

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

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BANK OF AMERICA CORPORATION

Docket No. MC2007-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS AYUB TO INTERROGATORIES OF THE OFFICE OF CONSUMER
ADVOCATE (OCA/USPS-T1—1-4)**

The United States Postal Service hereby provides the response of witness Ayub to the following interrogatories of the Office of Consumer Advocate: OCA/USPS-T1—1-4, filed on February 15, 2007. The interrogatories are stated verbatim and are followed by the response.

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel, Customer Programs

Frank R. Heselton
Matthew J. Connolly

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-8582; Fax -5418
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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS AYUB TO
INTERROGATORIES OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-1. Please refer to your testimony, Appendix A, "Assumptions," Page 2, Line [2]. Please confirm that the baseline value Before-Rates return rate for each year of the agreement (i.e. FY 2007, FY 2008, and FY 2009) is 0.7 percent for First-Class Mail operational mailpieces, and 2.7 percent for First-Class Mail marketing mailpieces. If you do not confirm, please explain.

RESPONSE:

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS AYUB TO
INTERROGATORIES OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-2. Please refer to your testimony, Appendix A, "Assumptions," Page 2, Line [3], and "Sources" Line [3].

- a. Please confirm that the baseline value forwarding rate for each year of the agreement (i.e. FY 2007, FY 2008, and FY 2009) is 1.7 percent. If you do not confirm, please explain.
- b. Please confirm that the "Source" of the baseline value forwarding rate of 1.7 percent is Bank of America, not Docket No. R2006-1, USPS LR-L-61, Table 2.3. If you do not confirm, please explain.
- c. Under "Sources," please explain in greater detail the meaning of phrases in Line [3] after "Docket No. R2006-1 USPS LR-L-61, Table 2.3 (FCM Automation Average)."

RESPONSE:

- a) Confirmed.
- b) Confirmed. Please see the testimony of BAC witness Jones (BAC-T-1) at page 17, lines 8 through 12.
- c) Apparently, when Appendix A to my direct testimony was converted from an xls spreadsheet to a PDF document for filing, the borderlines to all of the cells on page 2 were not preserved. As shown in the xls spreadsheet filed concurrently with my testimony, the phrases referred to in this interrogatory are contained in Appendix A, "Assumptions," page 2, "Sources," lines [4] through [9], and not in line [3], as this interrogatory suggests. With this understanding, the Postal Service provides the response below.

The percentages listed in the columns labeled FY 2007, FY 2008, and FY 2009, lines [4] through [9], represent the degree to which BAC is expected to improve the performance of its mail in each of the categories identified in lines [4] through [9]. The percentages listed in the column labeled FY 2007 (i.e., Year 1 of the NSA), are based on my assumption that this NSA will not cause any such improvements during FY 2007.

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The percentages listed in the column labeled FY 2008 (i.e., Year 2 of the NSA), are based on the testimony of BAC witness Jones (BAC-T-1). The supporting information may be found on page 17, lines 25 and 26, and page 18, lines 1 through 4, of his testimony. The percentages listed in the column labeled FY 2009 (i.e., Year 3 of the NSA), are based on the corresponding percentages in the column labeled FY 2008, accumulated for the two years.

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OCA/USPS-T1-3. Please refer to your testimony, Appendix A, "Input Data," Page 3, Lines [4], [5], [6], [7], and "Carrier Route," which refers to the 2006 Billing Determinants for First-Class Mail and Standard Mail automation letters. Please confirm that the reference to "automation letters" indicates letter-shaped mailpieces. If you do not confirm, please explain.

RESPONSE:

Confirmed. To be precise, the term "automation letters" refers to letter-*rated* mailpieces, which include letters but not postcards.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS AYUB TO
INTERROGATORIES OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-4. Please refer to your testimony at page 23, lines 1-13.

- a. Please confirm that the discounts provided to Bank of America represent less than 100 percent of the Postal Service's estimated cost savings. If you do not confirm, please explain.
- b. For Rate Schedules 630A through 630E, please provide the "passthrough" percentages for each of the rate cells in each of the referenced rate schedules. Please show all calculations and provide references to all sources.

RESPONSE:

a) Confirmed, although the incentives set forth in Rate Schedules 630A and 630D contain "passthroughs" for some *individual* cells that exceed 100 percent of calculated savings at certain improvement levels. I emphasize that the *aggregate* savings calculated for Rate Schedules 630A and 630D equal the aggregate of the savings associated with improvements in accept rates for all individual rate-level mail volumes within each Rate Schedule. This aggregation results in passthroughs for Rate Schedules 630A and 630D that, although higher than each of the passthrough for Rate Schedules 630B, 630C, and 630E, are each less than 100 percent.

The attached spreadsheets, labeled MC2007-1 Passthrough.xls, include the "passthrough" percentages for Rate Schedules 630A through 630E. Passthrough percentages for each Rate Schedule are based on the per-piece discount reflected in each schedule, by cell, divided by the expected per piece value to the Postal Service of the mail processing improvement reflected in the Rate Schedule, by cell. The calculations I used to generate these passthroughs may be found in the attached spreadsheets.

The "passthroughs" for Bank of America's First-Class Mail and Standard Mail UAA mail volumes were calculated using the following improvement percentages:

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	FCM Operations Return Rate	FCM Marketing Return Rate	FCM Forwarding Rate	Standard Mail UAA Rate
Percent Improvement	New Baseline			
0.1	0.6300%	0.02403	0.0153	0.0576
0.2	0.5600%	0.02136	0.0136	0.0512
0.3	0.4900%	0.01869	0.0119	0.0448
0.4	0.4200%	0.01602	0.0102	0.0384
0.5	0.3500%	0.01335	0.0085	0.032
0.6	0.2800%	0.01068	0.0068	0.0256
0.7	0.2100%	0.00801	0.0051	0.0192
0.8	0.1400%	0.00534	0.0034	0.0128
0.9	0.0700%	0.00267	0.0017	0.0064

The “passthrough” calculations for UAA mail volumes are based on the estimated savings to the Postal Service from the expected decrease in Bank of America’s First-Class Mail and Standard Mail UAA mail volumes.

The cost savings used to calculate the “passthroughs” for the improvements in accept rates of BAC First-Class Mail and Standard Mail have two components, mail processing and delivery. The estimated cost savings for the different levels of mail processing are reflected in the model on the line “Total Savings” in worksheets Savings SM – MP and Savings FCM – MP in the attached “Passthrough” worksheet. The delivery cost savings from improvements in accept rates is a function of increases in the amount of Bank of America’s mail volumes that can be Delivery Point Sequenced (DPS). The table below indicates the relationship between percentage improvement and increases in BAC DPS mail volumes. The savings associated with each level of improvement are shown in the attached “Passthrough” worksheet.

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Percent Improvement	SM - Increase in DPS Volume	FCM - Increase in DPS Volume
0.10%	1,900,000	1,400,000
0.20%	3,800,000	2,800,000
0.30%	5,700,000	4,200,000
0.40%	7,600,000	5,600,000
0.50%	9,500,000	7,000,000
0.60%	11,400,000	8,400,000
0.70%	13,300,000	9,800,000
0.80%	15,200,000	11,200,000
0.90%	17,100,000	12,600,000
1.00%	19,000,000	14,000,000
1.10%	20,900,000	15,400,000
1.20%	22,800,000	16,800,000
1.30%	24,700,000	18,200,000
1.40%	26,600,000	19,600,000
1.50%	28,500,000	21,000,000
1.60%	30,400,000	22,400,000
1.70%	32,300,000	23,800,000
1.80%	34,200,000	25,200,000
1.90%	36,100,000	26,600,000

Please note that these passthrough calculations reflect only the savings implicit in the Rate Schedules. The Agreement requires cost-saving activities by BAC, such as enhanced mail preparation and entry standards, for which BAC will receive no discounts but will incur costs, neither of which are reflected in these calculations.

b) Please see my response to (a) above.

First-Class Mail UAA									
% Improvement	Incentives-FCM Operations Returns	Savings- FCM Operations	Passthrough	Incentives-FCM Mkt Returns	Savings-FCM Mkt Returns	Passthrough	Incentives - FCM Forwards	Savings - FCM Forwards	Passthrough
0%	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
10%	\$286,000	\$285,747	100%	\$360,000	\$480,891	75%	\$182,000	\$311,591	58%
20%	\$481,000	\$571,495	84%	\$390,000	\$520,615	75%	\$420,000	\$623,183	67%
30%	\$689,000	\$857,242	80%	\$420,000	\$560,338	75%	\$658,000	\$934,774	70%
40%	\$884,000	\$1,142,989	77%	\$450,000	\$600,061	75%	\$896,000	\$1,246,366	72%
50%	\$1,079,000	\$1,428,736	76%	\$480,000	\$639,785	75%	\$1,134,000	\$1,557,957	73%
60%	\$1,287,000	\$1,714,484	75%	\$510,000	\$679,508	75%	\$1,372,000	\$1,869,549	73%
70%	\$1,482,000	\$2,000,231	74%	\$540,000	\$719,231	75%	\$1,624,000	\$2,181,140	74%
80%	\$1,690,000	\$2,285,978	74%	\$570,000	\$758,955	75%	\$1,862,000	\$2,492,732	75%
90%	\$1,885,000	\$2,571,725	73%	\$600,000	\$798,678	75%	\$2,100,000	\$2,804,323	75%

Standard Mail UAA					
% Improvement	Incentives-Standard Mail UAA	Savings-Standard Mail UAA	Passthrough	Revenue-Standard Mail ACS	Passthrough (Savings+Revenue)
0%	\$0	\$0	\$0	N/A	\$0
10%	\$760,000	\$494,098	154%	\$2,188,800	28%
20%	\$1,140,000	\$988,197	115%	\$1,945,600	39%
30%	\$1,900,000	\$1,482,295	128%	\$1,702,400	60%
40%	\$2,090,000	\$1,976,394	106%	\$1,459,200	61%
50%	\$2,470,000	\$2,470,492	100%	\$1,216,000	67%
60%	\$2,850,000	\$2,964,590	96%	\$972,800	72%
70%	\$3,230,000	\$3,458,689	93%	\$729,600	77%
80%	\$3,610,000	\$3,952,787	91%	\$486,400	81%
90%	\$3,990,000	\$4,446,885	90%	\$243,200	85%

Standard Mail - Mail Processing Improvements						
% Improvement	Incentives-Standard Mail	Savings-Standard Mail Processing	Savings-Standard Mail Delivery	Passthrough	Revenue- Standard Mail Confirm	Passthrough (Savings+Revenue)
0.0000%	\$0					
0.1000%	\$456,000	\$382,748	\$62,907	102.32%	\$113,873	81%
0.2000%	\$931,000	\$766,168	\$125,815	104.37%	\$113,873	93%
0.3000%	\$1,387,000	\$1,150,259	\$188,722	103.59%	\$113,873	95%
0.4000%	\$1,843,000	\$1,535,024	\$251,629	103.15%	\$113,873	97%
0.5000%	\$2,318,000	\$1,920,463	\$314,537	103.71%	\$113,873	99%
0.6000%	\$2,774,000	\$2,306,577	\$377,444	103.35%	\$113,873	99%
0.7000%	\$3,249,000	\$2,693,367	\$440,352	103.68%	\$113,873	100%
0.8000%	\$3,705,000	\$3,080,835	\$503,259	103.37%	\$113,873	100%
0.9000%	\$4,180,000	\$3,468,981	\$566,166	103.59%	\$113,873	101%
1.0000%	\$4,636,000	\$3,857,807	\$629,074	103.32%	\$113,873	101%
1.1000%	\$5,111,000	\$4,247,313	\$691,981	103.48%	\$113,873	101%
1.2000%	\$5,586,000	\$4,637,501	\$754,888	103.59%	\$113,873	101%
1.3000%	\$6,061,000	\$5,028,371	\$817,796	103.67%	\$113,873	102%
1.4000%	\$6,517,000	\$5,419,925	\$880,703	103.43%	\$113,873	102%
1.5000%	\$6,897,000	\$5,730,107	\$943,611	103.35%	\$113,873	102%
1.6000%	\$7,201,000	\$5,995,993	\$1,006,518	102.83%	\$113,873	101%
1.7000%	\$7,524,000	\$6,262,072	\$1,069,425	102.63%	\$113,873	101%
1.8000%	\$7,961,000	\$6,528,344	\$1,132,333	103.92%	\$113,873	102%
1.9000%	\$8,854,000	\$6,794,811	\$1,195,240	110.81%	\$113,873	109%

First-Class Mail - Mail Processing Improvements						
% Improvement	Incentives-First Class Mail	Savings- FCM Processing	Savings- FCM Delivery	Passthrough	Revenue- FCM Confirm	Passthrough (Savings+Revenue)
0.0000%	\$0					
0.1000%	\$448,000	\$383,011	\$70,780	98.72%	\$83,907	83.32%
0.2000%	\$910,000	\$766,719	\$141,560	100.19%	\$83,907	91.72%
0.3000%	\$1,358,000	\$1,151,123	\$212,341	99.60%	\$83,907	93.83%
0.4000%	\$1,806,000	\$1,536,226	\$283,121	99.27%	\$83,907	94.89%
0.5000%	\$2,268,000	\$1,922,028	\$353,901	99.65%	\$83,907	96.11%
0.6000%	\$2,716,000	\$2,308,531	\$424,681	99.37%	\$83,907	96.41%
0.7000%	\$3,178,000	\$2,695,736	\$495,462	99.59%	\$83,907	97.04%
0.8000%	\$3,640,000	\$3,083,644	\$566,242	99.73%	\$83,907	97.49%
0.9000%	\$4,088,000	\$3,472,256	\$637,022	99.48%	\$83,907	97.49%
1.0000%	\$4,550,000	\$3,861,573	\$707,802	99.58%	\$83,907	97.78%
1.1000%	\$5,012,000	\$4,251,597	\$778,583	99.64%	\$83,907	98.00%
1.2000%	\$5,474,000	\$4,642,328	\$849,363	99.68%	\$83,907	98.18%
1.3000%	\$5,936,000	\$5,033,768	\$920,143	99.70%	\$83,907	98.31%
1.4000%	\$6,398,000	\$5,425,918	\$990,923	99.71%	\$83,907	98.42%
1.5000%	\$6,762,000	\$5,743,991	\$1,061,704	99.36%	\$83,907	98.15%
1.6000%	\$7,084,000	\$6,021,747	\$1,132,484	99.02%	\$83,907	97.87%
1.7000%	\$7,406,000	\$6,299,730	\$1,203,264	98.71%	\$83,907	97.62%
1.8000%	\$7,728,000	\$6,577,940	\$1,274,044	98.42%	\$83,907	97.38%
1.9000%	\$8,050,000	\$6,856,377	\$1,344,825	98.16%	\$83,907	97.16%

Bank of America NSA Filing Model

Appendix A: USPS Value

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	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
First-Class Mail Letters				
[1] Operational Return Savings	\$115,963	\$254,777	\$402,023	\$772,763
[2] Marketing Return Savings	\$441,168	\$496,430	\$549,959	\$1,487,557
[3] Forwarding	-\$87,147	\$240,693	\$584,661	\$738,207
Standard Mail Letters				
[4] Undeliverable-As-Addressed	\$1,615,637	\$1,776,026	\$1,953,114	\$5,344,777
Mail Processing Improvements				
[5] First-Class Mail letters	\$383,011	\$2,695,736	\$5,033,768	\$8,112,516
[6] Standard Mail letters	\$382,748	\$2,693,367	\$5,995,993	\$9,072,108
Delivery				
[7] First-Class Mail letters	\$283,121	\$511,471	\$972,006	\$1,766,598
[8] Standard Mail letters	\$125,815	\$454,580	\$1,063,249	\$1,643,644
[9] Total Cost Savings	\$3,260,317	\$9,123,080	\$16,554,774	\$28,938,170
Additional Revenue				
Confirm Subscriptions	\$197,780	\$197,780	\$197,780	\$593,340
[10] Total New Revenue	\$197,780	\$197,780	\$197,780	\$593,340
Incentives				
[11] First-Class Mail Operational Returns	\$0	\$286,000	\$286,000	\$572,000
[12] First-Class Mail Marketing Returns	\$0	\$360,000	\$390,000	\$750,000
[13] First-Class Mail Forwarding Returns	\$0	\$182,000	\$420,000	\$602,000
[14] Standard Mail UAA Returns	\$0	\$760,000	\$760,000	\$1,520,000
[15] First-Class Mail Mail Processing Improvement	\$448,000	\$3,178,000	\$5,936,000	\$9,562,000
[16] Standard Mail Mail Processing Improvement	\$456,000	\$3,249,000	\$6,897,000	\$10,602,000
[17] Total Incentives	\$904,000	\$8,015,000	\$14,689,000	\$23,608,000
[18] USPS Value	\$2,554,097	\$1,305,860	\$2,063,554	\$5,923,510

Sources:

[1] Total Savings [FCM Ops Return Savings]	[10] Total Fees [Confirm]
[2] Total Savings [FCM Mkt Return Savings]	[11] Incentive Earned on Operations Volume x FCM Ops Letters
[3] Total Savings [FCM Forwards]	[12] Incentive Earned on Marketing Volume x FCM Mkt Letters
[4] Total Savings [SM UAA]	[13] Incentive Earned on Marketing Volume x (FCM Ops Letters + FCM Mkt Letters)
[5] Total Savings [FCM MP]	[14] Incentive Earned on Standard Mail Volume x SM Mkt Letters
[6] Total Savings [SM MP]	[15] Incentive Earned on FCM Volume x (FCM Ops Letters + FCM Mkt Letters)
[7] Total Savings [Delivery Adj]	[16] Incentive Earned on Standard Mail Volume x SM Mkt Letters
[8] Total Savings [Delivery Adj]	[17] [11] + [12] + [13] + [14] + [15] + [16]
[9] [1] + [2] + [3] + [4] + [5] + [6] + [7] + [8]	[18] [9] + [10] - [18]

Appendix A
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Bank of America NSA Filing Model

Appendix A: Assumptions

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	FY 2007	FY 2008	FY 2009
[1] Inflation	3.1%	2.4%	2.3%
	First-Class Mail		Standard Mail
	Operational	Marketing	Marketing
[2] Before-Rates Return Rate	0.7%	2.7%	6.4%
[3] Before-Rates Total First-Class Mail Forwarding Rate	1.7%		
	FY 2007	FY 2008	FY 2009
[4] Reduction in Operations Return Rate Due to NSA	0.0%	5.0%	10.0%
[5] Reduction in Standard UAA Rate Due to NSA	0.0%	5.0%	10.0%
[6] Reduction in Marketing Return Rate Due to NSA	0.0%	10.0%	20.0%
[7] Reduction in Forwarding Rate Due to NSA	0.0%	10.0%	20.0%
[8] Increase in USPS First-Class Mail Read/Accept Rates	0.1%	0.7%	1.3%
[9] Increase in USPS Standard Mail Read/Accept Rates	0.1%	0.7%	1.6%

Sources:

- [1] Docket No. R2006-1 Rollforward and Volume forecast
- [2] BAC-T-1 page 17
- [3] Docket No. R2006-1 USPS LR-L-61, Table 2.3 (FCM Automation Average)
BAC-T-1 page 18: Year 1 of the agreement assumes no improvement; Year 2 of the agreement is based on BAC witness Jones estimates; and Year 3 is a cumulative improvement of his improvement estimates.
- [4] BAC-T-1 page 18: Year 1 of the agreement assumes no improvement; Year 2 of the agreement is based on BAC witness Jones estimates; and Year 3 is a cumulative improvement of his improvement estimates.
- [5] BAC-T-1 page 18: Year 1 of the agreement assumes no improvement; Year 2 of the agreement is based on BAC witness Jones estimates; and Year 3 is a cumulative improvement of his improvement estimates.
- [6] improvement of his improvement estimates.

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- BAC-T-1 page 18: Year 1 of the agreement assumes no improvement; Year 2 of the agreement is based on BAC witness Jones estimates; and Year 3 is a cumulative improvement of his improvement estimates.
- [7] BAC-T-1 page 17: Year 1 of the agreement assumes no improvement; Year 2 of the agreement is based on BAC witness Jones estimates; and Year 3 is a cumulative improvement of his improvement estimates.
- [8] BAC-T-1 page 17: Year 1 of the agreement assumes no improvement; Year 2 of the agreement is based on BAC witness Jones estimates; and Year 3 is a cumulative improvement of his improvement estimates.
- [9]

Bank of America NSA Filing Model

Appendix A: Input Data

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Before-Rates Volume		FY 2007	FY 2008	FY 2009	2006 Billing Determinants	First-Class Mail	Standard Mail
First-Class Mail					Automation Letters		
[1]	Operational Letters	1,300,000,000	1,300,000,000	1,300,000,000	[4] Mixed AADC	73,024,125	38,289,718
	Return-Waived (%)	10%	10%	10%	[5] AADC	40,282,036	78,650,684
	Physical Return Rights (%)	90%	90%	90%	[6] 3-Digit	856,503,717	929,951,679
[2]	Marketing Letters	100,000,000	100,000,000	100,000,000	[7] 5-Digit	424,653,328	814,263,700
	Standard Mail				Carrier Route	15,747,882	
[3]	Marketing Letters	1,900,000,000	1,900,000,000	1,900,000,000			

Unit Cost Data

	First-Class Mail	Standard Mail	Letters
[8] Manual Letter Returns	\$ 0.3242		
[9] Electronic Letter Returns	\$ 0.1235		
[10] OneCode Electronic Notice	\$ 0.0044	\$ 0.0045	
[11] USPS Forwarding, Letters	\$ 0.1352		
[12] USPS UAA Mail Treated as Waste			\$ 0.0419
[13] ACS Success Rate	85.0%	85.0%	85.0%
[14] Price of each Standard Mail OneCode ACS Notice		\$0.020	

Sources:

- [1] - [3] BAC-T-1 Table 2 page 8
- [4] - [7] BAC FY 2006 Billing Determinants
- [8] - [13] Docket No. R2006-1 USPS LR-L-62
- [14] Docket No. R2006-1 USPS-T-40

Appendix A
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Appendix A: Incentives

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First-Class Mail UAA Incentives			
Improvement	Ops	Mkt	Forwarding
0.00	\$0.000000	\$0.00000	\$0.00000
0.10	\$0.000220	\$0.00360	\$0.00013
0.20	\$0.000370	\$0.00390	\$0.00030
0.30	\$0.000530	\$0.00420	\$0.00047
0.40	\$0.000680	\$0.00450	\$0.00064
0.50	\$0.000830	\$0.00480	\$0.00081
0.60	\$0.000990	\$0.00510	\$0.00098
0.70	\$0.001140	\$0.00540	\$0.00116
0.80	\$0.001300	\$0.00570	\$0.00133
0.90	\$0.001450	\$0.00600	\$0.00150

Standard Mail UAA Incentives	
0.00	\$0.0000
0.10	\$0.0004
0.20	\$0.0006
0.30	\$0.0010
0.40	\$0.0011
0.50	\$0.0013
0.60	\$0.0015
0.70	\$0.0017
0.80	\$0.0019
0.90	\$0.0021

Mail Processing Improvements		
Improvement	FCM	Standard
0.00	\$0.00000	\$0.00000
0.001	\$0.00032	\$0.00024
0.002	\$0.00065	\$0.00049
0.003	\$0.00097	\$0.00073
0.004	\$0.00129	\$0.00097
0.005	\$0.00162	\$0.00122
0.006	\$0.00194	\$0.00146
0.007	\$0.00227	\$0.00171
0.008	\$0.00260	\$0.00195
0.009	\$0.00292	\$0.00220
0.010	\$0.00325	\$0.00244
0.011	\$0.00358	\$0.00269
0.012	\$0.00391	\$0.00294
0.013	\$0.00424	\$0.00319
0.014	\$0.00457	\$0.00343
0.015	\$0.00483	\$0.00363
0.016	\$0.00506	\$0.00379
0.017	\$0.00529	\$0.00396
0.018	\$0.00552	\$0.00419
0.019	\$0.00575	\$0.00466

Incentive Calculation	Year 1	Year 2	Year 3
First-Class Mail UAA Discounts			
Actual Operations Rate Improvement	0.00	0.05	0.10
Rounded Improvement	0.00	0.10	0.10
Incentive Earned on Operations Volume	0	0.00022	0.00022
Actual Marketing Rate Improvement	0.00	0.10	0.20
Rounded Improvement	0.00	0.10	0.20
Incentive Earned on Marketing Volume	0	0.0036	0.0039
Actual Marketing Forwarding Rate Improvement	0.00	0.10	0.20
Rounded Improvement	0.00	0.10	0.20
Incentive Earned on Forwarded Volume	0	0.00013	0.0003
Standard Mail UAA Discounts			
Actual Standard Mail Rate Improvement	0.00	0.05	0.10
Rounded Improvement	0.00	0.10	0.10
Incentive Earned on Standard Mail Volume	0	0.0004	0.0004
Accept Rate Discounts			
Actual FCM Accept Rate Improvement	0.001	0.007	0.013
Rounded Improvement	0.0010	0.0070	0.0130
Incentive Earned on FCM Volume	0.00032	0.00227	0.00424
Actual Standard Mail Accept Rate Improvement	0.001	0.007	0.016
Rounded Improvement	0.0010	0.0070	0.0160
Incentive Earned on Standard Mail Volume	0.00024	0.00171	0.00363

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Appendix A: Delivery Savings Input

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USPS-LR-L-101 - Revised 3/15/06

TEST YEAR PIGGYBACK FACTORS

SOURCE: USPS-LR-L-52, TYPBack.USPS.xls, 2/22/06

Line No.	Class, Subclass, or Special Service Cost Segment	City Delivery 6 & 7	Rural Delivery 10
	Column Number Units Column Source/Notes	(1)	(2)
1	FIRST-CLASS MAIL		
2	SINGLE PIECE LETTERS	1.273	1.196
3	PRESORT LETTERS	1.272	1.196
4	SINGLE PIECE CARDS	1.271	1.196
5	PRESORT CARDS	1.274	1.196
6	PERIODICALS	1.261	1.195
7	STANDARD MAIL:		
8	ENHANCED CARR RTE	1.269	1.195
9	REGULAR	1.269	1.195
10	PACKAGE SERVICES:		
11	BOUND PRINTED MATTER	1.314	1.195
12	MEDIA MAIL	1.302	1.195

USPS-LR-L-101 - Revised 3/15/06

FIRST-CLASS AND STANDARD REGULAR LETTERS DPS PERCENTAGES

SOURCE: City05.xls, CS10.xls, MailChar05 - Final.xls

Line No.	Rate Category	CCS LETTERS	RCS LETTERS	CCS DPS LETTERS	RCS DPS LETTERS	CCS & RCS LETTERS	CCS & RCS DPS LETTERS	DPS%	REVISED DPS %	PERMIT VOLUME
	Column No. Units Source	(1) (000) city05.xls, 1C Presort Data for Kelley.xls	(2) CS10.xls, Rural 1C Presort for Kelley.xls	(3) (000) city05.xls, 1C Presort Data for Kelley.xls	(4) CS10.xls, Rural 1C Presort for Kelley.xls	(5) C1 + C2	(6) C3 + C4	(7) % C6 / C5	(8) % C3 / ((1 - (C9 Nonmachinab le/ Machinable)) * C1)	(9) (000) Nonmachinab le from MailChar05 - Final.xls; Total from ShapeGFY20 05rV.xls
1	First-Class Single-Piece Letters									39,317,031
2	First-Class Presort Letters	29,964,684	13,169,657	25,720,327	10,358,772	43,134,341	36,079,099			
3	Non-Auto	5,903,107	2,671,800	4,666,336	1,955,295	8,574,907	6,621,631	77.22%	77.22%	1,739,317
4	Auto	24,061,577	10,497,857	21,053,991	8,403,477	34,559,434	29,457,468	85.24%	85.24%	46,408,216
5	TOTAL									48,147,533
6	First-Class Cards	1,758,482	744,750	1,360,873	530,923	2,503,232	1,891,796			
7	Non-Auto	436,350	206,132	278,585	121,193	642,482	399,778	63.84%	63.84%	363,570
8	Auto	1,322,132	538,618	1,082,288	409,730	1,860,750	1,492,018	81.86%	81.86%	2,744,131
9	TOTAL									3,107,701
10	Standard Regular	31,365,612	13,477,338	25,580,093	10,216,234	44,842,950	35,796,327	81.55%		
11	Nonmachinable								0.00%	190,428
12	Machinable								81.86%	51,099,081
13	TOTAL									51,289,509

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Bank of America NSA Filing Model
Appendix A: FCM Returns
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Before-Rates FCM Operational Letters

[1]	Volume	1,300,000,000	1,300,000,000	1,300,000,000
[2]	Original Return Rate	0.7%	0.7%	0.7%
[3]	Manual Letter Returns Unit Cost	\$ 0.314	\$ 0.324	\$ 0.332
[4]	Before-Rates Return Volume	9,100,000	8,840,000	8,840,000
[5]	Before-Rates Return Cost	\$ 2,857,473	\$ 2,865,521	\$ 2,932,288

	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9
0.0700%	0.1400%	0.2100%	0.2800%	0.3500%	0.4200%	0.4900%	0.5600%	0.6300%	
0.6300%	0.5600%	0.4900%	0.4200%	0.3500%	0.2800%	0.2100%	0.1400%	0.0700%	
2,571,725.354562	2,285,978.092944	2,000,230.831326	1,714,483.569708	#####	#####	#####	#####	#####	#####
285,747.26	571,494.52	857,241.78	1,142,989.05	#####	#####	#####	#####	#####	#####

After-Rates FCM Operational Letters

Inputs

Address Change Service ("ACS")				
[6]	Electronic Letter Returns Unit Cost	\$ 0.120	\$ 0.123	\$ 0.126
[7]	ACS Success Rate	85%	85%	85%
Percent Return-Waived Mail Pieces				
[8]	Reduction in Operations Return Rate Due to NSA	0.0%	5.0%	10.0%

Model Results

Return-Waived Volume				
		910,000	839,800	795,600
Physical Return Rights Volume				
		8,190,000	7,558,200	7,160,400
[9]	Manual Letter Returns Volume w/ OneCode Notice	7,735,000	7,138,300	6,762,600
Manual Letter Returns Cost				
		\$ 42,862	\$ 40,834	\$ 39,586
[10]	Physical Return Rights Volume	\$ 2,571,725	\$ 2,450,021	\$ 2,375,153
[11]	Electronic Letter Returns Volume	773,500	713,830	676,260
	Electronic Letter Returns Cost	\$ 92,525	\$ 88,146	\$ 85,452
[12]	OneCode Electronic Notice Total Cost	\$ 34,398	\$ 31,744	\$ 30,073

Net Savings (Cost)-FCM Operational Letters

[13]	Total Savings	\$115,963	\$254,777	\$402,023
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Sources:

[1]	First-Class Mail Marketing Letters [Input Data]	[8]	Reduction in Operations Return Rate [Model Assumptions]
[2]	Before Rates Return Rate [Model Assumptions]	[9]	[1] x [2] x [7] x (1 - [8])
[3]	Manual Letter Returns [Input Data]	[10]	[1] x [2] x [3] x (1 - [8])
[4]	[1] x [2]	[11]	Reduction in Ops letters due to electronic return
[5]	[3] x [4]	[12]	[9] x OneCode Electronic Notice [Input Data]
[6]	Electronic Letter Returns [Input Data]	[13]	[5] - [10] - [12]
[7]	ACS Success Rate [Input Data]		

Bank of America NSA Filing Model

Appendix A: FCM Returns

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Before-Rates FCM Marketing Letters

[1]	Volume	100,000,000	100,000,000	100,000,000
[2]	Original Return Rate	2.7%	2.7%	2.7%
[3]	Manual Letter Returns Unit Cost	\$ 0.314	\$ 0.324	\$ 0.332
[4]	Before-Rates Return Volume	2,670,000	2,670,000	2,670,000
[5]	Before-Rates Return Cost	\$ 838,401	\$ 865,491	\$ 885,657

	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9
	0.2670%	0.5340%	0.8010%	1.0680%	1.3350%	1.6020%	1.8690%	2.1360%	2.4030%
	2.4030%	2.1360%	1.8690%	1.6020%	1.3350%	1.0680%	0.8010%	0.5340%	0.2670%
	754,561,175,459	670,721,044,853	586,880,914,246	503,040,783,640	#####	#####	#####	#####	#####
	83,840.13	167,680.26	251,520.39	335,360.52	#####	#####	#####	#####	#####
	397,051,289,802,135	#####	#####	#####	#####	#####	#####	#####	#####
	480,891,420,408,735	#####	#####	#####	#####	#####	#####	#####	#####

After-Rates FCM Marketing Letters

Inputs

Address Change Service ("ACS")				
[6]	Electronic Letter Returns Unit Cost	\$ 0.120	\$ 0.123	\$ 0.126
[7]	ACS Success Rate	85%	85%	85%
[8]	Reduction in Marketing Return Rate Due to NSA	0.0%	10.0%	20.0%

Model Results

[9]	Manual Letter Returns Volume	400,500	360,450	320,400
[10]	Manual Letter Returns Cost	\$ 125,760	\$ 116,841	\$ 106,279
[11]	Electronic Letter Returns Volume	2,269,500	2,042,550	1,815,600
[12]	Electronic Letter Returns Cost	\$ 271,473	\$ 252,220	\$ 229,419

Net Savings (Cost)-FCM Marketing Return Letters

[13]	Total Savings	\$441,168	\$496,430	\$549,959
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Sources:

[1]	First-Class Mail Marketing Letters [Input Data]	[8]	Reduction in Marketing Return Rate [Model Assumptions]
[2]	Before Rates Return Rate [Model Assumptions]	[9]	[1] x [2] x [7] x (1 - [8])
[3]	Manual Letter Returns [Input Data]	[10]	[3] x [9]
[4]	[1] x [2]	[11]	[1] x [2] x [3] x [8]
[5]	[3] x [4]	[12]	[6] x [11]
[6]	Electronic Letter Returns [Input Data]	[13]	[5] - [10] - [12]
[7]	ACS Success Rate [Input Data]		

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Appendix A: FCM Forwards
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Before-Rates FCM Forwards				0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9	
[1]	Total First-Class Mail Letter Volume	1,400,000,000	1,400,000,000	1,400,000,000									
[2]	Original Forwarding Rate - Total FCM Letter Volume	1.7%	1.7%	1.7%	0.0017	0.0034	0.0051	0.0068	0.0085	0.0102	0.0119	0.0136	0.0153
[3]	USPS Forwarding Unit Cost	\$0.131	\$ 0.135	\$0.138	1.5300%	1.3600%	1.1900%	1.0200%	0.8500%	0.6800%	0.5100%	0.3400%	0.1700%
[4]	Before-Rates Forwarding Volume	23,800,000	23,800,000	23,800,000	#####	#####	#####	#####	#####	#####	#####	#####	#####
[5]	Before-Rates Forwarding Cost	\$ 3,115,914	\$ 3,216,594	\$ 3,291,540	#####	#####	#####	#####	#####	#####	#####	#####	#####
After-Rates FCM Forwards													
Inputs													
Address Change Service ("ACS")													
[6]	OneCode ACS Forwarding Notice Unit Cost	\$ 0.004	\$ 0.004	\$ 0.005									
[7]	ACS Success Rate	85%	85%	85%									
[8]	Reduction in Forwarding Rate Due to NSA	0.0%	10.0%	20.0%									
Model Results													
[9]	Letter Forwarding Volume	23,800,000	21,420,000	19,040,000									
[10]	Letter Forwarding Cost	\$ 3,115,914	\$ 2,894,934	\$ 2,633,232									
[11]	OneCode ACS Notices Volume	20,230,000	18,207,000	16,184,000									
[12]	OneCode ACS Notices Cost	\$ 87,147	\$ 80,967	\$ 73,647									
Net Savings (Cost) - FCM Forwards													
[13]	Total Savings	(\$87,147)	\$ 240,693	\$ 584,661									

Sources:

[1]	FCM Operational + FCM Marketing Letters [Input Data]	[8]	Reduction in Forwarding Rate [Model Assumptions]
[2]	Total First-Class Mail Forwarding Rate [Input Data]	[9]	[1] x [2] x (1 - [8])
[3]	USPS Forwarding, Letters [Input Data]	[10]	[3] x [9]
[4]	[1] x [2]	[11]	[7] x [9]
[5]	[3] x [4]	[12]	[6] x [11]
[6]	OneCode Electronic Notice [Input Data]	[13]	[5] - [10] - [12]
[7]	ACS Success Rate [Input Data]		

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 Appendix A: Standard Mail UAA
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Before-Rates Standard Mail UAA				0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9	
[1]	Volume	1,900,000,000	1,900,000,000	1,900,000,000	0.0064	0.0128	0.0192	0.0256	0.032	0.0384	0.0448	0.0512	0.0576
[2]	Undeliverable-As-Addressed ("UAA") Rate	6.4%	6.4%	6.4%	5.7600%	5.1200%	4.4800%	3.8400%	3.2000%	2.5600%	1.9200%	1.2800%	0.6400%
[3]	USPS UAA Mail Treated as Waste Unit Cost	\$0.041	\$ 0.042	\$0.043	\$4,446,885.39	#####	#####	#####	#####	#####	#####	#####	#####
[4]	Before Rates UAA Volume	121,600,000	121,600,000	121,600,000	\$494,098.38	#####	#####	#####	#####	#####	#####	#####	#####
[5]	Before Rates UAA Cost	\$4,940,984	\$5,100,634	\$5,219,478	2188800	1945600	1702400	1459200	1216000	972800	729600	486400	243200
After-Rates Standard Mail UAA													
Inputs													
Address Change Service ("ACS")													
[6]	USPS OneCode ACS Cost	\$ 0.004	\$ 0.005	\$ 0.005									
[7]	ACS Success Rate	85%	85%	85%									
[8]	Unit Price of Standard Mail OneCode ACS Notice	\$ 0.020	\$ 0.020	\$ 0.020									
[9]	Reduction in Standard UAA Rate Due to NSA	0.0%	5.0%	10.0%									
Model Results													
[10]	UAA Volume	121,600,000	115,520,000	109,440,000									
[11]	UAA Cost	\$4,940,984	\$4,845,602	\$4,697,531									
[12]	OneCode ACS Volume	103,360,000	98,192,000	93,024,000									
[13]	OneCode ACS Cost	\$ 451,563	\$ 442,846	\$ 429,313									
[14]	OneCode ACS Revenue	\$2,067,200	\$1,963,840	\$1,860,480									
Net Savings (Cost) - Standard Mail UAA													
[15]	Total Savings	\$ 1,615,637	\$ 1,776,026	\$ 1,953,114									

Sources:

[1] Standard Mail Marketing Letters [Input Data]	[9] Reduction in Standard UAA Rate [Model Assumptions]
[2] Before-Rates Return Rate [Model Assumptions]	[10] [4] x [9]
[3] USPS UAA Mail Treated as Waste [Input Data]	[11] [3] x [10]
[6] [1] x [2]	[12] [7] x [10]
[5] [3] x [4]	[13] [6] x [12]
[6] OneCode Electronic Notice [Input Data]	[14] [8] x [12]
[7] ACS Success Rate [Input Data]	[15] [5] - [11] - [13] + [14]
[8] Price of each Standard Mail OneCode ACS Notice [Input Data]	

Bank of America NSA Filing Model
Appendix A: First-Class Mail Processing Improvements
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RATE CATEGORY	R 2006 TOTAL MAIL PROCESSING UNIT COST (CENTS)	[2] BAC First-Class Mail Accept Rate Improvements																		
		0.10%	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%
[1] COST PER PIECE PER RATE CATEGORY																				
Automation MAADC Presort Letters	7.159	7.107	7.055	7.002	6.950	6.897	6.844	6.792	6.739	6.686	6.632	6.579	6.526	6.472	6.419	6.370	6.324	6.278	6.232	6.186
Automation AADC Presort Letters	5.842	5.808	5.774	5.740	5.706	5.672	5.638	5.603	5.569	5.535	5.500	5.466	5.431	5.396	5.362	5.332	5.305	5.278	5.252	5.225
Automation 3-Digit Presort Letters	5.383	5.353	5.322	5.292	5.261	5.231	5.200	5.169	5.139	5.108	5.077	5.046	5.015	4.984	4.953	4.927	4.904	4.881	4.858	4.835
Automation 5-Digit Presort Letters	3.886	3.869	3.853	3.837	3.820	3.804	3.787	3.771	3.755	3.738	3.722	3.705	3.688	3.672	3.655	3.644	3.636	3.627	3.619	3.611
Automation Carrier Route Presort Letters	2.886	2.874	2.861	2.849	2.836	2.823	2.811	2.798	2.785	2.773	2.760	2.747	2.734	2.721	2.708	2.701	2.697	2.693	2.689	2.685
[3] SAVINGS PER PIECE PER RATE CATEGORY																				
Automation MAADC Presort Letters	0.00052	0.00104	0.00157	0.00209	0.00262	0.00314	0.00367	0.00420	0.00473	0.00526	0.00580	0.00633	0.00687	0.00740	0.00789	0.00835	0.00881	0.00927	0.00973	0.01019
Automation AADC Presort Letters	0.00034	0.00068	0.00102	0.00136	0.00170	0.00204	0.00238	0.00273	0.00307	0.00342	0.00376	0.00411	0.00445	0.00480	0.00510	0.00536	0.00563	0.00590	0.00617	0.00644
Automation 3-Digit Presort Letters	0.00030	0.00061	0.00091	0.00122	0.00152	0.00183	0.00214	0.00245	0.00275	0.00306	0.00337	0.00368	0.00399	0.00430	0.00456	0.00479	0.00502	0.00525	0.00548	0.00571
Automation 5-Digit Presort Letters	0.00016	0.00033	0.00049	0.00065	0.00082	0.00098	0.00115	0.00131	0.00148	0.00164	0.00181	0.00197	0.00214	0.00230	0.00242	0.00250	0.00258	0.00267	0.00275	0.00283
Automation Carrier Route Presort Letters	0.00013	0.00025	0.00038	0.00050	0.00063	0.00076	0.00088	0.00101	0.00114	0.00127	0.00139	0.00152	0.00165	0.00178	0.00185	0.00189	0.00193	0.00197	0.00202	0.00207
[4] SAVINGS PER RATE CATEGORY																				
Automation MAADC Presort Letters	73,024,125	\$38,042	\$76,172	\$114,389	\$152,695	\$191,089	\$229,572	\$268,143	\$306,803	\$345,552	\$384,391	\$423,320	\$462,338	\$501,446	\$540,644	\$579,932	\$619,410	\$659,078	\$698,936	\$738,984
Automation AADC Presort Letters	40,282,036	\$13,636	\$27,272	\$40,908	\$54,544	\$68,180	\$81,816	\$95,452	\$109,088	\$122,724	\$136,360	\$150,000	\$163,640	\$177,280	\$190,920	\$204,560	\$218,200	\$231,840	\$245,480	\$259,120
Automation 3-Digit Presort Letters	856,503,717	\$260,116	\$520,232	\$780,348	\$1,040,464	\$1,300,580	\$1,560,696	\$1,820,812	\$2,080,928	\$2,341,044	\$2,601,160	\$2,861,276	\$3,121,392	\$3,381,508	\$3,641,624	\$3,901,740	\$4,161,856	\$4,421,972	\$4,682,088	\$4,942,204
Automation 5-Digit Presort Letters	424,653,328	\$69,244	\$138,488	\$207,732	\$276,976	\$346,220	\$415,464	\$484,708	\$553,952	\$623,196	\$692,440	\$761,684	\$830,928	\$900,172	\$969,416	\$1,038,660	\$1,107,904	\$1,177,148	\$1,246,392	\$1,315,636
Automation Carrier Route Presort Letters	15,747,882	\$1,975	\$3,950	\$5,925	\$7,900	\$9,875	\$11,850	\$13,825	\$15,800	\$17,775	\$19,750	\$21,725	\$23,700	\$25,675	\$27,650	\$29,625	\$31,600	\$33,575	\$35,550	\$37,525
[5] Totals	1,410,211,088	\$383,011	\$766,022	\$1,149,033	\$1,536,044	\$1,923,055	\$2,310,066	\$2,697,077	\$3,084,088	\$3,471,099	\$3,858,110	\$4,245,121	\$4,632,132	\$5,019,143	\$5,406,154	\$5,793,165	\$6,180,176	\$6,567,187	\$6,954,198	\$7,341,209
		Estimated Savings	Year 1	Year 2	Year 3															
[6]		Actual Improvement	0.10%	0.70%	1.30%															
[7]		Total Savings	\$383,011	\$2,695,736	\$5,033,768															

Sources:
[1] Docket No. R2006-1 USPS-LR-L-110
[2] BAC First-Class Mail Accept Rate Improvements
[3] [1] - [2]
[4] Mail Processing Improvements - FCM [Incentives]
[5] Sum of Savings Per Rate Category
[6] Increase in USPS First-Class Mail Read/Accept Rates [Model Assumptions]
[7] Total Savings for each Actual Improvement

[1] RATE CATEGORY	TOTAL MAIL PROCESSING UNIT COST (CENTS)	[2] BAC Standard Mail Accept Rate Improvements																		
		0.10%	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%
Automation MAADC Presort Letters	6.083	6.040	5.997	5.954	5.910	5.867	5.823	5.779	5.735	5.691	5.647	5.603	5.559	5.514	5.470	5.430	5.392	5.353	5.315	5.277
Automation AADC Presort Letters	4.987	4.959	4.931	4.902	4.874	4.846	4.818	4.789	4.761	4.732	4.704	4.675	4.646	4.618	4.589	4.564	4.542	4.520	4.498	4.475
Automation 3-Digit Presort Letters	4.605	4.580	4.555	4.529	4.504	4.479	4.453	4.428	4.402	4.377	4.351	4.325	4.300	4.274	4.248	4.227	4.208	4.189	4.170	4.150
Automation 5-Digit Presort Letters	3.355	3.342	3.328	3.315	3.301	3.288	3.274	3.260	3.247	3.233	3.219	3.206	3.192	3.178	3.164	3.155	3.148	3.141	3.134	3.127

[3] SAVINGS PER PIECE PER RATE CATEGORY	BAC Standard Mail Accept Rate Improvements																		
	0.10%	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%
Automation MAADC Presort Letters	0.00043	0.00086	0.00130	0.00173	0.00217	0.00261	0.00304	0.00348	0.00392	0.00436	0.00480	0.00525	0.00569	0.00614	0.00654	0.00692	0.00730	0.00768	0.00807
Automation AADC Presort Letters	0.00028	0.00056	0.00084	0.00113	0.00141	0.00169	0.00198	0.00226	0.00254	0.00283	0.00312	0.00340	0.00369	0.00398	0.00422	0.00445	0.00467	0.00489	0.00511
Automation 3-Digit Presort Letters	0.00025	0.00050	0.00076	0.00101	0.00126	0.00152	0.00177	0.00203	0.00228	0.00254	0.00279	0.00305	0.00331	0.00357	0.00378	0.00397	0.00416	0.00435	0.00455
Automation 5-Digit Presort Letters	0.00014	0.00027	0.00041	0.00054	0.00068	0.00081	0.00095	0.00109	0.00122	0.00136	0.00150	0.00164	0.00177	0.00191	0.00200	0.00207	0.00214	0.00221	0.00228

[5] SAVINGS PER RATE CATEGORY	BAC Standard Mail Accept Rate Improvements																			
	0.10%	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	
Automation MAADC Presort Letters	38,289,718	\$16,530	\$33,099	\$49,705	\$66,350	\$83,034	\$99,756	\$116,516	\$133,315	\$150,153	\$167,030	\$183,945	\$200,900	\$217,894	\$234,927	\$250,369	\$264,950	\$279,554	\$294,190	\$308,828
Automation AADC Presort Letters	78,650,684	\$22,064	\$44,172	\$66,323	\$88,519	\$110,760	\$133,044	\$155,373	\$177,746	\$200,164	\$222,627	\$245,134	\$267,686	\$290,283	\$312,925	\$332,206	\$349,859	\$367,128	\$384,617	\$402,123
Automation 3-Digit Presort Letters	929,951,679	\$234,083	\$468,594	\$703,534	\$938,905	\$1,174,707	\$1,410,940	\$1,647,605	\$1,884,703	\$2,122,235	\$2,360,202	\$2,598,603	\$2,837,440	\$3,076,714	\$3,316,426	\$3,515,879	\$3,693,420	\$3,871,102	\$4,048,926	\$4,226,891
Automation 5-Digit Presort Letters	814,263,700	\$110,072	\$220,304	\$330,696	\$441,249	\$551,963	\$662,838	\$773,873	\$885,070	\$996,429	\$1,107,949	\$1,219,630	\$1,331,474	\$1,443,479	\$1,555,647	\$1,631,653	\$1,687,964	\$1,744,288	\$1,800,622	\$1,856,969
Total	1,861,155,781	\$382,748	\$766,168	\$1,150,259	\$1,535,024	\$1,920,463	\$2,306,577	\$2,693,367	\$3,080,835	\$3,468,961	\$3,857,807	\$4,247,313	\$4,637,501	\$5,028,371	\$5,419,925	\$5,730,107	\$5,995,993	\$6,262,072	\$6,528,344	\$6,794,811

	Year 1	Year 2	Year 3
[6] Actual Improvement	0.10%	0.70%	1.60%
[7] Total Savings	\$382,748	\$2,693,367	\$5,995,993

- Sources:
- [1] Docket No. R2006-1 USPS-LR-L-110
 - [2] BAC Standard Mail Accept Rate Improvements
 - [3] [1] - [2]
 - [4] Mail Processing Improvements - SM [Incentives]
 - [5] Sum of Savings Per Rate Category
 - [6] Increase in USPS Standard Mail Read/Accept Rates [Model Assumptions]
 - [7] Total Savings for each Actual Improvement

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Appendix A: City Delivery Unit Costs

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USPS-LR-L-67 - Revised 3/15/06

IN-OFFICE DIRECT UNIT COST

TY 2008

**Changes from USPS -LR-L-67 are highlighted in yellow

Line No.	Col. No. Units Source/Calculations	(1) Total In-Office Direct Labor Casing Plus Non-Casing Cost , All Route Groups	(2) Casing Portion Of In-Office Direct Labor, All Route Groups	(3) Casing Portion Of In-Office Direct Labor, Letter Routes Only	(4) Other Portion Of In-Office Direct Labor	(5) Assumed % DPS Mail Cased	(6) CCS Volume	(7) % DPS	(8) % Cased	(9) % Non-Cased	(10) In-Office Direct Labor Casing Cost Per CCS Piece - Cased Pieces	(11) In-Office Direct Labor Plus Non-Casing Cost Per CCS Piece - Cased Pieces	(12) In-Office Direct Labor Non-Casing Cost Per CCS Piece - Applied to All Pieces
		C2 + C4	2.SummaryTY C3	C2 x 17.In-OfficeDetail (C3 / C2)	2.SummaryTY C4		17.In-OfficeDetail C6 x 2.SummaryTY C10 / 11.SummaryB Y C11	C13 L7, L11, L15	(1 - C7) + (C7 x C5)	C7 x (1 - C5)	C2 / (C8 x C6)	C2 / (C8 x C6) + C12	C4 / C6
1	FC Presort - Letter-Shape Pieces Only	375,738	325,873	302,918	66,499	10.0%	29,551,026	84.95%	23.55%	76.45%	0.0444	0.0491	0.0023
2	FC Presort - Cards	26,689	21,715	21,246	4,974	10.0%	1,737,096	79.75%	28.22%	71.78%	0.0443	0.0472	0.0029
3	Standard Regular - Letters	305,344	252,121	247,032	53,223	10.0%	35,665,325	81.56%	26.60%	73.40%	0.0266	0.0281	0.0015

Sources:

(2) Casing portion of costs were adjusted to include only the pure casing costs from LR-67 in R2006. The costs for First-Class Mail and Standard Mail letters are sourced from the file CARM05_LL_Detail_3RGrpCasing Pure from LR-67 in R2006.

These BY costs are then adjusted to TY by the same factors used in LR-67 from R2006

FC Presort - Letter-Shape Pieces Only	315,543
TY Adjustment Factor	1.0327
FC Presort - Letter-Shape Pieces Only TY	325,873.03
Standard Regular - Letters	263,998
TY Adjustment Factor	1.213469719
Standard Regular - Letters	320353.579

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Appendix A: Rural Delivery Unit Costs

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USPS-LR-L-67 - Revised 3/15/06

DEVELOPMENT OF BY 2005 RURAL CARRIER KEY

SOURCE: USPS-LR-L-5, CS10.XLS, W/S 10.1.2 and 10.2.2 for Costs

SOURCE: USPS-LR-L-5, CS10.xls, Inputs DK for Volumes

Line No.		Letters	Flats	Parcels	Boxholder	DPS	Sec Seg	Postage Due	Ltr/Fit Collected	Parcels Accepted	Total Delivered	Total Incl Collections
	Col. No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Units	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
	Source / Calculations	L4,6,10, = cost / volume								=C1..C9		
1	Evaluated and Other Routes Combined											
2	First-Class											
3	Single-Piece	89,614	34,031	36,264	10	76,112	4,596	445	62,492	10,614	241,072	314,178
4	Unit Cost	0.0451	0.0530	0.2831	0.0310	0.0156	0.0442	0.0803	0.0180	1.1661		
5	Presort	117,746	11,951	966	143	161,358	8,794	16	-	-	300,974	300,974
6	Unit Cost	0.0451	0.0530	0.2831	0.0310	0.0156	0.0442	0.0803	-	-		
7	Periodicals	4,495	144,278	1,538	185	243	84	0	-	-	150,823	150,823
8	Unit Cost	0.0451	0.0530	0.2831	0.0340	0.0156	0.0442	0.0803				
9	Standard Mail (A)											
10	ECR	94,956	341,733	5,199	55,175	19,491	2,122	-			518,676	518,676
11	Unit Cost	0.0451	0.0530	0.2831	0.0310	0.0156	0.0442					
12	Regular	139,479	200,566	67,072	8,152	159,138	7,382	25			581,814	581,814
13	Unit Cost	0.0451	0.0530	0.2831	0.0310	0.0156	0.0442					
14	Package Services											
15	Bound Printed Matter	30	4,000	20,792	216	3	2	8	3	239	25,050	25,050
16	Unit Cost	0.0451	0.0530	0.2831	0.0310	0.0156	0.0442	0.0803	0.0180	1.1661		
17	Media Mail	1	344	9,996	-	1	1	5	21	1,673	10,347	10,347
18	Unit Cost	0.0451	0.0530	0.2831	-	0.0156	0.0442	0.0803	0.0180	1.1661		

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Appendix A: Total Delivery Unit Savings

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First-Class Mail Delivery Saving Savings

[1]	Total First-Class Mail Volume	1,400,000,000	1,400,000,000	1,400,000,000				
	First-Class Mail CCS Savings							
	FCM In-Office Direct Labor Casing Plus Non-Casing Cost							
[2]	Per CCS Piece - Cased Pieces	\$0.04755	\$0.04908	\$0.05023				
[3]	Test Year Piggyback - City Delivery (PRC)	1.272013241	1.272013241	1.272013241				
	FCM Total In-Office Direct Labor Casing Plus Non-Casing							
[4]	Cost Per CCS Piece - Cased Pieces	\$0.06048	\$0.06243	\$0.06389				
	FCM In-Office Direct Labor Non-Casing Cost Per CCS							
[5]	Piece - Applied to All Pieces	\$0.00218	\$0.00225	\$0.00230				
[6]	Test Year Piggyback (PRC) - City Delivery	1.272013241	1.272013241	1.272013241				
	FCM Total In-Office Direct Labor Non-Casing Cost Per							
[7]	CCS Piece - Applied to All Pieces	\$0.00277	\$0.00286	\$0.00293				
[8]	FCM CCS Unit Savings from DPS	0.057705519	0.059570062	0.060958045				
	First-Class Mail RCS Savings							
[9]	FCM Presort Letters Unit Cost	\$0.04367	\$0.04508	\$0.04613	0.001	1,400,000	\$70,780	
[10]	Test Year Piggyback - City Delivery (PRC)	1.195843741	1.195843741	1.195843741	0.002	2,800,000	141560.485	\$70,780
[11]	Total FCM Presort Letters Unit Cost	\$0.052218	\$0.053905	\$0.055161	0.003	4,200,000	212340.728	\$70,780
[12]	FCM Presort DPS Letters Unit Cost	\$0.01509	\$0.01558	\$0.01594	0.004	5,600,000	283120.97	\$70,780
[13]	Test Year Piggyback (PRC) - City Delivery	1.19584	1.19584	1.19584	0.005	7,000,000	\$353,901	
[14]	Total FCM Presort Letters Unit Cost	\$0.01804	\$0.01863	\$0.01906	0.006	8,400,000	\$424,681	
[15]	FCM RCS Unit Savings from DPS	0.034173302	0.035277487	0.036099453	0.007	9,800,000	\$495,462	
[16]	Estimated Improvement	0.40%	0.70%	1.30%	0.008	11,200,000	\$566,242	
[17]	Increase in DPS Volume	5,600,000	9,800,000	18,200,000	0.009	12,600,000	\$637,022	
[18]	USPS CCS Volume Percent	69.62%	69.62%	69.62%	0.01	14,000,000	\$707,802	
[19]	Increased BAC DPS Volume Estimated at CCS	3,898,930	6,823,128	12,671,524	0.011	15,400,000	\$778,583	
[20]	USPS RCS Volume Percent	30.38%	30.38%	30.38%	0.012	16,800,000	\$849,363	
[21]	Increased BAC DPS Volume Estimated at RCS	1,701,070	2,976,872	5,528,476	0.013	18,200,000	\$920,143	
[22]	BAC FCM CCS Savings	\$224,990	\$406,454	\$772,431	0.014	19,600,000	\$990,923	
[23]	BAC FCM RCS Savings	\$58,131	\$105,017	\$199,575	0.015	21,000,000	\$1,061,704	
[24]	Total BAC First-Class Mail Delivery Savings	\$283,121	\$511,471	\$972,006	0.016	22,400,000	\$1,132,484	
					0.017	23,800,000	\$1,203,264	
					0.018	25,200,000	\$1,274,044	
					0.019	26,600,000	\$1,344,825	
[1]	"Input-Data" - 1 + 2		[13] USPS-LR-L-101 Line 3					
[2]	"Savings - CCS Delivery" Column 11		[14] 12 * 13					
[3]	USPS-LR-L-101 Line 3		[15] 11 - 14					
[4]	2 * 3		[16] "Model Assumptions" Line 9					
[5]	"Savings - CCS Delivery" Column 12		[17] 16 * 1					
[6]	USPS-LR-L-101 Line 3		[18] USPS-LR-L-101 First-Class and Standard Mail DPS %					
[7]	5 * 6		[19] 17 * 18					
[8]	4 - 7		[20] 1 - 18					
[9]	"Savings - RCS Delivery" Column 1 Line 5		[21] 17 * 20					
[10]	USPS-LR-L-101 Line 3		[22] 8 * 19					
[11]	9 * 10		[23] 15 * 21					
[12]	"Savings - RCS Delivery" Column 5 Line 5		[24] 22 + 23					

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Total FCM Delivery Savings

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Appendix A: Total Delivery Unit Savings

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Standard Mail Delivery Saving Savings

[1]	Total Standard Mail Volume	1,900,000,000	1,900,000,000	1,900,000,000
Standard Mail CCS Savings				
[2]	Standard Mail In-Office Direct Labor Casing Plus Non-Casing Cost Per CCS Piece - Cased Pieces	\$0.02719	\$0.02807	\$0.02872
[3]	Test Year Piggyback - City Delivery (PRC)	1.268883903	1.268883903	1.268883903
[4]	Standard Mail Total In-Office Direct Labor Casing Plus Non-Casing Cost Per CCS Piece - Cased Pieces	\$0.03450	\$0.03561	\$0.03644
[5]	Standard Mail 'In-Office Direct Labor Non-Casing Cost Per CCS Piece - Applied to All Pieces	\$0.00145	\$0.00149	\$0.00153
[6]	Test Year Piggyback - Rural Delivery (PRC)	1.268883903	1.268883903	1.268883903
[7]	Standard Total 'In-Office Direct Labor Non-Casing Cost Per CCS Piece - Applied to All Pieces	\$0.00183	\$0.00189	\$0.00194
[8]	Standard Mail CCS Unit Savings from DPS	0.032665872	0.033721351	0.034507058
Standard Mail RCS Savings				
[9]	Standard Mail Presort Letters Unit Cost	\$0.04367	\$0.04508	\$0.04613
[10]	Test Year Piggyback - City Delivery (PRC)	1.19470471	1.19470471	1.19470471
[11]	Total Standard Mail Presort Letters Unit Cost	\$0.052168	\$0.053854	\$0.055109
[12]	Standard Mail Presort DPS Letters Unit Cost	\$0.01509	\$0.01558	\$0.01594
[13]	Test Year Piggyback - Rural Delivery (PRC)	1.19470	1.19470	1.19470
[14]	Total Standard Mail Presort Letters Unit Cost	\$0.01803	\$0.01861	\$0.01904
[15]	Standard Mail RCS Unit Savings from DPS	0.034140752	0.035243886	0.036065068
[16]	Estimated Improvement	0.20%	0.70%	1.60%
[17]	Increase in DPS Volume	3,800,000	13,300,000	30,400,000
[18]	USPS CCS Volume Percent	69.95%	69.95%	69.95%
[19]	Increased BAC DPS Volume Estimated at CCS	2,657,928	9,302,747	21,263,423
[20]	USPS RCS Volume Percent	30.05%	30.05%	30.05%
[21]	Increased BAC DPS Volume Estimated at RCS	1,142,072	3,997,253	9,136,577
[22]	BAC Standard Mail CCS Savings	\$86,824	\$313,701	\$733,738
[23]	BAC Standard Mail RCS Savings	\$38,991	\$140,879	\$329,511
[24]	Total BAC Standard Mail Delivery Savings	\$125,815	\$454,580	\$1,063,249

0.001	62907.367	
0.002	\$125,815	\$62,907
0.003	\$188,722	
0.004	\$251,629	
0.005	\$314,537	
0.006	\$377,444	
0.007	\$440,352	
0.008	\$503,259	
0.009	\$566,166	
0.01	\$629,074	
0.011	\$691,981	
0.012	\$754,888	
0.013	\$817,796	
0.014	\$880,703	
0.015	\$943,611	
0.016	\$1,006,518	
0.017	\$1,069,425	
0.018	\$1,132,333	
0.019	\$1,195,240	

- [1] "Input-Data" - Line 3
- [2] "Savings - CCS Delivery" Column 11
- [3] USPS-LR-L-101 Line 3
- [4] 2 * 3
- [5] "Savings - CCS Delivery" Column 12
- [6] USPS-LR-L-101 Line 3
- [7] 5 * 6
- [8] 4 - 7
- [9] "Savings - RCS Delivery" Column 1 Line 13
- [10] USPS-LR-L-101 Line 3
- [11] 9 * 10
- [12] "Savings - RCS Delivery" Column 5 Line 15
- [13] USPS-LR-L-101 Line 3
- [14] 12 * 13
- [15] 11 - 14
- [16] "Model Assumptions" Line 10
- [17] 16 * 1
- [18] USPS-LR-L-101 First-Class and Standard
- [19] 17 * 18
- [20] 1 - 18
- [21] 17 * 20
- [22] 8 * 19
- [23] 15 * 21
- [24] 22 + 23

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Appendix A: Confirm Pricing

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	Year 1	Year 2	Year 3
[1] Total First-Class Mail Volume	1,400,000,000	1,400,000,000	1,400,000,000
[2] Total Standard Mail Volume	1,900,000,000	1,900,000,000	1,900,000,000
	3,300,000,000	0.424242424	\$83,906.67
Scans			
[3] First-Class Mail	1,400,000,000	1,400,000,000	1,400,000,000
[4] Standard Mail	9,500,000,000	9,500,000,000	9,500,000,000
[5] Total Scans	10,900,000,000	10,900,000,000	10,900,000,000
Fees			
[6] Initial fee (Platinum)	\$5,000	\$5,000	\$5,000
[7] First 9 Blocks	\$630	\$630	\$630
[8] Next 90 Blocks	\$3,150	\$3,150	\$3,150
[9] Remaining Blocks	\$189,000	\$189,000	\$189,000
[10] Total Fees	\$197,780	\$197,780	\$197,780

Sources:

- [1] BAC Total First-Class Mail Volume [Input Data: Operational Ltrs + Marketing Ltrs]
- [2] BAC Total Standard Mail Volume [Input Data]
- [3] Number of scans x [1]
- [4] Number of scans x [2]
- [5] [3] + [4]
- [6] Docket No. R2006-1
- [7] Docket No. R2006-1
- [8] Docket No. R2006-1
- [9] Docket No. R2006-1
- [10] [6] + [7] + [8] + [9]

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Matthew J. Connolly

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1135
(202) 268-8582; Fax -5418
March 2, 2007