	1,809	114	3,285
Presort Cards	105	681	931	48	1,660
Total Cards	108	2,043	2,740	162	4,945
Total First-Class	109	37,430	52,026	2,860	92,315
Priority Mail	110	8,641	14,987	319	23,947
Express Mail	111	1,193	1,611	32	2,836
Mailgrams	112	7	8	0	15
Periodicals					
Within County	113	406	643	22	1,071
Outside County	117	4,956	8,126	376	13,459
Total Periodicals	123	5,362	8,770	398	14,530
Standard Mail					
Enhanced Carr Rte	126	13,657	20,544	793	34,993
Regular	127	20,759	30,343	1,509	52,612
Total Standard Mail	135	34,416	50,887	2,302	87,605
Package Services					
Parcel Post	136	6,962	13,004	265	20,231
Bound Printed Matter	137	4,050	6,718	135	10,903
Media Mail	139	1,468	2,412	53	3,932
Total Package Services	141	12,480	22,134	452	35,066
U.S. Postal Service	142	359	646	55	1,060
Free Mail	147	95	158	6	258
International Mail	161	1,238	2,019	46	3,303
Total All Mail	162	101,220	153,245	6,471	260,936
Special Services					
Registry	163	63	83	2	148
Certified	164	1,770	2,392	78	4,241
Insurance	165	228	310	8	545
Cod	166	31	42	1	74
Money Orders	168	11	15	0	26
Stamped Cards	159	0	0	0	0
Stamped Envelopes	169	0	0	0	0
Special Handling	170	0	0	0	0
Post Office Box	171	0	0	0	0
Other	172	866	1,158	42	2,067
Total Special Services	173	2,970	4,000	131	7,101
Total Volume Variable	198	104,190	157,245	6,602	268,037
Other Costs	199	313,808	428,153	6,829	748,790
Total Costs	200	417,998	585,398	13,431	1,016,827

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 13 - Miscellaneous Local Operations

Component Name		Contract Stations	Carfare	Driveout - City Delivery	Tolls and Ferriage	Carfare, Driveout, Tolls and Ferriage	Federal Reserve & Commercial Banks	Employee Awards	Equipment Shops	CAG L Rental Allowance	Other Local Operations
Component Number		(111)	(135)	(141)	(113)	(825)	(125)	(115)	(826)	(112)	(114)
Cost Segment		13.1	13.2.1	13.2.2	13.2.3	13.2	13.3	13.4	13.5	13.6	13.7
First-Class Mail											
Single Piece Letters	101	0	508	736	0	1,244	0	0	0	0	0
Presort Letters	102	0	265	383	0	648	0	0	0	0	0
Total Letters	103	0	773	1,120	0	1,892	0	0	0	0	0
Single Piece Cards	104	0	35	50	0	85	0	0	0	0	0
Presort Cards	105	0	14	20	0	33	0	0	0	0	0
Total Cards	108	0	48	70	0	118	0	0	0	0	0
Total First-Class	109	0	821	1,190	0	2,010	0	0	0	0	0
Priority Mail	110	0	33	47	0	80	0	0	0	0	0
Express Mail	111	0	7	11	0	18	0	0	0	0	0
Mailgrams	112	0	0	0	0	0	0	0	0	0	0
Periodicals											
Within County	113	0	5	7	0	12	0	0	0	0	0
Outside County	117	0	104	150	0	254	0	0	0	0	0
Total Periodicals	123	0	109	158	0	266	0	0	0	0	0
Standard Mail											
Enhanced Carr Rte	126	0	205	296	0	501	0	0	0	0	0
Regular	127	0	422	612	0	1,034	0	0	0	0	0
Total Standard Mail	135	0	627	908	0	1,535	0	0	0	0	0
Package Services											
Parcel Post	136	0	15	22	0	37	0	0	0	0	0
Bound Printed Matter	137	0	14	21	0	35	0	0	0	0	0
Media Mail	139	0	7	10	0	17	0	0	0	0	0
Total Package Services	141	0	36	52	0	89	0	0	0	0	0
U.S. Postal Service	142	0	18	27	0	45	0	0	0	0	0
Free Mail	147	0	1	2	0	3	0	0	0	0	0
International Mail	161	0	7	10	0	18	0	0	0	0	0
Total All Mail	162	0	1,659	2,405	0	4,064	0	0	0	0	0
Special Services											
Registry	163	0	1	1	0	1	0	0	0	0	0
Certified	164	0	21	30	0	51	0	0	0	0	0
Insurance	165	0	2	3	0	5	0	0	0	0	0
Cod	166	0	0	0	0	0	0	0	0	0	0
Money Orders	168	0	0	0	0	0	0	0	0	0	0
Stamped Cards	159	0	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	0	0	0	0	0	0	0
Special Handling	170	0	0	0	0	0	0	0	0	0	0
Post Office Box	171	0	0	0	0	0	0	0	0	0	0
Other	172	0	11	15	0	26	0	0	0	0	0
Total Special Services	173	0	34	50	0	84	0	0	0	0	0
Total Volume Variable	198	0	1,694	2,455	0	4,148	0	0	0	0	0
Other Costs	199	73,808	23,213	2,227	453	25,894	28,745	106,472	22,864	7	58,198
Total Costs	200	73,808	24,907	4,682	453	30,042	28,745	106,472	22,864	7	58,198

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 13 - Miscellaneous Local Operations

Component Name		C/S 13 Miscellaneous Local Operations
Component Number		(263)
Cost Segment		
First-Class Mail		
Single Piece Letters	101	1,244
Presort Letters	102	648
Total Letters	103	1,892
Single Piece Cards	104	85
Presort Cards	105	33
Total Cards	108	118
Total First-Class	109	2,010
Priority Mail	110	80
Express Mail	111	18
Mailgrams	112	0
Periodicals		
Within County	113	12
Outside County	117	254
Total Periodicals	123	266
Standard Mail		
Enhanced Carr Rte	126	501
Regular	127	1,034
Total Standard Mail	135	1,535
Package Services		
Parcel Post	136	37
Bound Printed Matter	137	35
Media Mail	139	17
Total Package Services	141	89
U.S. Postal Service	142	45
Free Mail	147	3
International Mail	161	18
Total All Mail	162	4,064
Special Services		
Registry	163	1
Certified	164	51
Insurance	165	5
Cod	166	0
Money Orders	168	0
Stamped Cards	159	0
Stamped Envelopes	169	0
Special Handling	170	0
Post Office Box	171	0
Other	172	26
Total Special Services	173	84
Total Volume Variable	198	4,148
Other Costs	199	315,988
Total Costs	200	320,136

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 14 - Transportation

Component Name		Domestic Air	Domestic Alaska Air	Highway	Railroad	Domestic Water	Total Domestic	Total International	C/S 14 Transportation
Component Number		(142)	(681)	(143)	(144)	(145)	(542)	(828)	(264)
Cost Segment		14.1.1	14.1.1	14.1.2	14.1.3	14.1.4	14.1	14.2	
First-Class Mail									
Single Piece Letters	101	226,712	18	335,415	4,110	2,139	568,394	0	568,394
Presort Letters	102	217,878	0	210,005	3,064	1,044	431,991	0	431,991
Total Letters	103	444,590	18	545,420	7,174	3,183	1,000,385	0	1,000,385
Single Piece Cards	104	1,294	0	4,438	41	31	5,804	0	5,804
Presort Cards	105	4,125	0	5,673	86	35	9,919	0	9,919
Total Cards	108	5,419	0	10,111	127	66	15,723	0	15,723
Total First-Class	109	450,009	18	555,531	7,301	3,249	1,016,108	0	1,016,108
Priority Mail	110	895,187	72	400,762	9,262	2,770	1,308,053	0	1,308,053
Express Mail	111	91,215	0	15,167	741	128	107,251	0	107,251
Mailgrams	112	0	0	0	0	0	0	0	0
Periodicals									
Within County	113	0	0	86	1	1	88	0	88
Outside County	117	18,042	15	194,147	13,815	2,762	228,781	0	228,781
Total Periodicals	123	18,042	15	194,233	13,816	2,763	228,869	0	228,869
Standard Mail									
Enhanced Carr Rte	126	2,698	46	85,214	5,359	1,284	94,601	0	94,601
Regular	127	22,121	42	344,961	33,203	5,946	406,272	0	406,272
Total Standard Mail	135	24,819	89	430,175	38,562	7,230	500,874	0	500,874
Package Services									
Parcel Post	136	8,047	7,773	285,442	25,613	5,282	332,156	0	332,156
Bound Printed Matter	137	3,279	10	65,813	2,855	786	72,743	0	72,743
Media Mail	139	3,275	11	94,379	11,418	2,000	111,083	0	111,083
Total Package Services	141	14,601	7,793	445,634	39,886	8,068	515,982	0	515,982
U.S. Postal Service	142	14,186	17	15,061	340	150	29,754	0	29,754
Free Mail	147	1,352	0	5,812	132	54	7,350	0	7,350
International Mail	161	88,903	2	60,549	7,974	626	158,055	691,911	849,966
Total All Mail	162	1,598,314	8,005	2,122,924	118,014	25,038	3,872,295	691,911	4,564,206
Special Services									
Registry	163	0	0	0	0	0	0	0	0
Certified	164	0	0	0	0	0	0	0	0
Insurance	165	0	0	0	0	0	0	0	0
Cod	166	0	0	0	0	0	0	0	0
Money Orders	168	0	0	0	0	0	0	0	0
Stamped Cards	159	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	0	0	0	0	0
Special Handling	170	0	0	0	0	0	0	0	0
Post Office Box	171	0	0	0	0	0	0	0	0
Other	172	0	0	0	0	0	0	0	0
Total Special Services	173	0	0	0	0	0	0	0	0
Total Volume Variable	198	1,598,314	8,005	2,122,924	118,014	25,038	3,872,295	691,911	4,564,206
Other Costs	199	226,728	106,022	535,017	1,248	3,549	872,564	-4	872,560
Total Costs	200	1,825,042	114,027	2,657,941	119,262	28,587	4,744,859	691,907	5,436,766

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 15 - Building Occupancy

Component Name		Rents	Fuel & Utilities	Communications and Other	C/S 15 Building Occupancy
Component Number		(329)	(314)	(393)	(289)
Cost Segment		15.1	15.2	15.3	
First-Class Mail					
Single Piece Letters	101	221,199	92,560	0	313,758
Presort Letters	102	81,558	33,707	0	115,265
Total Letters	103	302,756	126,267	0	429,023
Single Piece Cards	104	8,419	3,426	0	11,845
Presort Cards	105	3,576	1,469	0	5,044
Total Cards	108	11,995	4,894	0	16,890
Total First-Class	109	314,751	131,161	0	445,913
Priority Mail	110	55,767	23,876	0	79,643
Express Mail	111	9,651	3,986	0	13,637
Mailgrams	112	39	17	0	56
Periodicals					
Within County	113	1,595	674	0	2,269
Outside County	117	43,589	18,691	0	62,280
Total Periodicals	123	45,184	19,365	0	64,549
Standard Mail					
Enhanced Carr Rte	126	48,026	19,873	0	67,899
Regular	127	161,488	68,061	0	229,549
Total Standard Mail	135	209,514	87,934	0	297,448
Package Services					
Parcel Post	136	22,256	9,433	0	31,688
Bound Printed Matter	137	11,180	4,708	0	15,888
Media Mail	139	8,829	3,730	0	12,559
Total Package Services	141	42,264	17,870	0	60,135
U.S. Postal Service	142	8,823	3,668	0	12,491
Free Mail	147	1,342	578	0	1,920
International Mail	161	14,651	6,126	0	20,777
Total All Mail	162	701,986	294,584	0	996,570
Special Services					
Registry	163	2,192	894	0	3,086
Certified	164	6,792	2,554	0	9,346
Insurance	165	1,874	710	0	2,585
Cod	166	119	45	0	164
Money Orders	168	3,996	1,515	0	5,511
Stamped Cards	159	1	0	0	1
Stamped Envelopes	169	129	49	0	178
Special Handling	170	208	92	0	300
Post Office Box	171	140,286	51,890	0	192,176
Other	172	5,781	2,238	0	8,019
Total Special Services	173	161,378	59,988	0	221,366
Total Volume Variable	198	863,364	354,572	0	1,217,936
Other Costs	199	0	230,769	383,428	614,197
Total Costs	200	863,364	585,341	383,428	1,832,133

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 16 - Supplies and Services

Component Name		Stamps & Dispensers	Money Orders	Stamped Cards & Embossed Stamped Envelopes	Stamps and Accountable Paper	Supply Personnel	Custodial and Building	Equipment	Comprehensive Tracking & Tracing	Other Miscellaneous	Advertising
Component Number		(180)	(181)	(248)	(839)	(173)	(176)	(184)	(196)	(830)	(246)
Cost Segment		16.1.1	16.1.2	16.1.3	16.1	16.2	16.3.1	16.3.2	16.3.3	16.3.4	16.3.5
First-Class Mail											
Single Piece Letters	101	68,382	0	0	68,382	0	26,431	128,760	0	209,436	0
Presort Letters	102	2,317	0	0	2,317	0	9,625	37,435	0	89,443	0
Total Letters	103	70,699	0	0	70,699	0	36,056	166,195	0	298,879	0
Single Piece Cards	104	4,040	0	0	4,040	0	978	4,860	0	10,276	0
Presort Cards	105	293	0	0	293	0	419	1,390	0	4,121	0
Total Cards	108	4,333	0	0	4,333	0	1,398	6,250	0	14,396	0
Total First-Class	109	75,032	0	0	75,032	0	37,454	172,445	0	313,275	0
Priority Mail	110	154	0	0	154	0	6,818	15,994	0	116,993	0
Express Mail	111	10	0	0	10	0	1,138	2,965	0	17,901	0
Mailgrams	112	0	0	0	0	0	5	30	0	42	0
Periodicals											
Within County	113	0	0	0	0	0	192	277	0	1,545	0
Outside County	117	0	0	0	0	0	5,337	14,462	0	40,656	0
Total Periodicals	123	0	0	0	0	0	5,530	14,739	0	42,201	0
Standard Mail											
Enhanced Carr Rte	126	807	0	0	807	0	5,675	8,503	0	53,438	0
Regular	127	10,896	0	0	10,896	0	19,435	61,851	0	152,969	0
Total Standard Mail	135	11,703	0	0	11,703	0	25,110	70,354	0	206,407	0
Package Services											
Parcel Post	136	8	0	0	8	0	2,694	6,033	0	14,800	0
Bound Printed Matter	137	3	0	0	3	0	1,344	3,335	0	8,227	0
Media Mail	139	26	0	0	26	0	1,065	3,039	0	5,429	0
Total Package Services	141	37	0	0	37	0	5,103	12,407	0	28,456	0
U.S. Postal Service	142	0	0	0	0	0	1,047	3,607	0	7,708	0
Free Mail	147	0	0	0	0	0	165	488	0	904	0
International Mail	161	162	21	0	183	0	1,749	6,204	0	10,757	0
Total All Mail	162	87,098	21	0	87,119	0	84,120	299,233	0	744,645	0
Special Services											
Registry	163	0	0	0	0	0	255	642	0	1,509	0
Certified	164	0	0	0	0	0	729	1,731	0	8,066	0
Insurance	165	0	0	0	0	0	203	849	0	1,783	0
Cod	166	0	0	0	0	0	13	37	0	137	0
Money Orders	168	0	5,847	0	5,847	0	433	2,227	0	2,856	0
Stamped Cards	159	0	0	1,593	1,593	0	0	0	0	0	0
Stamped Envelopes	169	0	0	5,713	5,713	0	14	71	0	91	0
Special Handling	170	0	0	0	0	0	26	95	0	191	0
Post Office Box	171	0	0	0	0	0	14,817	892	0	1,238	0
Other	172	0	0	0	0	0	639	3,852	423	6,406	0
Total Special Services	173	0	5,847	7,306	13,152	0	17,130	10,397	423	22,277	0
Total Volume Variable	198	87,098	5,867	7,306	100,271	0	101,250	309,630	423	766,923	0
Other Costs	199	274	0	0	274	16,169	65,897	308,886	0	1,050,978	142,848
Total Costs	200	87,372	5,867	7,306	100,545	16,169	167,147	618,516	423	1,817,901	142,848

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 16 - Supplies and Services

<i>Component Name</i>		Non-Mail Related Products	Other Supplies and Services	C/S 16 Supplies and Services
<i>Component Number</i>		(1426)	(831)	(490)
<i>Cost Segment</i>		16.3.6	16.3	
First-Class Mail				
Single Piece Letters	101	0	364,627	433,009
Presort Letters	102	0	136,503	138,820
Total Letters	103	0	501,130	571,829
Single Piece Cards	104	0	16,114	20,154
Presort Cards	105	0	5,929	6,222
Total Cards	108	0	22,044	26,377
Total First-Class	109	0	523,174	598,206
Priority Mail	110	0	139,805	139,959
Express Mail	111	0	22,004	22,014
Mailgrams	112	0	77	77
Periodicals				
Within County	113	0	2,015	2,015
Outside County	117	0	60,456	60,456
Total Periodicals	123	0	62,470	62,470
Standard Mail				
Enhanced Carr Rte	126	0	67,616	68,423
Regular	127	0	234,255	245,151
Total Standard Mail	135	0	301,871	313,574
Package Services				
Parcel Post	136	0	23,526	23,534
Bound Printed Matter	137	0	12,907	12,910
Media Mail	139	0	9,534	9,560
Total Package Services	141	0	45,967	46,004
U.S. Postal Service	142	0	12,362	12,362
Free Mail	147	0	1,557	1,557
International Mail	161	0	18,711	18,893
Total All Mail	162	0	1,127,998	1,215,117
Special Services				
Registry	163	0	2,407	2,407
Certified	164	0	10,526	10,526
Insurance	165	0	2,835	2,835
Cod	166	0	187	187
Money Orders	168	0	5,516	11,363
Stamped Cards	159	0	0	1,593
Stamped Envelopes	169	0	176	5,888
Special Handling	170	0	313	313
Post Office Box	171	0	16,947	16,947
Other	172	0	11,320	11,320
Total Special Services	173	0	50,227	63,379
Total Volume Variable	198	0	1,178,225	1,278,496
Other Costs	199	23,849	1,592,459	1,608,902
Total Costs	200	23,849	2,770,684	2,887,398

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 17 - Research and Development

Component Name		Research & Development	C/S 17 Research and Development
Component Number		(190)	(267)
Cost Segment		17.1	
First-Class Mail			
Single Piece Letters	101	0	0
Presort Letters	102	0	0
Total Letters	103	0	0
Single Piece Cards	104	0	0
Presort Cards	105	0	0
Total Cards	108	0	0
Total First-Class	109	0	0
Priority Mail	110	0	0
Express Mail	111	0	0
Mailgrams	112	0	0
Periodicals			
Within County	113	0	0
Outside County	117	0	0
Total Periodicals	123	0	0
Standard Mail			
Enhanced Carr Rte	126	0	0
Regular	127	0	0
Total Standard Mail	135	0	0
Package Services			
Parcel Post	136	0	0
Bound Printed Matter	137	0	0
Media Mail	139	0	0
Total Package Services	141	0	0
U.S. Postal Service	142	0	0
Free Mail	147	0	0
International Mail	161	0	0
Total All Mail	162	0	0
Special Services			
Registry	163	0	0
Certified	164	0	0
Insurance	165	0	0
Cod	166	0	0
Money Orders	168	0	0
Stamped Cards	159	0	0
Stamped Envelopes	169	0	0
Special Handling	170	0	0
Post Office Box	171	0	0
Other	172	0	0
Total Special Services	173	0	0
Total Volume Variable	198	0	0
Other Costs	199	40,727	40,727
Total Costs	200	40,727	40,727

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 18 - Administration and Area Operations

Component Name		Headquarters	Money Order Division	Area Administration	Postal Inspection Service	Administration Personnel	Supplies & Services	Miscellaneous Support	Inspection Expenses & Employee Losses	Reimbursements	Individual Awards
Component Number		(191)	(192)	(193)	(832)	(833)	(210)	(211)	(212)	(213)	(1429)
Cost Segment		18.1.1	18.1.2	18.1.3	18.1.4	18.1	18.2.1	18.2.2	18.2.3	18.2.4	18.2.5
First-Class Mail											
Single Piece Letters	101	0	0	0	11,310	11,310	0	0	0	0	0
Presort Letters	102	0	0	0	4,119	4,119	0	0	0	0	0
Total Letters	103	0	0	0	15,428	15,428	0	0	0	0	0
Single Piece Cards	104	0	0	0	419	419	0	0	0	0	0
Presort Cards	105	0	0	0	179	179	0	0	0	0	0
Total Cards	108	0	0	0	598	598	0	0	0	0	0
Total First-Class	109	0	0	0	16,026	16,026	0	0	0	0	0
Priority Mail	110	0	0	0	2,917	2,917	0	0	0	0	0
Express Mail	111	0	0	0	487	487	0	0	0	0	0
Mailgrams	112	0	0	0	2	2	0	0	0	0	0
Periodicals											
Within County	113	0	0	0	82	82	0	0	0	0	0
Outside County	117	0	0	0	2,284	2,284	0	0	0	0	0
Total Periodicals	123	0	0	0	2,366	2,366	0	0	0	0	0
Standard Mail											
Enhanced Carr Rte	126	0	0	0	2,428	2,428	0	0	0	0	0
Regular	127	0	0	0	8,316	8,316	0	0	0	0	0
Total Standard Mail	135	0	0	0	10,745	10,745	0	0	0	0	0
Package Services											
Parcel Post	136	0	0	0	1,153	1,153	0	0	0	0	0
Bound Printed Matter	137	0	0	0	575	575	0	0	0	0	0
Media Mail	139	0	0	0	456	456	0	0	0	0	0
Total Package Services	141	0	0	0	2,184	2,184	0	0	0	0	0
U.S. Postal Service	142	0	0	0	448	448	0	0	0	0	0
Free Mail	147	0	0	0	71	71	0	0	0	0	0
International Mail	161	0	0	0	749	749	0	0	0	0	0
Total All Mail	162	0	0	0	35,995	35,995	0	0	0	0	0
Special Services											
Registry	163	0	0	0	109	109	0	0	0	0	0
Certified	164	0	0	0	312	312	0	0	0	0	0
Insurance	165	0	0	0	87	87	0	0	0	0	0
Cod	166	0	0	0	6	6	0	0	0	0	0
Money Orders	168	0	0	0	185	185	0	0	0	0	0
Stamped Cards	159	0	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	6	6	0	0	0	0	0
Special Handling	170	0	0	0	11	11	0	0	0	0	0
Post Office Box	171	0	0	0	6,340	6,340	0	0	0	0	0
Other	172	0	0	0	273	273	0	0	0	0	0
Total Special Services	173	0	0	0	7,330	7,330	0	0	0	0	0
Total Volume Variable	198	0	0	0	43,325	43,325	0	0	0	0	0
Other Costs	199	732,017	3,392	179,820	485,968	1,401,197	249,259	135,683	1,756	-3,282	10,287
Total Costs	200	732,017	3,392	179,820	529,293	1,444,522	249,259	135,683	1,756	-3,282	10,287

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 18 - Administration and Area Operations

Component Name		Miscellaneous Personnel Compensation	Commissions on Non-US Money Orders	Administration Support	Repriced Annual Leave	Holiday Leave	Civil Service Retirement Supplemental Liability	Workers Compensation	Unemployment Compensation	Annuitant Health Benefits	Annuitant Life Insurance
Component Number		(1430)	(244)	(840)	(292)	(487)	(201)	(486)	(453)	(208)	(71)
Cost Segment		18.2.6	18.2.7	18.2	18.3.1	18.3.2	18.3.3	18.3.4	18.3.5	18.3.6	18.3.7
First-Class Mail											
Single Piece Letters	101	0	0	0	15,121	164	0	140,229	7,376	266,065	1,912
Presort Letters	102	0	0	0	6,430	70	0	59,632	3,137	113,144	813
Total Letters	103	0	0	0	21,551	234	0	199,861	10,513	379,208	2,725
Single Piece Cards	104	0	0	0	737	8	0	6,831	359	12,962	93
Presort Cards	105	0	0	0	296	3	0	2,743	144	5,205	37
Total Cards	108	0	0	0	1,032	11	0	9,575	504	18,167	131
Total First-Class	109	0	0	0	22,584	246	0	209,436	11,016	397,376	2,855
Priority Mail	110	0	0	0	2,649	29	0	24,569	1,292	46,616	335
Express Mail	111	0	0	0	552	6	0	5,122	269	9,717	70
Mailgrams	112	0	0	0	3	0	0	28	1	53	0
Periodicals											
Within County	113	0	0	0	112	1	0	1,034	54	1,962	14
Outside County	117	0	0	0	2,939	32	0	27,253	1,434	51,709	372
Total Periodicals	123	0	0	0	3,050	33	0	28,287	1,488	53,671	386
Standard Mail											
Enhanced Carr Rte	126	0	0	0	3,840	42	0	35,616	1,873	67,576	486
Regular	127	0	0	0	11,046	120	0	102,441	5,388	194,367	1,397
Total Standard Mail	135	0	0	0	14,887	162	0	138,057	7,262	261,943	1,882
Package Services											
Parcel Post	136	0	0	0	1,082	12	0	10,036	528	19,042	137
Bound Printed Matter	137	0	0	0	599	7	0	5,555	292	10,540	76
Media Mail	139	0	0	0	398	4	0	3,693	194	7,008	50
Total Package Services	141	0	0	0	2,079	23	0	19,285	1,014	36,590	263
U.S. Postal Service	142	0	0	0	558	6	0	5,172	272	9,814	71
Free Mail	147	0	0	0	66	1	0	613	32	1,164	8
International Mail	161	0	81	81	783	9	0	7,262	382	13,778	99
Total All Mail	162	0	81	81	47,212	513	0	437,830	23,030	830,723	5,969
Special Services											
Registry	163	0	0	0	110	1	0	1,020	54	1,936	14
Certified	164	0	0	0	578	6	0	5,356	282	10,163	73
Insurance	165	0	0	0	128	1	0	1,191	63	2,259	16
Cod	166	0	0	0	10	0	0	91	5	172	1
Money Orders	168	0	0	0	207	2	0	1,923	101	3,650	26
Stamped Cards	159	0	0	0	0	0	0	0	0	0	0
Stamped Envelopes	169	0	0	0	7	0	0	61	3	116	1
Special Handling	170	0	0	0	14	0	0	128	7	243	2
Post Office Box	171	0	0	0	332	4	0	3,075	162	5,835	42
Other	172	0	0	0	460	5	0	4,263	224	8,088	58
Total Special Services	173	0	0	0	1,845	20	0	17,110	900	32,463	233
Total Volume Variable	198	0	81	81	49,056	533	0	454,940	23,930	863,186	6,202
Other Costs	199	-18,296	0	375,407	35,920	391	27,000	393,345	17,521	632,030	4,542
Total Costs	200	-18,296	81	375,488	84,976	924	27,000	848,285	41,451	1,495,216	10,744

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 18 - Administration and Area Operations

Component Name		Annuity Protection Program	FERS Retirement Fund Deficit Current	Personnel Benefits	C/S 18 Administration and Area Operations
Component Number		(207)	(19)	(835)	(459)
Cost Segment		18.3.9	18.3.10	18.3	
First-Class Mail					
Single Piece Letters	101	0	0	430,867	442,177
Presort Letters	102	0	0	183,225	187,344
Total Letters	103	0	0	614,092	629,521
Single Piece Cards	104	0	0	20,990	21,409
Presort Cards	105	0	0	8,430	8,609
Total Cards	108	0	0	29,420	30,018
Total First-Class	109	0	0	643,512	659,539
Priority Mail	110	0	0	75,490	78,408
Express Mail	111	0	0	15,736	16,224
Mailgrams	112	0	0	85	87
Periodicals					
Within County	113	0	0	3,178	3,260
Outside County	117	0	0	83,738	86,022
Total Periodicals	123	0	0	86,916	89,282
Standard Mail					
Enhanced Carr Rte	126	0	0	109,433	111,862
Regular	127	0	0	314,759	323,075
Total Standard Mail	135	0	0	424,193	434,937
Package Services					
Parcel Post	136	0	0	30,836	31,989
Bound Printed Matter	137	0	0	17,069	17,644
Media Mail	139	0	0	11,349	11,804
Total Package Services	141	0	0	59,254	61,438
U.S. Postal Service	142	0	0	15,893	16,341
Free Mail	147	0	0	1,885	1,955
International Mail	161	0	0	22,313	23,142
Total All Mail	162	0	0	1,345,277	1,381,352
Special Services					
Registry	163	0	0	3,135	3,245
Certified	164	0	0	16,457	16,769
Insurance	165	0	0	3,659	3,745
Cod	166	0	0	279	284
Money Orders	168	0	0	5,910	6,095
Stamped Cards	159	0	0	1	1
Stamped Envelopes	169	0	0	189	195
Special Handling	170	0	0	394	405
Post Office Box	171	0	0	9,449	15,789
Other	172	0	0	13,099	13,372
Total Special Services	173	0	0	52,571	59,901
Total Volume Variable	198	0	0	1,397,848	1,441,253
Other Costs	199	-51	0	1,110,697	2,887,302
Total Costs	200	-51	0	2,508,545	4,328,555

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 19 - General Management Systems

<i>Component Name</i>		Maintenance Technical Support Center (219) 19.1.1	Supplies & Services (220) 19.1.2	C/S 19 General Management Systems (269)
<i>Component Number</i>				
<i>Cost Segment</i>				
First-Class Mail				
Single Piece Letters	101	0	0	0
Presort Letters	102	0	0	0
Total Letters	103	0	0	0
Single Piece Cards	104	0	0	0
Presort Cards	105	0	0	0
Total Cards	108	0	0	0
Total First-Class	109	0	0	0
Priority Mail	110	0	0	0
Express Mail	111	0	0	0
Mailgrams	112	0	0	0
Periodicals				
Within County	113	0	0	0
Outside County	117	0	0	0
Total Periodicals	123	0	0	0
Standard Mail				
Enhanced Carr Rte	126	0	0	0
Regular	127	0	0	0
Total Standard Mail	135	0	0	0
Package Services				
Parcel Post	136	0	0	0
Bound Printed Matter	137	0	0	0
Media Mail	139	0	0	0
Total Package Services	141	0	0	0
U.S. Postal Service	142	0	0	0
Free Mail	147	0	0	0
International Mail	161	0	0	0
Total All Mail	162	0	0	0
Special Services				
Registry	163	0	0	0
Certified	164	0	0	0
Insurance	165	0	0	0
Cod	166	0	0	0
Money Orders	168	0	0	0
Stamped Cards	159	0	0	0
Stamped Envelopes	169	0	0	0
Special Handling	170	0	0	0
Post Office Box	171	0	0	0
Other	172	0	0	0
Total Special Services	173	0	0	0
Total Volume Variable	198	0	0	0
Other Costs	199	5,101	54,699	59,800
Total Costs	200	5,101	54,699	59,800

Development of Cost by Segment and Component - Base Year 2005

Cost Segment 20 - Other Accrued Expenses (Servicewide)

Component Name		Equipment Depreciation	Vehicle Depreciation	Building & Leasehold Depreciation	Indemnities	Interest Expense	Other Expenses	C/S 20 Other Accrued Expenses (Servicewide) (475)
Component Number		(505)	(447)	(420)	(397)	(283)	(245)	
Cost Segment		20.1	20.2	20.3	20.4	20.5	20.6	
First-Class Mail								
Single Piece Letters	101	290,702	6,363	194,913	0	379	0	492,357
Presort Letters	102	98,157	4,199	71,866	0	134	0	174,356
Total Letters	103	388,859	10,562	266,778	0	513	0	666,713
Single Piece Cards	104	9,018	360	7,419	0	13	0	16,809
Presort Cards	105	3,507	202	3,151	0	5	0	6,865
Total Cards	108	12,524	562	10,570	0	18	0	23,674
Total First-Class	109	401,383	11,124	277,348	0	532	0	690,387
Priority Mail	110	23,625	3,600	49,140	0	59	0	76,424
Express Mail	111	2,578	198	8,504	825	9	0	12,115
Mailgrams	112	70	1	35	0	0	0	105
Periodicals								
Within County	113	414	155	1,405	0	2	0	1,977
Outside County	117	36,594	2,029	38,409	0	59	0	77,091
Total Periodicals	123	37,008	2,184	39,814	0	61	0	79,068
Standard Mail								
Enhanced Carr Rte	126	17,818	4,830	42,319	0	50	0	65,017
Regular	127	179,407	7,040	142,298	0	253	0	328,998
Total Standard Mail	135	197,226	11,870	184,616	0	303	0	394,016
Package Services								
Parcel Post	136	16,145	3,496	19,611	0	30	0	39,282
Bound Printed Matter	137	10,736	1,493	9,852	0	17	0	22,097
Media Mail	139	9,968	538	7,779	0	14	0	18,300
Total Package Services	141	36,849	5,527	37,242	0	61	0	79,679
U.S. Postal Service	142	8,249	173	7,774	0	12	0	16,208
Free Mail	147	1,288	40	1,183	0	2	0	2,512
International Mail	161	14,563	451	12,910	5,956	22	0	33,901
Total All Mail	162	722,837	35,169	618,566	6,781	1,061	0	1,384,415
Special Services								
Registry	163	502	12	1,932	2,278	2	0	4,725
Certified	164	2,722	497	5,985	0	7	0	9,211
Insurance	165	1,613	63	1,652	19,079	3	0	22,409
Cod	166	59	8	105	1,952	0	0	2,124
Money Orders	168	4,304	3	3,521	0	6	0	7,834
Stamped Cards	159	0	0	0	0	0	0	0
Stamped Envelopes	169	137	0	114	0	0	0	250
Special Handling	170	158	0	183	0	0	0	342
Post Office Box	171	1,699	0	123,615	0	97	0	125,411
Other	172	4,542	237	5,094	0	8	0	9,880
Total Special Services	173	15,735	820	142,201	23,309	122	0	182,187
Total Volume Variable	198	738,572	35,989	760,767	30,090	1,183	0	1,566,601
Other Costs	199	443,961	110,033	0	35,888	348,351	5,172	943,404
Total Costs	200	1,182,533	146,022	760,767	65,978	349,534	5,172	2,510,006

USPS-T-9

EXHIBIT USPS-9B
FINAL ADJUSTMENTS
BASE YEAR 2005

**Development of Cost by Segment and Component - Base Year 2005
D Report**

Component Name		Total Volume Variable	Final Adjustments	Adjusted Volume Variable Costs	Contingency	Total Including Contingency
Component Number		(460)	(501)	(504)	(503)	(502)
Cost Segment						
First-Class Mail						
Single Piece Letters	101	11,454,438	0	11,454,438	0	11,454,438
Presort Letters	102	4,967,469	0	4,967,469	0	4,967,469
Total Letters	103	16,421,907	0	16,421,907	0	16,421,907
Single Piece Cards	104	524,764	0	524,764	0	524,764
Presort Cards	105	217,083	0	217,083	0	217,083
Total Cards	108	741,847	0	741,847	0	741,847
Total First-Class	109	17,163,754	0	17,163,754	0	17,163,754
Priority Mail	110	3,304,897	0	3,304,897	0	3,304,897
Express Mail	111	507,867	0	507,867	0	507,867
Mailgrams	112	2,151	0	2,151	0	2,151
Periodicals						
Within County	113	77,918	0	77,918	0	77,918
Outside County	117	2,305,743	0	2,305,743	0	2,305,743
Total Periodicals	123	2,383,661	0	2,383,661	0	2,383,661
Standard Mail						
Enhanced Carr Rte	126	2,758,777	0	2,758,777	0	2,758,777
Regular	127	8,265,484	0	8,265,484	0	8,265,484
Total Standard Mail	135	11,024,261	0	11,024,261	0	11,024,261
Package Services						
Parcel Post	136	1,128,386	0	1,128,386	0	1,128,386
Bound Printed Matter	137	511,515	0	511,515	0	511,515
Media Mail	139	407,378	0	407,378	0	407,378
Total Package Services	141	2,047,279	0	2,047,279	0	2,047,279
U.S. Postal Service	142	426,186	-426,186	0	0	0
Free Mail	147	55,580	0	55,580	0	55,580
International Mail	161	1,423,720	0	1,423,720	0	1,423,720
Total All Mail	162	38,339,356	-426,186	37,913,171	0	37,913,171
Special Services						
Registry	163	80,295	0	80,295	0	80,295
Certified	164	398,631	0	398,631	0	398,631
Insurance	165	109,765	0	109,765	0	109,765
Cod	166	8,736	0	8,736	0	8,736
Money Orders	168	156,621	0	156,621	0	156,621
Stamped Cards	159	1,609	0	1,609	0	1,609
Stamped Envelopes	169	10,526	0	10,526	0	10,526
Special Handling	170	9,744	0	9,744	0	9,744
Post Office Box	171	553,014	0	553,014	0	553,014
Other	172	322,597	0	322,597	0	322,597
Total Special Services	173	1,651,538	0	1,651,538	0	1,651,538
Total Volume Variable	198	39,990,895	-426,186	39,564,709	0	39,564,709
Other Costs	199	28,556,769	426,186	28,982,955	0	28,982,955
Total Costs	200	68,547,664	0	68,547,664	0	68,547,664

USPS-T-9

EXHIBIT USPS-9C
COST AND REVENUE ANALYSIS
BASE YEAR 2005



COST AND REVENUE ANALYSIS

BASE YEAR 2005

FINANCE

SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Base Year 2005

Classes and Sub-Classes of Mail (note 1)	(in millions)			(per piece)			
	Revenue	Incremental	Volume	Revenue	Marginal	Contribution	Cost
	(note 1)	Cost	Variable Cost	\$	Cost \$	\$	Coverage
	A	B	C	D	E	(D-E)	(D/E)
First-Class Mail:							
Single-Piece Letters.....	\$19,662.1	\$12,054.3	\$11,454.4	\$0.453	\$0.264	\$0.189	171.65%
Presort Letters.....	14,946.0	5,143.9	4,967.5	0.305	0.101	0.203	300.88%
Total Letters.....	34,608.1	17,681.4	16,421.9	0.374	0.178	0.197	210.74%
Single-Piece Cards.....	598.8	528.7	524.8	0.238	0.208	0.029	114.12%
Presort Cards.....	574.9	217.5	217.1	0.185	0.070	0.115	264.85%
Total Cards.....	1,173.8	747.2	741.8	0.209	0.132	0.077	158.22%
Fees (note 2).....	270.2						
Total First-Class.....	36,052.2	18,654.7	17,163.8	0.368	0.175	0.193	210.05%
Priority Mail.....	4,633.3	3,572.8	3,304.9	5.221	3.724	1.497	140.19%
Express Mail.....	872.3	611.9	507.9	15.724	9.155	6.569	171.75%
Mailgram.....	0.8	2.2	2.2	0.417	1.134	(0.717)	36.76%
Periodicals:							
In County.....	72.2	78.0	77.9	0.095	0.102	(0.008)	92.65%
Outside County (note 2).....	2,068.9	2,334.0	2,305.7	0.249	0.278	(0.029)	89.73%
Fees (note 2).....	19.6						
Total Periodicals.....	2,160.8	2,415.4	2,383.7	0.238	0.263	(0.025)	90.65%
Standard Mail:							
Enhanced Carrier Route (note 2).....	5,627.2	2,838.9	2,758.8	0.161	0.079	0.082	203.98%
Regular (note 2).....	13,217.2	8,555.9	8,265.5	0.201	0.125	0.075	159.91%
Fees (note 2).....	109.0						
Total Standard Mail.....	18,953.5	11,685.5	11,024.3	0.188	0.109	0.079	171.93%
Package Services:							
Parcel Post.....	1,232.5	1,145.0	1,128.4	3.178	2.910	0.268	109.22%
Bound Printed Matter.....	595.8	515.8	511.5	1.021	0.876	0.144	116.48%
Media Mail (note 2).....	370.1	409.5	407.4	1.908	2.100	(0.192)	90.85%
Fees (note 2).....	2.4						
Total Package Services.....	2,200.7	2,107.3	2,047.3	1.888	1.757	0.132	107.49%

See accompanying notes.

SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Base Year 2005

Classes and Sub-Classes of Mail (note 1)	(in millions)			(per piece)			
	Revenue	Incremental	Volume	Revenue	Marginal	Contribution	Cost
	(note 1)	Cost	Variable Cost	\$	Cost \$	\$	Coverage
	A	B	C	D	E	(D-E)	(D/E)
Free Mail - blind, handicapped & servicemen.....	-	55.6	55.6	-	0.684	N/A	0.00%
International Mail (note 2).....	1,794.4	1,504.9	1,423.7	2.105	1.671	\$0.435	126.04%
Total Mail.....	66,667.8		37,913.2	0.315	0.179	0.136	175.84%
Special Services:							
Registry	57.9	80.3	80.3	11.249	15.593	(4.345)	72.14%
Certified	600.6	419.8	398.6	2.300	1.526	0.774	150.67%
Insurance.....	125.6	110.2	109.8	2.435	2.129	0.307	114.41%
COD	9.3	8.7	8.7	6.187	5.827	0.361	106.19%
Money Orders (note 2).....	226.5	233.5	156.6	1.255	0.868	0.387	144.60%
Stamped Cards (note 5).....	2.4	1.6	1.6				
Stamped Envelopes.....	18.6	10.5	10.5				
Special Handling.....	10.3	9.7	9.7				
Post Office Box.....	791.5	574.5	553.0				
Other (note 2).....	568.2		322.6				
Total Special Services.....	2,410.9	1,845.6	1,651.5				
Miscellaneous items (note 2).....	720.2		-				
Total Mail and Services.....	69,799.0		39,564.7				
Appropriations: Revenue Forgone.....	109.2						
Total Operating Revenue.....	69,908.2						
Investment Income.....	84.6						
Total (note 3).....	69,992.8		39,564.7				
All Other Costs.....			28,983.0				
Total Costs (note 3).....			68,547.7				

See accompanying notes.

SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Base Year 2005

VOLUME STATISTICS

<u>Classes and Sub-Classes of Mail</u> <u>(note 1)</u>	<u>Pieces</u> <u>(thousands)</u>	<u>Weight in</u> <u>Pounds</u> <u>(thousands)</u>	<u>Weight per</u> <u>Piece</u> <u>(ounces)</u>	<u>Cubic Feet</u> <u>(thousands)</u>	<u>Weight per</u> <u>Cubic Foot</u> <u>(pounds)</u>
First-Class Mail:					
Single-Piece Letters.....	43,371,363	2,075,220	0.8	116,339	17.8
Presort Letters.....	49,065,552	2,243,441	0.7	125,026	17.9
Total Letters.....	92,436,915	4,318,661	0.7	241,365	17.9
Single-Piece Cards.....	2,521,418	16,695	0.1	1,118	14.9
Presort Cards.....	3,107,701	34,411	0.2	2,305	14.9
Total Cards.....	5,629,119	51,106	0.1	3,423	14.9
Total First Class.....	98,066,034	4,369,767	0.7	244,788	17.9
Priority Mail.....	887,462	1,690,652	30.5	366,770	4.6
Express Mail.....	55,475	51,716	14.9	8,204	6.3
Mailgram.....	1,896	0	0.0	0	0.0
Periodicals:					
In County.....	762,673	252,829	5.3	10,090	25.1
Outside County (note 2).....	8,307,330	3,772,786	7.3	150,562	25.1
Total Periodicals.....	9,070,003	4,025,616	7.1	160,652	25.1
Standard Mail:					
Enhanced Carrier Route (note 2).....	35,023,418	5,615,696	2.6	220,838	25.4
Regular (note 2).....	65,918,674	6,040,821	1.5	260,054	23.2
Total Standard Mail.....	100,942,091	11,656,517	1.8	480,892	24.2
Package Services:					
Parcel Post.....	387,800	1,915,723	79.0	381,173	5.0
Bound Printed Matter.....	583,774	1,361,813	37.3	143,492	9.5
Media Mail (note 2).....	193,955	382,579	31.6	49,277	7.8
Total Package Services.....	1,165,530	3,660,115	50.2	573,942	6.4

See accompanying notes.

SUMMARY OF REVENUE AND COST FOR MAJOR SERVICE CATEGORIES
Base Year 2005

VOLUME STATISTICS

<u>Classes and Sub-Classes of Mail</u> <u>(note 1)</u>	<u>Pieces</u> <u>(thousands)</u>	<u>Weight in</u> <u>Pounds</u> <u>(thousands)</u>	<u>Weight per</u> <u>Piece</u> <u>(ounces)</u>	<u>Cubic Feet</u> <u>(thousands)</u>	<u>Weight per</u> <u>Cubic Foot</u> <u>(pounds)</u>
US Postal Service.....	621,283	110,675	2.9	16,967	6.5
Free Mail - blind, handicapped & servicemen.....	81,306	34,604	6.8	3,125	11.1
International Mail (note 2).....	852,267	241,880	4.5	39,234	6.2
Total Mail.....	211,743,347	25,841,541	2.0	1,894,581	13.6
Special Services:					
Registry	5,149	N/A	N/A	N/A	N/A
Certified	261,144	N/A	N/A	N/A	N/A
Insurance.....	51,565	N/A	N/A	N/A	N/A
COD	1,499	N/A	N/A	N/A	N/A
Money Orders (note 2).....	180,412	N/A	N/A	N/A	N/A
Stamped Cards.....	0	N/A	N/A	N/A	N/A
Stamped Envelopes.....	0	N/A	N/A	N/A	N/A
Special Handling.....	1,736	N/A	N/A	N/A	N/A
Post Office Box.....	0	N/A	N/A	N/A	N/A
Other (note 2).....	953,212	N/A	N/A	N/A	N/A
Total Special Services.....	1,454,718	N/A	N/A	N/A	N/A

See accompanying notes.

**UNITED STATES POSTAL SERVICE
NOTES TO COST AND REVENUE ANALYSIS
Base Year 2005**

1. Cost and Revenue Analysis

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

The postal system of accounts is the basis for CRA data; however, the postal system of accounts generally does not accumulate financial data by class and subclass of mail. Apportionment factors, derived from various postal operational and statistical information sources, are required for development of the data for CRA purposes. Some of these sources (e.g., In-Office Cost System and Origin-Destination Information System - Revenue, Pieces and Weight (ODIS-RPW) system) are dedicated to this purpose and involve extensive statistical sampling of postal activity during the year. We compare and scale calculated amounts to actual data in the postal system of accounts, as appropriate. With respect to the ODIS-RPW system, calculated sample revenue should approximate a subset of actual Postal Service Trial Balance revenue, but the RPW Reporting system has been designed to accommodate and adjust for any differences. Although the accuracy of the ODIS-RPW system does not necessarily depend on how close calculated revenue is to actual revenue, we are investigating reasons for the continuing differences between the two. In FY05, the Book Revenue Adjustment Factor declined slightly from FY04.

In preparation for the Fiscal Year 2005 CRA, the Postal Service introduced improvements in the design of the In-Office Cost System data collection instrument. These changes are described in testimony filed before the Postal Rate Commission (PRC).

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

2. Definitions

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

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

Volume Variable Costs – Volume times Marginal Cost.

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

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

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

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

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

Miscellaneous Items – Miscellaneous items include philatelic sales, fees, fines, unclaimed money from dead letters, sales of services performed for government agencies and private contractors. They do not include the \$20.9 million in revenue earned from the money order float, which is included in special services and international mail revenue in the CRA.

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

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

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

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

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

3. Miscellaneous Adjustments

A) Mortgage income of \$.82 million is included with interest income in the Annual Report and is reported as miscellaneous revenue in the CRA.

	(in millions)
Operating Revenue per Annual Report	\$69,907
Interest Income per Annual Report	86
Annual Report Revenue	<u>\$69,993</u>
CRA Report Revenue	<u>\$69,993</u>

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

	(in millions)
Operating Expenses per Annual Report	\$68,283
Interest expense on deferred retirement liabilities	263
Interest expense on borrowings	<u>2</u>
Annual Report Expenses	<u>\$68,548</u>
 CRA Report Expenses	 <u>\$68,548</u>

4. Product Specific Costs

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

Priority Mail	\$155.8
Express Mail	82.0
International Mail	66.9

5. Cards

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

6. Public Law 108-18

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

7. Other

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

Percents are rounded to the nearest decimal.

- Denotes zero values.

() Denotes negative values.