

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Rate and Service Changes to Implement)
Baseline Negotiated Service Agreement) Docket No. MC2007-1
With Bank of America Corporation)

**ANSWERS OF BANK OF AMERICA CORP.
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

Bank of America Corporation ("BAC") submits its answers to Presiding Officer's Information Request No. 1, Questions 1 and 3, issued by the Commission on April 3, 2007. The answers are sponsored by Michael Tate, Vice President—Document Management, Bank of America. Mr. Tate will appear for cross-examination with respect to the answers if the Commission or any participant so requests. The Postal Service is answering Question 2, and filing a separate answer to Question 1.

Respectfully submitted,

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POIR 1, QUESTION 1. Please provide the derivation (including the mathematical formula) for the term "Increase in USPS First-Class Mail Read/Accept Rates" for FY 2009 appearing in MC2007-1_Ayub.xls, worksheet "Model Assumptions," cell E19.

ANSWER:

The value was not derived or calculated. It is an assumption to which BAC and the Postal Service agreed. BAC and the Postal Service adopted the value because the Commission's rules require the co-proponents of an NSA to provide an estimate of its value to the Postal Service. We believe that the value is a reasonable guess, but do not offer it as a precise or scientific number.

Greater precision is neither feasible nor necessary. It is infeasible because the extent of improvement in read/accept rates will depend on the amount of resources spent by BAC on improving its read/accept rates, the payoff from those expenditures, and the actions of the Postal Service. The value of each factor is still uncertain.

Greater precision is unnecessary because the profitability of the proposed NSA does not turn on the accuracy of the value in question. The Postal Service will benefit financially from the NSA regardless of how much read/accept rates increase, because the proposed discounts will pass through less than 100 percent of the Postal Service's cost savings across the entire range of discounts.

POIR 1, QUESTION 3: Please explain the rationale for the methodology by which forwarding rates for BAC were interpolated. Include an explanation of:

- a. why missing NCOA matches for Group A, Feb-06 were estimated by dividing the March-06 value by 2, while missing Total Records for Group A, Feb-06 were estimated by taking the Total Records value of March-06;
- b. why a declining balance type of approach was used to estimate missing NCOA matches for Group C, Jan-06 through Apr-06, while missing Total Records for Group C were estimated by taking the Total Records value of May-06; and
- c. why a declining balance type of approach was used to estimate missing NCOA matches missing for Group E, while missing Total Records for Group E were estimated by a moving sum approach.

RESPONSE:

The NCOA practices of the bank vary throughout the organization. To calculate the forwarding rates shown in OCA/BAC-T1-1, we divided the reported data into five groups depending on the particular NCOA practice used. Essentially the same methodology has been used to determine the baseline value for each group. The calculations differ for each group only to the extent needed to account for the specific frequency of NCOA runs in each group.

(a) In Group A, NCOA was run on all the address records during every other month the period studies – i.e., on January, March, May, and July. To determine the baseline, we needed to determine an estimated forwarding rate for Group A for February. We arrived at the estimate by backward projection from the observed forwarding rate in March. Because the last NCOA run before February occurred in January, we assumed that the percentage of NCOA matches in the list would grow

linearly between January and the next NCOA run in March. Because February occurred one month in a two month run cycle, we therefore made the reasonable assumption that the number of the NCOA matches in February would equal one-half of the March NCOA matches.

The February Total Records were estimated by taking the March figures because the February NCOA matches were determined using the March NCOA run. If the denominator had been changed, there would have been an inconsistency in how the numbers were derived, since the numerator only changed to account for the NCOA matches over time against the same baseline of Total Records.

(b) For Group C, we used a methodology similar to the one used for Group A. The only difference is that the addresses in Group C were updated through NCOA process at least every 180 days, not every two months.

For example in January, the previous NCOA run occurred in October. As a result, January was three months (or halfway) into the six month period before the next NCOA run. As a result, January represented one-half of the NCOA matches that occurred in April 2006.

The Total Records were the same as the April 2006 NCOA results. In performing the calculation, it would be inconsistent to use a different denominator to determine the percentage of forwards related to extrapolated April 2006 NCOA data for January.

(c) For Group E, we used a variant of the methodology applied to Group A and C. Group E is unique in that not all address records in the file are updated in a single NCOA run. Instead, one fourth of the file is run each month, resulting in the updating of the entire file over a four month cycle. To account for this practice, we extrapolated each month's run linearly over the three preceding months. For a month, the results are a total of the NCOA run that month and the linear extrapolation of the next three months.

The Total Records have been added together over the four months because this represents the full number of records included in the NCOA matches shown in that month. Since each address in the file is run over the four month cycle, the result represents a full view of the addresses contained on the system of records included in this group.