

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION

Before:

Chairman Blair,
Vice Chairman Tisdale,
Commissioners Acton, Goldway, and Hammond

Postal Rate and Fee Changes

Docket No. R2006-1

OPINION
AND
RECOMMENDED DECISION
ON RECONSIDERATION



Washington, DC 20268-0001
April 27, 2007

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I. INTRODUCTION AND SUMMARY

[1001] The Governors of the United States Postal Service approved the rates recommended by the Commission in the Opinion and Recommended Decision of February 26, 2007.¹ The Governors further “concluded that three issues — Standard Mail flats, the nonmachinable surcharge for First-Class Mail letters, and the Priority Mail Flat Rate Box — would benefit from further consideration.” *Id.* at 2. Accordingly, the Governors approved the Commission’s Recommended Decision and returned these three matters for reconsideration under the “allow under protest” option provided in former 39 U.S.C. § 3625(c)(2).

[1002] On March 28, 2007, the Postal Service filed an Initial Statement² addressing both the procedural and substantive aspects of this reconsideration. In addition to advancing its preferred outcomes for the three rate issues, the Service suggests that, barring the identification of any compelling need to do so, reconsideration could proceed without reopening the evidentiary record in this proceeding. However, the Service also recognizes that other parties may perceive potential benefits from supplementing the existing record, and suggests that such views should be stated and supported in their initial comments. *Id.* at 2.

[1003] On March 29, the Commission issued Order No. 8,³ which gave notice of the Governors’ request for reconsideration and established procedures governing that process. The Order set a deadline of April 12, 2007 for initial comments and April 19,

¹ Decision of the Governors of the United States Postal Service on the Opinion and Recommended Decision of the Postal Regulatory Commission on Changes in Postal Rates and Fees, Docket No. R2006-1, March 19, 2007 (Governors’ Decision).

² Initial Statement of the United States Postal Service on Reconsideration, March 28, 2007 (Initial Statement).

³ PRC Order No. 8, Notice of Request for Reconsideration and Order Establishing Procedures, March 29, 2007.

2007 for reply comments on the three issues returned by the Governors. It also established an earlier deadline of April 4, 2007 for any motion to reopen the record, and instructed any participant seeking such relief to provide thorough justification for its request. *Id.* at 2.

[1004] On April 3, 2007, an ad hoc coalition of catalog mailers styling itself the Coalition of Catalog Mailers, or CCM, filed three pleadings: a Notice of Intervention;⁴ a motion for late acceptance of the former;⁵ and a motion to extend the deadline for motions to reopen and supplement the record.⁶ CCM expressed interest in only the Standard Mail flats rates issue.

[1005] In Ruling No. 130,⁷ the Presiding Officer noted the pleadings filed by CCM, and found its justification for extending the deadline for submitting its motion to reopen the record to be persuasive. That ruling set a deadline of April 12, 2007 for the filing of CCM's motion to reopen the record, and suspended the previously established deadlines for comments and reply comments regarding Standard Mail flats rates. The established deadlines for comments and reply comments on the Priority Mail Flat Rate Box and the First-Class Mail nonmachinable surcharge were retained, as the Commission had received no timely request for reopening the evidentiary record on these issues.

[1006] The Coalition of Catalog Mailers filed its Motion to Reopen and Supplement the Record on April 12, 2007. The Presiding Officer certified this issue to the full Commission in Presiding Officer's Ruling No. R2006-1/132. The Commission dealt with that motion, and the larger issue of how to proceed in reconsidering Standard Mail flats rates, in Order No. 13.⁸ That Order granted CCM's motion to intervene, denied its

⁴ Notice of Intervention by the Coalition of Catalog Mailers, April 3, 2007. The Coalition filed Supplemental Notices of Intervention identifying additional members on April 5 and April 26, 2007.

⁵ Motion for Acceptance of Late Notice of Intervention by the Coalition of Catalog Mailers, April 3, 2007.

⁶ Motion of the Coalition of Catalog Mailers for an Extension of Time in Which to File a Motion to Reopen and Supplement the Record for Reconsideration, April 3, 2007.

⁷ Presiding Officer's Ruling No. R2006-1/130, April 5, 2007.

motion to reopen the record, and established deadlines for filing comments and reply comments on what adjustments, if any, should be made in the initially recommended rates for Standard Mail.

[1007] As provided in Order No. 8, participants have already filed comments and reply comments bearing on the nonmachinable surcharge for First-Class letters and the rate for the Priority Mail Flat Rate Box. No commenter has indicated that additional evidence or argument is needed to resolve issues presented by the Governors' request for reconsideration of these rates. Thus, these two subjects are ripe for decision. In order to expedite the reconsideration process, as the Governors request, the Commission is transmitting its recommendations on these two matters in advance of the decision on reconsideration for Standard Mail flats rates.

[1008] In this Opinion and Recommended Decision on Reconsideration, the Commission reviews the evidentiary record already made in this proceeding in light of the views expressed by the Governors, the Postal Service, and participants who submitted comments on these two issues. We agree with the Governors' analysis of the appropriate bases of the rate for the Priority Mail Flat Rate Box, and recommend the \$8.95 rate advanced by the Postal Service. We also concur generally with the Governors' opinion on the appropriateness of extending applicability of the nonmachinable surcharge to First-Class letters beyond the first ounce, and recommend the minor change in the pertinent mail classification provision proposed by the Service to accomplish that result.

⁸ PRC Order No. 13, Order (1) Granting Coalition of Catalog Mailers' Motion for Late Intervention, (2) Denying Coalition of Catalog Mailers' Motion to Reopen the Record, and (3) Establishing Procedural Schedule, April 27, 2007.

II. FIRST-CLASS MAIL NONMACHINABLE LETTER SURCHARGE

[2001] The Governors request that the Commission review its recommendation to apply a nonmachinable surcharge only to nonmachinable letter-shaped First-Class mailpieces weighing one ounce or less, and not to heavier letters. They argue that a nonmachinable surcharge is equally warranted for heavier letters to more accurately reflect differences in costs and to provide appropriate incentives to mailers. The Governors observe that the rates recommended by the Commission for two-ounce and three-ounce letters — 58 cents and 75 cents, respectively — do not distinguish whether letters are machinable. Governors' Decision at 5-6.

[2002] The Postal Service comments that “the rates recommended in the Commission’s Docket No. R2006-1 opinion are the product of its considerable emphasis on promoting efficiency in pricing” except in the area of letter-shaped First-Class Mail weighing over one ounce where there is no price differential based on machinability. Initial Statement at 2. The Commission’s recommendation retains the existing nonmachinable surcharge on nonmachinable letter-shaped mailpieces, which is applicable only on mailpieces weighing up to one ounce. The Postal Service explains that the rate design it proposed in Docket No. R2006-1 accounted for the machinability of letter-shaped mailpieces by imposing the higher flat rates on letter-shaped mailpieces that are nonmachinable at all weight increments. It argues that applying the nonmachinable surcharge to all weight increments would place appropriate emphasis on efficient pricing.

[2003] The Postal Service also notes the recommended reduction in the additional-ounce rate. The additional-ounce rate historically has been viewed as a proxy for variables such as machinability of heavier-weight mailpieces. The Postal Service suggests that the lower additional-ounce rate focuses on the costs associated with the weight of the mailpiece, with a de-emphasis on other characteristics, such as

machinability, that may have been considered in the past. Given this de-emphasis, and the new shape-based pricing structure recommended by the Commission, the Postal Service argues that a gap in rate design exists that logically can be closed by expanding the nonmachinable surcharge to heavier-weight letter-shaped mailpieces.

[2004] The Postal Service estimates that the revenue impact of expanding the nonmachinable surcharge to heavier-weight letters will be small. It estimates approximately 114 million single-piece and 14 million nonautomation presort letters weighing up to one ounce will be subject in the test year to the surcharge as recommended by the Commission. It further estimates that expanding the surcharge to letters weighing up to three ounces would subject an additional 3.8 million single-piece and 0.027 million nonautomation presort letters to the nonmachinable surcharge.⁹ A small number of additional pieces also would be subject to the nonmachinable surcharge in the 3 to 3.5 ounce range. *Id.* at 5.

[2005] Pitney Bowes concurs with the Postal Service's request to remove the restriction limiting the applicability of the nonmachinable surcharge to letter pieces weighing one ounce or less. It argues that the limitation should be removed to allow rates to better reflect underlying costs.¹⁰

[2006] Greeting Card Association (GCA) supports the Commission's recommendation to apply the nonmachinable surcharge only to nonmachinable letters weighing one ounce or less.¹¹ GCA observes that the recommended application of the nonmachinable surcharge is consistent with its use since Docket No. MC73-1. GCA contends that it is significant that the Commission is retaining the nonmachinable surcharge, and not creating a new rate element. It believes that the Commission did so

⁹ Actual volume data are not available for nonmachinable letter-shaped mailpieces in the 1 to 3.5 ounce range. The Commission encourages the Postal Service to develop reliable volume estimates by ounce increment for future use.

¹⁰ Comments of Pitney Bowes Inc. in Response to the Notice of Request for Reconsideration, April 12, 2007, at 4.

¹¹ See Initial Comments of Greeting Card Association on Resubmission, April 12, 2007.

because the Postal Service's proposed rate design fails to distinguish between shape and machinability as cost factors.

[2007] GCA further argues that the record does not support the Postal Service's contention that the reduced additional-ounce rate recommended by the Commission is insufficient to compensate for the additional cost of heavier-weight nonmachinable letters as it historically has done in the past. Additionally, whether the nonmachinable surcharge should be redesigned to apply at higher weights was not considered on the record.¹²

[2008] GCA concludes by asserting there is no reason to think that greeting cards weighing more than one ounce are less price-sensitive than lighter ones. Thus, there is a risk of losing First-Class Mail volume by expanding the nonmachinable surcharge to heavier-weight mailpieces. It also notes the simplicity and customer convenience of only requiring one extra stamp for two-ounce nonmachinable mailpieces under the Commission's current recommendation.

[2009] The Postal Service contends that the historical support GCA finds for the use of the nonstandard surcharge overlooks the consequences of the Commission's recommendation to shift towards shape-based First-Class Mail rate design.¹³ The Postal Service explains that the rate design it requested sought recovery of the additional costs associated with nonmachinability through two proposals. It proposed charging a nonmachinable letter the basic rate for a one-ounce flat in lieu of a specific nonmachinable surcharge. It proposed a lower additional-ounce rate as the additional-ounce rate historically also served as a proxy for the impact of shape, nonmachinability, etc. In doing this, the Postal Service acknowledged the reduction in

¹² GCA notes the focus of the Postal Service's proposal was on the elimination of the nonmachinable surcharge and the focus of GCA's proposal was the retention of the nonmachinable surcharge for certain mailpieces.

¹³ Reply of the United States Postal Service to the Initial Comments of the Parties on Resubmission, April 19, 2007 (revised April 24, 2007).

the need for the additional-ounce rate to act as a proxy, without quantifying the impact of the reduction.

[2010] The Postal Service further observes that historically higher rates have been imposed on nonmachinable two-ounce letters than on nonmachinable one-ounce letters.¹⁴ It notes that its proposed rates continued this practice; 62 cents for a one-ounce nonmachinable letter, and 82 cents for a two-ounce nonmachinable letter.

[2011] The Commission recognizes two areas where First-Class Mail rate design can be improved: as the Governors observe, the rate schedule reflects the same total postage being applied to heavier-weight letter-shaped mailpieces for each weight increment regardless of whether those letters are machinable; and as the Postal Service observes, the rate schedule reflects the same total postage being applied to nonmachinable one-ounce letters as to nonmachinable two-ounce letters. The issue is not whether the rates cover the associated costs (they indeed cover costs), but whether the rates send appropriate price signals to influence mailer behavior.

[2012] The proposition that a nonmachinable letter should incur a higher rate than a machinable letter within each weight tier, and the proposition that a two-ounce nonmachinable letter should incur a higher rate than a one-ounce nonmachinable letter, are well-supported on the record. The First-Class Mail rate design proposed by the Postal Service reflected that policy.

[2013] Establishing rates that send appropriate price signals to mailers encourages more efficient use of postal resources. The Commission did not recommend the Postal Service's classification change which proposed the elimination of the nonmachinable surcharge applicable to letter-shaped mailpieces, and charging nonmachinable letter-shaped mailpieces rates applicable to flats. Although this proposed rate structure would have resolved the issues that the Governors now comment on, it also would have effectively increased the nonmachinable surcharge from 13 to 39 cents. The

¹⁴ The Docket No. R2005-1 rate is 52 cents for a one-ounce nonmachinable letter and 63 cents for a two-ounce nonmachinable letter.

Commission expressed concern with the potential for rate shock that may have occurred from tripling this rate.

[2014] The Commission addressed nonmachinability by retaining the existing nonmachinable classification applicable to letter-shaped mailpieces up to one ounce. The Commission further indicated that it viewed this implementation of a nonmachinable surcharge as a temporary solution.¹⁵

[2015] The Commission faced two impediments to implementing a comprehensive solution to the nonmachinable surcharge issue during initial consideration of this case. However, direction from the Governors and the Postal Service during reconsideration has removed these impediments.

[2016] The Commission lacked guidance on recommending an acceptable classification change to implement the rate differentials associated with the nonmachinable surcharge. The Commission was reluctant to act *sua sponte* in developing what could be perceived as a new classification by expanding the existing nonmachinable surcharge to cover heavier-weight mailpieces. The Postal Service now has suggested consideration of a classification change which resolves this issue.

[2017] The Commission also did not have an estimate of the volume that would be encompassed by an expanded nonmachinable surcharge. A volume estimate is essential to calculating the revenue impact. The Postal Service now has proposed using a ratio to estimate the volume of nonmachinable letter-shaped mailpieces that are encompassed by the expanded classification change.¹⁶

[2018] The Commission recommends the classification change suggested by the Postal Service to resolve the letter-shaped First-Class Mail nonmachinable surcharge

¹⁵ “Because this recommendation might not be consistent with the way the Postal Service will be processing mail in the future given a shape-based mailstream, the Commission provides notice that this surcharge might not be justified in the future.” PRC Op. R2006-1, ¶ 5212.

¹⁶ The Commission has modified the Postal Service volume estimate slightly to calculate revenues. The Postal Service’s volume estimate is developed by using a ratio of nonmachinable up to one-ounce letters to total up to 13-ounce letters, whereas the Commission’s volume estimate is developed by using a ratio of nonmachinable up to one-ounce letters to total up to one-ounce letters. The Commission’s estimate is presented in PRC-LR-23.

issue. The recommendation results in rates that more accurately reflect the costs imposed on the postal system and send appropriate price signals to mailers. The Commission reviewed the rates associated with this classification for compliance with the rate and classification setting factors of the Postal Reorganization Act (§ 3622(b) and § 3623(c)), and finds the rates in compliance with the factors as previously discussed in the Opinion and Recommended Decision at ¶¶ 5228-35. The revised classification better reflects the relative value of the service (§ 3623(c)(2)) to mailers, is desirable from the point of view of the Postal Service (§ 3623(c)(5)), and is fair and equitable (§ 3623(c)(1)), as it creates identifiable relationships between rates charged for various postal services (§ 3622(b)(7)) and imposes a surcharge only on mailers utilizing the higher cost service.

[2019] The classification change is implemented by removing the phrase “weighing one ounce or less” from Domestic Mail Classification Schedule section 221.26. Expanding the nonmachinable surcharge to encompass heavier-weight mailpieces is estimated to increase test year after rates revenue by \$883 thousand.

III. PRIORITY MAIL FLAT RATE BOX

[3001] The Priority Mail Flat Rate Box is available in two shapes, both having the same external cubic volume of 0.34 cubic feet. USPS-T-33 at 52. The rate is uniform regardless of weight or distance. The Governors seek reconsideration of the recommended Flat Rate Box rate of \$9.15, contending that the Commission erred by inadvertently using inconsistent cost estimates, thereby understating the savings accruing as a result of dim-weighting Priority Mail. Governors' Decision at 14. In its Initial Statement, the Postal Service expands on the Governors' contention and, as directed by the Governors (*id.*), calculates that, based on the Commission's costs, the appropriate rate should be \$8.95. Initial Statement at 5-9.

[3002] The Postal Service advances two arguments in support of the suggested \$8.95 rate. First, it asserts that, in developing its Priority Mail Flat Rate Box rate, the Commission did not adhere to the underlying (Postal Service) pricing model which sought to employ an implicit cost coverage for the Flat Rate Box equal, as nearly as possible, to the implicit coverage for the Priority Mail Flat Rate Envelope. *Id.* at 5-6. In developing its Flat Rate Box rate, the Commission initially calculated a rate of \$8.98, which rounds to \$9.00. The Postal Service contends that a rate of \$8.95 yields an implicit cost coverage for the Flat Rate Box more nearly equal to that for the Flat Rate Envelope than a rate of \$9.00. *Id.* at 7.

[3003] Second, the Postal Service asserts that the Commission mistakenly increased its recommended rate to \$9.15 on the assumption that the increase was necessary to generate additional revenues to achieve Priority Mail's target cost coverage. The Postal Service contends that the increase was unnecessary because the Commission understated the cost savings due to dim-weighting by inadvertently using initial Postal Service cost estimates instead of ones finally found appropriate in the

Opinion and Recommended Decision.¹⁷ Using the Commission's cost estimates, the Postal Service calculates additional cost savings of \$8.2 million, which, it asserts, more than offsets the reduced Priority Mail revenues that would be generated by the \$8.95 rate. Thus, the Postal Service concludes that, using the Commission's costs, a rate of \$8.95 is consistent with the target Priority Mail subclass revenue level.

[3004] No comments were filed in opposition to the Postal Service's position on the Flat Rate Box rate.¹⁸

[3005] *Commission analysis.* The Postal Service's argument that the Commission understated the cost savings from dim-weighting is well-taken. The Commission inadvertently used the Postal Service's cost estimates instead of its own thereby underestimating dim-weight related cost savings by \$8.2 million.¹⁹

[3006] Furthermore, in reviewing this issue, the Commission has determined the final adjustments workpaper did not fully reflect the assumed cost savings of \$55 million associated with the recommended Flat Rate Box of \$9.15, but rather reflected a lesser amount, approximately \$51 million. More specifically, the Mail Processing and Transportation dim-weight cost adjustments found in the "Other Adjustments" tab of the worksheet were not being properly transferred to the "Total" final adjustments summary worksheet. Using the appropriate dim-weighting adjustment figures yields an additional \$4 million (cost savings) adjustment to Priority Mail.²⁰

¹⁷ *Id.* at 8. The understatement occurs because the Postal Service's cost estimates are lower than the Commission's.

¹⁸ Pitney Bowes commented in support of the Postal Service's position, if not the specific rate. Comments of Pitney Bowes Inc. in Response to the Notice of Request for Reconsideration, April 12, 2007, at 4.

¹⁹ See PRC-LR-13 — DWZ-5.xls, Table Z5-12; DWZ-6.xls, Table Z6-12; DWZ-7.xls, Table Z7-12; and DWZ-8.xls, Table Z8-12.

²⁰ To elaborate briefly on this point, the final adjustments provided by the Postal Service under the Commission's costing methodology employed preliminary (non-updated) figures which caused the assumed Mail Processing and Transportation final dim-weight adjustments to be understated by \$272,000 and \$3.7 million, respectively. See Tr. 19/6802 re Fin_Adj2008-PRC_POIR16.xls.

[3007] The Commission's recommended Priority Mail rates were developed using the Postal Service's rate design. PRC. Op. R2006-1, ¶ 5319. The Commission noted, however, that its recommended Flat Rate Box rate reflected an adjustment necessary to achieve the target Priority Mail rate level. *Id.* at n.103; see also footnote to PRC-LR-13, Attachments.xls, Attachment F, Table 15. On reconsideration, the Postal Service demonstrates that the Commission understated dim-weight related cost savings, thereby obviating any need to increase the Flat Rate Box rate above \$8.95. This conclusion is further buttressed by the Commission's finding that the Mail Processing and Transportation dim-weight cost adjustments were not being properly included in the "Total" final adjustments summary worksheet, resulting in an additional \$4 million adjustment to Priority Mail.²¹ Accordingly, on reconsideration, the Commission recommends that the Priority Mail Flat Rate Box rate be set at \$8.95. The recommended rate, which has above-subclass average implicit cost coverage of 165 percent, satisfies the Commission's rate design objectives.²²

²¹ The Commission's conclusion regarding the understatement of dim-weight related cost savings makes it unnecessary to address the merits of the Postal Service's argument concerning rounding for purposes of achieving convergence of implicit cost coverages.

²² The resulting changes to Priority Mail's attributable costs, volumes, revenues, and cost coverage are shown in Appendix A.

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners: Dan G. Blair, Chairman;
Dawn A. Tisdale, Vice Chairman;
Mark Acton, Ruth Y. Goldway, and Tony Hammond

Postal Rate and Fee Changes

Docket No. R2006-1

RECOMMENDED DECISION ON RECONSIDERATION

(Issued April 27, 2007)

The Commission, having reconsidered two matters raised in the Postal Service request for reconsideration, has issued its Opinion thereon. Based on that Opinion, which is attached hereto and made a part hereof,

IT IS ORDERED:

That the Commission's Opinion and Recommended Decision on Reconsideration shall be transmitted to the Governors of the Postal Service and the Governors shall thereby be advised the Commission recommends:

- a. The rates of postage set forth in Appendix One hereof are in accordance with the policies of title 39 of the United States Code and the factors set forth in § 3622(b) thereof; and they are hereby recommended to the Governors for approval.

Docket No. R2006-1 on Reconsideration

- b. The proposed amendments to the Domestic Mail Classification Schedule set forth in Appendix Two are in accordance with the policies of title 39 of the United States Code and the factors set forth in § 3623(c) thereof; and they are hereby recommended to the Governors for approval.

By the Commission.

Garry J. Sikora
Acting Secretary

RECOMMENDED CHANGES IN RATE SCHEDULE

The following changes represent the rate schedule recommendations by the Postal Regulatory Commission in response to two issues raised in Docket No. R2006-1 on reconsideration. The underlined text signifies that the text is new and shall appear in addition to all other Domestic Mail Classification Schedule text. Deleted text is contained in brackets.

**FIRST-CLASS MAIL
RATE SCHEDULE 223**

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 \$[9.15] 8.95 is charged for matter sent in a Flat Rate Box provided by the Postal Service.
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).
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 for each Pickup On-Demand stop.

**RECOMMENDED CHANGES IN
DOMESTIC MAIL CLASSIFICATION SCHEDULE**

The following material represents changes to the Domestic Mail Classification Schedule recommended by the Postal Regulatory Commission in response to two issues raised in Docket No. R2006-1 on reconsideration. Deleted text is contained in brackets.

**FIRST-CLASS MAIL
CLASSIFICATION SCHEDULE**

221.26 Nonmachinable Surcharge. Single-piece and presort letter-shaped mail as defined in section 221.211 or 221.221 [weighing one ounce or less] is subject to a surcharge if:

- a. Its aspect ratio does not fall between 1 to 1.3 and 1 to 2.5 inclusive; or
- b. It does not meet letter machinability requirements as specified by the Postal Service.

**Test Year (2008) Volume, Cost, Revenue, and Cost Coverage by Class
at Commission Recommended Rates on Reconsideration**

	Volume (000)	Revenue (\$ 000)	Contribution to		Rev./Pc. (Cents)	Contribution to		Cost Coverage	Change in Rev./Pc.
			Attributable	Institutional		Cost	Institutional		
			Cost (\$ 000)	Cost (\$ 000)	Cost/Pc. (Cents)	Cost/Pc. (Cents)	Cost/Pc. (Cents)		
First-Class Mail									
Letters	85,294,866	35,733,157	16,883,719	18,849,439	41.894	19.795	22.099	211.6%	7.0%
Cards	5,738,035	1,338,036	861,034	477,002	23.319	15.006	8.313	155.4%	6.1%
Priority Mail	829,469	5,190,207	3,455,455	1,734,752	625.726	416.586	209.140	150.2%	13.5%
Express Mail	42,683	796,283	467,209	329,073	1,865.572	1,094.602	770.970	170.4%	12.5%
Periodicals									
Within County	731,966	81,832	81,778	54	11.180	11.172	0.007	100.1%	18.3%
Outside County	8,045,116	2,392,300	2,388,687	3,613	29.736	29.691	0.045	100.2%	11.7%
Standard Mail									
Regular	63,478,847	15,672,195			24.689				9.5%
Nonprofit	12,416,064	1,802,679			14.519				6.7%
Regular and Nonprofit	75,894,910	17,474,874	10,233,260	7,241,614	23.025	13.483	9.542	170.8%	9.3%
Enhanced Carrier Route (ECR)	29,677,241	5,624,459			18.952				6.9%
Nonprofit ECR (NECR)	2,529,325	293,963			11.622				8.8%
ECR and NECR	32,206,566	5,918,422	2,869,200	3,049,222	18.376	8.909	9.468	206.3%	6.9%
Package Services									
Parcel Post	375,070	1,456,753	1,278,765	177,988	388.394	340.940	47.455	113.9%	16.6%
Bound Printed Matter	654,923	788,965	660,825	128,140	120.467	100.901	19.566	119.4%	11.7%
Media Mail	153,674	390,476			254.093				17.9%
Library Rate	12,352	30,829			249.583				17.4%
Media and Library	166,026	421,305	406,428	14,877	253.758	244.797	8.961	103.7%	17.8%
USPS Penalty Mail	646,024								
Free-for-the-Blind Mail	87,514		72,753	(72,753)		83.133			
International Mail 1/	771,496	1,880,630	1,505,112	375,517	243.764	195.090	48.674	124.9%	8.8%
Total All Mail	211,484,666	73,472,764	41,164,223	32,308,540	34.741	19.464	15.277	178.5%	7.6%
Special Services									
Registry	3,510	47,659	36,091	11,568	1,357.927	1,028.319	329.607	132.1%	20.7%
Insurance	41,764	103,509	79,910	23,599	247.842	191.336	56.505	129.5%	-5.6%
Certified	262,526	695,693	470,509	225,184	265.000	179.224	85.776	147.9%	10.4%
COD	1,173	8,258	7,484	774	703.868	637.876	65.992	110.3%	7.9%
Money Orders	154,155	224,143	149,428	74,715	145.401	96.933	48.467	150.0%	8.8%
Stamped Cards	113,618	2,272	1,681	592	2.000	1.479	0.521	135.2%	0.0%
Box/Caller Service	16,343	953,886	608,975	344,911	5,836.794	3,726.297	2,110.497	156.6%	10.1%
Stamped Envelopes	300,000	13,657	13,124	533	4.552	4.375	0.178	104.1%	10.6%
Other Special Services		752,816	408,696	344,120					
Other Income		755,735		755,735					
Total Mail & Services	211,484,666	77,030,391	42,940,121	34,090,270	36.424	20.304	16.119	179.4%	7.6%
Institutional Costs			34,605,550						
Prior Years Loss Recovery			9,463						
Appropriations		101,593							
Investment Income		435,061							
Total Revenues		77,567,044							
Total Revenue Requirement			77,555,134						
Net Surplus (Loss)		11,910							

TEST YEAR VOLUME, COST, REVENUE,
AND COST COVERAGE BY CLASS

1/ Not subject to PRC jurisdiction.

Comparison of Markups on Reconsideration

	R2006-1 PRC Recommended		R2000-1												
	Rates	R2005-1	R2001-1	Modified	R2000-1	R97-1	R94-1	R90-1	R87-1	R84-1	R80-1	R77-1	R76-1	R74-1	R71-1
All Mail & Special Services	79.4	77.0	64.8	58.5	58.7	55.3	56.8	50.0	48.0	52.0	27.0	24.0	52.0	69.0	85.0
First-Class Mail															
Letters	111.6	111.3	92.0	78.1	78.8	72.4	74.5	61.7	58.0	59.0	25.0	24.0	63.0	87.0	96.0
Cards	55.4	53.0	42.6	36.8	33.0	50.5	36.7	45.9	64.0	93.0	33.0	49.0	104.0	129.0	173.0
Priority Mail	50.2	40.1	59.5	61.4	61.9	66.1	97.2	85.4	76.0	104.0	58.0	66.0	121.0	132.0	213.0
Express Mail	70.4	71.8	84.0	51.3	51.3	13.6	18.9	28.6	69.0	139.0	123.0	422.0	--	--	--
Mailgrams	--	148.8	42.4	29.4	33.3	725.5	1.6	2.8	11.0	81.0	193.0	137.0	--	--	--
Periodicals															
Within County	0.1	1.4	0.2	0.4	0.3	0.5	2.7	1.5	5.0	1.0	--	--	--	1.0	--
Regular Rate	--	--	--	1.0	0.9	1.0	16.3	23.2	25.0	24.0	21.0	0.0	19.0	17.0	29.0
Nonprofit 1/ Classroom	--	--	--	(3.5)	(3.9)	0.7	4.1	1.1	5.0	3.0	--	--	--	--	--
Classroom	--	--	--	2.5	1.7	(16.3)	6.8	--	5.0	--	--	--	--	--	--
Outside County	0.2	2.9	1.3	0.3	0.1	0.8	13.8	--	--	--	--	--	--	--	--
Controlled Circulation	--	--	--	--	--	--	--	--	--	--	--	33.0	49.0	82.0	162.0
Standard Mail															
Single Piece	--	--	--	--	--	4.5	20.1	26.0	15.0	--	4.0	4.0	4.0	75.0	
Regular	--	--	--	37.0	37.4	34.6	23.4	47.0	41.0	46.0	34.0	20.0	55.0	82.0	104.0
Nonprofit	--	--	--	8.2	7.4	13.7	1.7	0.9	8.0	(1.0)	--	--	--	--	--
Regular and Nonprofit	70.8	51.5	35.1	31.9	32.1	31.2	19.0	--	--	--	--	--	--	--	--
Enhanced Carrier Route (ECR)	--	--	--	99.0	99.4	103.0	109.4	--	--	--	--	--	--	--	--
Nonprofit ECR	--	--	--	36.6	36.1	43.0	53.8	--	--	--	--	--	--	--	--
ECR and NECR	106.3	137.8	101.0	94.6	94.9	99.4	105.2	--	--	--	--	--	--	--	--
Package Services															
Parcel Post	13.9	15.8	14.1	15.5	14.9	8.0	7.4	11.5	12.0	16.0	6.0	3.0	21.0	41.0	56.0
Bound Printed Matter	19.4	21.8	24.1	13.1	13.9	35.6	36.6	44.5	49.0	74.0	39.0	25.0	63.0	90.0	169.0
Media Mail	--	--	--	2.4	1.9	5.6	4.6	4.8	6.0	12.0	6.0	2.0	35.0	38.0	54.0
Library Rate	--	--	--	(4.1)	(4.5)	(17.9)	0.8	0.0	1.0	2.0	--	--	--	1.0	--
Media and Library	3.7	0.2	9.6	1.5	1.0	1.8	4.1	--	--	--	--	--	--	--	--
Government Mail 2/ Free-for-the-Blind Mail	--	--	--	--	--	--	--	--	120.0	136.0	132.0	116.0	206.0	229.0	212.0
International Mail	24.9	21.9	12.2	4.9	6.3	25.3	21.8	48.1	23.0	48.0	16.0	29.0	57.0	62.0	103.0
Special Services	57.8	63.3	66.0	68.5	63.1	43.5	34.7	28.2	9.0	30.0	21.0	18.0	2.0	8.0	75.0

1/ Nonprofit and Classroom were combined in R90-1.

2/ Since R90-1, Government Mail has been distributed to all classes.

Comparison of Markup Indices on Reconsideration

	R2006-1 PRC Recommended		R2000-1											
	Rates	R2005-1	R2001-1	Modified	R2000-1	R97-1	R94-1	R90-1	R87-1	R84-1	R80-1	R77-1	R76-1	R74-1
All Mail & Special Services	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
First-Class Mail														
Letters	1.406	1.446	1.420	1.334	1.342	1.308	1.311	1.235	1.200	1.135	0.926	1.000	1.210	1.260
Cards	0.698	0.688	0.658	0.629	0.561	0.913	0.645	0.919	1.330	1.788	1.222	2.040	2.000	1.870
Priority Mail	0.632	0.521	0.919	1.050	1.053	1.195	1.710	1.708	1.580	2.000	2.148	2.750	2.330	1.910
Express Mail	0.887	0.933	1.296	0.878	0.873	0.245	0.332	0.572	1.420	2.673	4.556	17.580	--	--
Mailgrams	--	1.934	0.654	0.502	0.568	13.114	0.028	0.056	0.230	1.558	10.852	5.710	--	--
Periodicals														
Within County	0.001	0.018	0.004	0.006	0.005	0.010	0.048	0.031	0.110	0.019	--	--	--	0.010
Regular Rate	--	--	--	0.017	0.015	0.017	0.286	0.465	0.510	0.462	0.778	0.000	0.370	0.250
Nonprofit 1/ Classroom	--	--	--	(0.060)	(0.066)	0.012	0.071	0.022	0.100	0.058	--	--	--	--
Outside County	0.002	0.037	0.021	0.005	0.002	0.015	0.242	--	--	--	--	--	--	--
Controlled Circulation	--	--	--	--	--	--	--	--	--	--	--	1.380	0.940	1.190
Standard Mail														
Single Piece	--	--	--	--	--	--	0.079	0.402	0.540	0.288	--	0.170	0.080	0.060
Regular	--	--	--	0.633	0.637	0.626	0.412	0.941	0.840	0.885	1.259	0.830	1.060	1.190
Nonprofit	--	--	--	0.140	0.126	0.248	0.030	0.018	0.170	(0.019)	--	--	--	--
Regular and Nonprofit	0.891	0.670	0.542	0.546	0.547	0.563	0.335	--	--	--	--	--	--	--
Enhanced Carrier Route (ECR)	--	--	--	1.693	1.692	1.862	1.926	--	--	--	--	--	--	--
Nonprofit ECR	--	--	--	0.626	0.615	0.778	0.948	--	--	--	--	--	--	--
ECR and NECR	1.339	1.790	1.560	1.617	1.616	1.797	1.851	--	--	--	--	--	--	--
Package Services														
Parcel Post	0.175	0.206	0.218	0.264	0.253	0.144	0.131	0.230	0.240	0.308	0.222	0.130	0.400	0.590
Bound Printed Matter	0.244	0.283	0.373	0.224	0.237	0.643	0.644	0.890	1.020	1.423	1.444	1.040	1.210	1.300
Media Mail	--	--	--	0.040	0.032	0.101	0.080	0.097	0.110	0.231	0.222	0.080	0.670	0.550
Library Rate	--	--	--	(0.070)	(0.076)	(0.324)	0.013	0.001	0.030	0.038	--	--	--	0.010
Media and Library	0.046	0.002	0.148	0.025	0.017	0.033	0.073	--	--	--	--	--	--	--
Government Mail 2/ Free-for-the-Blind Mail	--	--	--	--	--	--	--	--	2.480	2.615	4.889	4.830	3.960	3.320
International Mail	0.314	0.285	0.188	0.084	0.106	0.457	0.383	0.962	0.480	0.923	0.593	1.210	1.100	0.900
Special Services	0.728	0.823	1.019	1.171	1.074	0.787	0.611	0.564	0.200	0.577	0.778	0.750	0.040	0.120

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