

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement            )  
Functionally Equivalent Negotiated Service        )  
Agreement with Bank One Corporation             )           Docket No. MC2004-3

**MODIFIED STIPULATION AND AGREEMENT**

The undersigned participants submit this Modified Stipulation and Agreement under Rule 29 of the Commission's Rules, 39 C.F.R. § 3001.29, as a negotiated settlement of all issues in this docket. The undersigned participants hereby stipulate and agree to the following:

**I. BACKGROUND**

1. On June 21, 2004, pursuant to 39 U.S.C. §§ 3622 *et seq.* and 39 C.F.R. §§ 3001.190 *et seq.*, the United States Postal Service and Bank One Corporation (Bank One) jointly filed with the Commission a request for a decision recommending the establishment of rate and classification changes needed to implement a negotiated service agreement ("NSA") between the Postal Service and Bank One. The grounds for the request are stated in the direct testimony of Postal Service witness Michael Plunkett (USPS-T-1); Bank One witnesses Brad Rappaport (BOC-T-1) and Lawrence G. Buc (BOC-T-2); and the answers of the co-proponents and their witnesses to the Presiding Officer's Information Requests and the discovery requests of other participants, all of which have been designated as written cross-examination.

2. The Commission docketed the request as Docket No. MC2004-3. On July 23, 2004, the Presiding Officer ruled that the proposed NSA would be considered under Rule 196 as functionally equivalent to the Capital One NSA approved by the Commission in Docket No. MC2002-2.

3. The following persons intervened in the case: Alliance of Nonprofit Mailers, American Bankers Association, American Postal Workers Union, AFL-CIO, Association for Postal Commerce, Discover Financial Services, Inc., Magazine Publishers of America, National Association of Postmasters of the United States, National Newspaper Association, National Postal Policy Council, Inc., Newspaper Association of America, Parcel Shippers Association, David B. Popkin, Valpak Dealers' Association, Inc., and Valpak Direct Marketing Systems, Inc. Except for the two Valpak entities and the Office of Consumer Advocate, no participant requested a hearing. Valpak and the OCA withdrew their hearing requests on August 20 and September 2, 2004, respectively.

4. On September 15, 2004, Bank One, the Postal Service, and the OCA filed a Stipulation and Agreement with the Commission as a proposed settlement of this case. The following parties have signed that Stipulation and Agreement: the Alliance of Nonprofit Mailers, American Bankers Association, American Postal Workers Union, AFL-CIO, Association for Postal Commerce, Discover Financial Services, Inc., Magazine Publishers of America, Inc., National Association of Postmasters of the United States, National Postal Policy Council, and Parcel Shippers Association.

5. Valpak filed an opposition to the September 15 Stipulation and Agreement on September 24, 2004. Valpak is willing to settle this case on the modified terms set

forth herein. The Postal Service, Bank One and the OCA are also agreeable to the modified settlement terms.

## **II. TERMS AND CONDITIONS**

6. This Modified Stipulation and Agreement represents a negotiated settlement of all issues raised in Docket No. MC2004-3, *Rate and Service Changes To Implement Functionally Equivalent Negotiated Service Agreement with Bank One Corporation*.

7. As a condition of settlement, the Postal Service and Bank One have agreed to modify the DMCS language originally proposed by them in this case by adding a trigger mechanism that would eliminate one or more of the rate discounts provided by the NSA if, two years after its implementation, (1) the cumulative financial impact to the Postal Service after the first two years of the NSA is negative, and (2) the incremental financial impact of the mail entered under one or more of the discount blocks is also negative. If both of these conditions are met, in the third year the volumes of mail in the discount blocks that produce a negative financial impact shall instead only be eligible for the deepest block discount that produces a positive incremental financial impact. The trigger mechanism is set forth in Section 612.35 of the proposed DMCS language. The revised DMCS language is set forth in Attachment A hereto. The Rate Schedules originally proposed in the NSA, which have not been modified, are set forth in Attachment B hereto. The undersigned participants have also agreed to a modification of the originally filed data collection plan (USPS-T-1, Appendix C). The revised data collection plan is set forth in Attachment C hereto. Finally, the undersigned participants agree that the financial analysis required for the cumulative

financial impact tests shall be performed with a financial model based on the financial analysis submitted into the record as Appendix A to USPS-T-1 by the Postal Service in Postal Rate Commission Docket No. MC2004-3, adjusted solely to reflect the return, forwarding and ACS success rates actually experienced by the Postal Service on eligible letter-shaped solicitations (as defined in Section 612.1) entered as First-Class Mail under this provision during the first two years after implementation. For the required analysis of incremental financial impact, the model shall be run to generate separate outputs showing the incremental financial impact of volume within each discount block using the actual rates for return, forwarding and ACS success rates experienced on eligible letter-shaped solicitations during the second year of implementation. Attached as Attachment D hereto is the model based on Appendix A to USPS-T-1 which will be used to calculate both cumulative and incremental financial impact.

8. The OCA and Valpak join Bank One and the Postal Service in asking the Commission not to impose in this case a stop-loss cap, or any other constraints on the proposed NSA, different from the constraints set forth in the proposed DMCS language submitted herewith. Based on the amended DMCS language and the evidentiary record in this case, the OCA and Valpak are satisfied that the Postal Service is protected against the risk of significant financial loss. Further, the potential of the NSA to provide additional contribution to the Postal Service by generating new First-Class Mail volume growth is preserved.

9. The undersigned participants agree that the direct testimony and designated written cross-examination of the Postal Service, Bank One, and their witnesses provide substantial evidence supporting and justifying a Recommended

Decision recommending the rate and classification changes proposed by the Postal Service and Bank One in this docket, as reflected in the proposed DMCS language and rate schedule attached hereto as Attachments A and B, respectively. On the basis of this record, for this proceeding only, the undersigned participants stipulate and agree that the experimental DMCS and Rate Schedule changes set forth in Attachments A and B to this Stipulation and Agreement comply with the polices of Title 39, United States Code, and in particular, the criteria and factors of 39 U.S.C. §§ 3622 and 3623. The undersigned parties also agree that the Bank One NSA is functionally equivalent to the NSA in Docket No. MC2002-2 (Capital One NSA).

10. This Stipulation and Agreement is offered in total and final settlement of this proceeding. The undersigned participants agree not to file any further pleadings or testimony with the Commission in this proceeding, except for: (a) pleadings or testimony explicitly requested by the Commission or in reply to such pleadings; (b) pleadings or testimony opposing pleadings or testimony filed in opposition to this Stipulation and Agreement; or (c) pleadings, testimony or comments in support of this Stipulation and Agreement.

11. If the Commission adopts a Recommended Decision that materially differs from the rates and classifications attached to this Stipulation and Agreement (including the imposition of a stop-loss cap based on cost-savings), or if the Governors of the Postal Service fail to approve the Commission's Recommended Decision, then each signatory reserves the right to withdraw from this Stipulation and Agreement. Any signatory withdrawing under the terms of this paragraph must provide written notice of its intention to withdraw to all participants within five (5) business days of the occurrence of the specific event giving rise to the right to withdraw. Any exercise of such right by

one or more signatories shall not affect the operation of this Stipulation and Agreement as to other signatories.

12. This Stipulation and Agreement pertains only to the instant proceeding. The undersigned participants shall not be considered as necessarily agreeing with or conceding the applicability of any ratemaking principle, any method or principle of classification, any terms and conditions of service, any method of cost of service determination, any principle or method of rate or fee design, the validity or use of any data relied upon by the Postal Service or Bank One in this docket for any other purposes or in any other classification or ratemaking proceeding, or the application of any rule or interpretation of law, that may underlie, or be thought to underlie, this Stipulation and Agreement. In particular, the execution of this agreement shall not be considered an agreement or admission by any signatory that the net contribution less discounts at each discount block is (or is not) a relevant factor in determining the reasonableness of an NSA that is expected to generate a positive net contribution to the Postal Service in the aggregate.

13. Execution of, support for, or acquiescence in this Stipulation and Agreement by a participant in this docket shall not bind, estop, serve as an admission by, or otherwise prejudice that participant in any future negotiation or proceeding (other than any proceedings involving the honoring, enforcement, or construction of this Stipulation and Agreement).

14. The undersigned participants also agree that, to the extent that matters presented in the Postal Service/Bank One Request, in any Commission Recommended Decision on that Request, or in any decision of the Governors of the Postal Service in

this docket, have not actually been litigated, the resolution of such matters will not be entitled to precedential effect in any other proceeding.

15. The undersigned participants request that the Commission expeditiously issue a decision recommending adoption of the proposed DMCS provisions and Rate Schedule appended to this Stipulation and Agreement.

16. This Stipulation and Agreement represents the entire agreement of the signatories, and supersedes any understandings or representations not contained herein.

\* Signature pages are attached.

**DOCKET NO. MC2004-3**

**PROPOSED DMCS CHANGES**

612 BANK ONE NEGOTIATED SERVICE AGREEMENT

612.1 Eligible First-Class Mail

Eligible First-Class Mail under this section is defined as: (1) All Bank One letter shape First-Class Mail customer account mail (statements and correspondence) related to credit and banking products and services account holders; and (2) First-Class Mail solicitations for credit and banking products that bear the endorsement specified by the Postal Service, except that no more than 35 million flat shape solicitation pieces will be counted annually toward the discount threshold or be eligible for discounts. Eligible First-Class Mail does not include Business Reply Mail, Qualified Business Reply Mail, Cards, or Priority Mail.

612.2 Waiver of Address Correction Fees

The fees for address correction in Fee Schedule 911 are waived for those First-Class Mail solicitations on which Bank One uses the endorsement specified by the Postal Service.

In exchange for a waiver of ACS fees, Bank One will update any databases it maintains for solicitation mail, other than First-Class Mail customer correspondence related to account holders, and use the information in all future marketing campaigns.

If, during the first year after implementation, Bank One Corporation mails fewer than 25 million pieces of eligible First Class Mail, Bank One agrees to pay \$200,000.

612.3 First-Class Mail Discounts

612.31 Discount Threshold

The Discount Threshold is set at 535 million pieces of eligible First-Class Mail for the first year of the agreement.

Additions are underlined,

## 612.32 Discounts

Bank One's Eligible First-Class Mail is subject to the otherwise applicable First-Class Mail postage in Rate Schedule 221 less the discounts shown in Rate Schedule 612A, for the first year of this Agreement if Bank One meets the Discount Threshold. The discounts apply only to volume above the Discount Threshold. Each incremental discount applies only to the incremental volume within each volume block.

## 612.33 Annual Threshold Adjustment

The Postal Service shall annually adjust the Discount Threshold based on the percentage change from year to year in the sum of the number of Bank One's credit card and checking accounts, as listed in Bank One's annual report. This adjustment shall be determined as follows: if the percentage change is an increase or a decrease of greater than 5%, the threshold shall be adjusted upward or downward by the difference between the percentage change and 3%. No adjustment shall be made for a percentage change of 5% or less. If the percentage change is more than 5%, Rate Schedule 612B would apply in lieu of Rate Schedule 612A.

## 612.34 Threshold Adjustment for Mergers and Acquisitions; and Portfolio Purchases

In the event that:

- (a) Bank One merges with and/or acquires an entity and/or purchases a portfolio with annual First-Class Mail volume in excess of 10 million pieces but less than 300 million pieces, the discount threshold will be adjusted to add the volume of First-Class Mail sent by the merged or acquired entity, or on behalf of the purchased portfolio during the 12 months preceding the merger, acquisition, or purchase. In that event, beginning in the succeeding fiscal quarter immediately following the date that mail volumes due to the merger, acquisition, or purchase begin to be mailed through the threshold permit accounts, Rate Schedule 612B would apply in lieu of Rate Schedule 612A.
- (b) Bank One merges with, or acquires, another banking entity that has an annual First-Class mail volume of over 300 million pieces, the discount threshold will be adjusted upward to add the volume of the merged or acquired entity for the 12 months prior to the date the

Additions are underlined.

mail of the merged entity is first mailed through the threshold permit accounts. In that event, beginning in the succeeding fiscal quarter immediately following the date the mail of the merged entity is first mailed through the threshold permit accounts, Rate Schedule 612B would apply in lieu of Rate Schedule 612A.

- (c) Bank One loses or sells a portfolio with annual First-Class Mail volume of at least 10 million pieces, the discount threshold will be adjusted downward by the product of the number of active accounts lost or sold multiplied by 12. In that event, beginning in the succeeding fiscal quarter immediately following the date that the mail volumes due to the loss or sale will no longer be mailed through the threshold permit accounts, Rate Schedule 612B will apply in lieu of Rate Schedule 612A.

612.35 Third Year Discounts

In the third year of the agreement, availability of the discounts in Rate Schedules 612A or 612B will be subject to the following provisions:

- (a) If the cumulative financial impact of Section 612 on the Postal Service at the end of the second year after implementation is positive, then the discounts in Rate Schedules 612A or 612B will be available.
- (b) If the cumulative financial impact of Section 612 on the Postal Service at the end of the second year after implementation is negative, and the incremental financial impact for volume entered under any rate discount block under Section 612 is also negative, then mail that otherwise qualified for that discount shall instead be eligible for the deepest block discount that produces a positive incremental financial impact.
- (c) Determination of the cumulative financial impact within the meaning of paragraph (a) shall be based on the financial analysis submitted into the record as Appendix A to USPS-T-1 by the Postal Service in Postal Rate Commission Docket No. MC2004-3, adjusted solely to reflect the return, forwarding and ACS success rates actually experienced by the Postal Service on eligible letter-shaped solicitations (as defined in Section 612.1) entered as First-Class Mail under this provision during the first two years after implementation.

Additions are underlined.

- (d) Determination of the incremental financial impact for volume entered under each rate discount block within the meaning of paragraph (b) shall be based on a financial analysis comparable to that specified in paragraph (c), except that the analysis shall report separately the net incremental contribution per piece for volume within each rate discount block, rather than the cumulative financial impact of Section 612 in the aggregate, and shall be based on inputs from the second year only.
- (e) The Postal Service shall submit its determination under this section, along with the Postal Service's supporting analysis, within two years and three months from the implementation date of this provision.
- (f) If the Postal Service fails to submit the analysis described in this subsection within 2 years and 3 months after implementation, this provision (Section 612) will expire 2 years and 3 months from the implementation date set by the Board of Governors, rather than at the end of the third year, as otherwise provided by Section 612.5.

612.5 Expiration

This provision (Section 612) expires 3 years from the implementation date set by the Board of Governors.

612.6 Precedence

To the extent any provision of Section 612 is inconsistent with any other provision of the Domestic Mail Classification Schedule, the former shall control.

DOCKET NO. MC2004-3

## PROPOSED RATE SCHEDULE CHANGES

## BANK ONE NSA

## RATE SCHEDULE 612A

III. Volume Block	Incremental Discounts
<u>535,000,001 – 560,000,000</u>	<u>2.5¢</u>
<u>560,000,001 – 585,000,000</u>	<u>3.0¢</u>
<u>585,000,001 – 610,000,000</u>	<u>3.5¢</u>
<u>610,000,001 – 645,000,000</u>	<u>4.0¢</u>
<u>645,000,001 – 680,000,000</u>	<u>4.5¢</u>
<u>680,000,001 and above</u>	<u>5.0¢</u>

**RATE SCHEDULE 612B**  
**FOR ADJUSTED THRESHOLDS (A.T.)**

IV. Volume Block	Incremental Discounts
<u>(A.T.) to (A.T.+25,000,000)</u>	<u>2.5¢</u>
<u>(A.T. + 25,000,001) to (A.T.+ 50,000,000)</u>	<u>3.0¢</u>
<u>(A.T. + 50,000,001) to (A.T.+ 75,000,000)</u>	<u>3.5¢</u>
<u>(A.T. + 75,000,001) to (A.T.+ 110,000,000)</u>	<u>4.0¢</u>
<u>(A.T. + 110,000,001) to (A.T. + 145,000,000)</u>	<u>4.5¢</u>
<u>(A.T. + 145,000,001) and above</u>	<u>5.0¢</u>

**DOCKET NO. MC2004-3**

**PROPOSED DATA COLLECTION PLAN**

**BANK ONE CORPORATION NSA  
PROPOSED DATA COLLECTION PLAN**

The Postal Service plans to collect the following data pertaining to the NSA with Bank One Corporation (Bank One):

1. The volume of First-Class Mail solicitations by rate category in eligible Bank One permit accounts;
2. The volume of First-Class Mail customer mail by rate category in eligible Bank One permit accounts;
3. The amount of discounts paid to Bank One for First-Class Mail by incremental volume block;
4. The volume of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to Bank One;
5. The number of electronic address correction notices provided to Bank One for forwarded solicitation mailpieces, including the number of notices processed by CFS units and separately for PARS (when fully operational).
6. The number of electronic address correction notices provided to Bank One for solicitation mailpieces that would otherwise be physically returned, including the number of notices processed by CFS units and separately for PARS (when fully operational).
7. Monthly estimate of the amount of time spent on compliance activity and a description of the activities performed.
8. For each First-Class Mail solicitation mailing list run against NCOA, Bank One will provide NCOA contractor reports that separately identify the number of address records checked and the number of corrections made.
9. For each Change of Address record that is used to forward a piece of Bank One solicitation mail through ACS under the Agreement, the Postal Service will provide the date the record was created, its move effective date, whether it was

Additions are underlined.

for a family or individual move, and each date that the record was used to forward a mail piece. No other information from the record would be provided.

10. Volume of Standard Mail solicitations by rate category.

As part of each data collection plan report, the Postal Service will provide an evaluation of the impact on contribution. It will also provide an assessment of trends of Bank One's First-Class Mail volume as compared to overall First-Class Mail volume.

Data collected under the plan shall be reported annually following the end of the fiscal year, with the first report being made available at the end of FY 2004. The Postal Service shall provide the data in a PC-available format.

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

<b>Bank One Model (REVISED 9/1/2004)</b>			
<b>Negotiated Service Agreement</b>			
<b>Appendix A, page 1</b>			
	<b>Year 1</b>	<b>(13) Year 2</b>	<b>(14) Year 3</b>
<b>Return Forecast</b>			
(1) Operational Mail (Ops)	0.3%	0.3%	0.3%
(2) Marketing Mail - Letters (Mktg)	9.0%	9.0%	9.0%
(3) Marketing Mail - Flats	11.0%	11.0%	11.0%
(4) USPS FCM average return rates	1.23%	1.23%	1.23%
<b>Unit cost assumptions</b>			
(5) Inflation cost adjustment factor	4.0%	4.0%	4.0%
(6) Manual Flat Returns Unit Cost	\$ 1.04	\$ 1.09	\$ 1.13
(7) Manual Letter Returns Unit Cost	\$ 0.55	\$ 0.57	\$ 0.60
(8) Electronic Flat Returns Unit Cost	\$ 0.45	\$ 0.47	\$ 0.48
(9) Electronic Letter Returns Unit Cost	\$ 0.34	\$ 0.36	\$ 0.37
(10) Address Change Service (ACS) Success Rate	85.0%	85.0%	85.0%
(11) Percent of new marketing mail switched from Standard Mail (SM)	100.0%	100.0%	100.0%
(12) Contingency Factor	1.03		
<b>Forwarding Assumptions</b>			
(15) Marketing letter forwarding rate	2.00%		
(16) USPS FCM average forwarding rate	1.96%		
(17) Forwarding cost-letters	\$ 0.319		
(18) Electronic notice cost	\$ 0.069		
(1) MC 2004-3 BOC T-1 at page 9			
(2) MC 2004-3 BOC T-1 at page 9			
(3) MC 2004-3 BOC T-1 at page 9			
(4) USPS-LR-1/MC2002-2			
(5) MC 2004-3 USPS T-1 at page 13			
(6) Manual Return Costs (\$1.0190) * (1 + (5))			
(7) USPS-LR-1/MC2002-2 * (1+ (5))			
(8) Electronic Returns Costs (\$0.4301) * (1+ (5))			
(9) USPS-LR-1/MC2002-2 * (1+ (5))			
(10) USPS witness Wilson, T4/MC2002-2			
(11) MC 2004-3 BOC T-1 at page			
(12) USPS-LR-1/MC2002-2			
(13) Year 1 * (5)			
(14) Year 2 * (5)			
(15) MC2004-3, Tr. 2/417			
(16) MC2004-3, Tr. 2/417			
(17) MC2002-2, Tr. 2/320 * (1 + (5))			
(18) MC2002-2, Tr. 2/320 * (1 + (5))			

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

<b>Bank One Model</b>						
<b>Negotiated Service Agreement</b>						
<b>Appendix A, page 2</b>						
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>(1) Volume calculations</b>						
<b>Before rates</b>						
Operational mail	479,134,992	508,411,769	500,423,407	506,650,000	506,650,000	506,650,000
Marketing mail letter	79,215,956	38,870,004	59,703,685	29,387,000	29,387,000	29,387,000
Marketing mail flat	24,704,043	52,897,842	35,828,439	35,043,000	35,043,000	35,043,000
<b>Total</b>	<b>583,054,991</b>	<b>600,179,615</b>	<b>595,955,531</b>	<b>571,080,000</b>	<b>571,080,000</b>	<b>571,080,000</b>
<b>After rates</b>						
Operational mail	479,134,992	508,411,769	500,423,407	506,650,000	506,650,000	506,650,000
Marketing mail letter	79,215,956	38,870,004	59,703,685	48,442,000	128,442,000	128,442,000
Marketing mail flat	24,704,043	52,897,842	35,828,439	35,043,000	35,043,000	35,043,000
<b>Total</b>	<b>583,054,991</b>	<b>600,179,615</b>	<b>595,955,531</b>	<b>590,135,000</b>	<b>670,135,000</b>	<b>670,135,000</b>

(1) MC 2004-3 BOC T-1 at page 5 - 6

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

<b>Bank One Model</b>			
<b>Negotiated Service Agreement</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
<b>Appendix A, page 3</b>	<b>FY 2003</b>	<b>Current</b>	<b>Revenue</b>
<b>Rate Category</b>	<b>Volume</b>	<b>Rates</b>	
<b>Single-Piece Letters</b>			
First Ounces, except QBRM	-	0.370	\$ -
Qualified Business Reply Mail	-	0.340	-
Additional Ounces	-	0.230	-
Nonmachinable Pieces	-	0.120	-
Single-Piece revenue			-
Revenue Adjustment Factor (a)			<u>1.000</u>
<b>(4) Total Single-Piece Postage Revenue</b>			-
<b>Nonautomated Presorted Letters</b>			
First Ounce	16,901,503	0.352	5,949,329
Additional Ounces	210,013	0.225	47,253
Nonmachinable Pieces	24,599	0.055	1,353
Heavy Piece Deduction	4,067	(0.041)	(167)
Nonautomated Presorted revenue			5,997,768
Revenue Adjustment Factor (a)			<u>1.000</u>
<b>(5) Total Nonautomated Presorted Letters Revenue</b>			5,997,768
<b>Automation Presort Letters</b>			
Mixed AADC Letters	3,622,017	0.309	1,119,203
AADC Letters	6,093,703	0.301	1,834,205
3-Digit Letters	341,677,512	0.292	99,769,834
5-Digit Letters	189,245,273	0.278	52,610,186
Additional Ounces	6,312,612	0.225	1,420,338
Heavy Piece Deduction	71,636	(0.041)	(2,937)
Automation Presort Letters			156,750,828
Revenue Adjustment Factor (a)			<u>1.000</u>
<b>(6) Total Automation Presort Letters Revenue</b>			156,750,828
<b>Automation Carrier Route Letters</b>			
First Ounce	577,954	0.275	158,937
Additional Ounces	-	0.225	-
Heavy Piece Deduction	-	(0.041)	-
Automation Carrier Route Revenue			158,937
Revenue Adjustment Factor (a)			<u>1.000</u>
<b>(7) Automation Carrier Route Letters Revenue</b>			158,937
<b>(8) Total Company Letters Subclass</b>			\$ 162,907,533
Total pieces			558,117,962
<b>(9) Revenue per piece</b>			<b>0.292</b>

(a) Revenue Adjustment factor not required because customer specific revenue presented

(1) CBCIS 2003 Bank One Volume Data

(2) Rate Schedule

(3) (1) \* (2)

(4) Single Piece Revenue \* Revenue Adjustment Factor

(5) Nonautomated Presorted Revenue \* Revenue Adjustment Factor

(6) Automation Presort Letter Revenue \* Revenue Adjustment Factor

(7) Automation Carrier Route Revenue \* Revenue Adjustment Factor

(8) (4) + (5) + (6) + (7)

(9) (8) / Total pieces

# ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

**Bank One Model (REVISED 9/1/2004)**  
 Negotiated Service Agreement  
 Appendix A, page 4

Rate Category	DOCKET NO. R2001-1 PRC FIGURES - NATIONWIDE MAIL MIX									DOCKET NO. R2001-1 PRC FIGURES - BANK ONE MAIL MIX								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)		
	TYBR 2003 Total Unit Cost (Dollars)	TYBR 2003 Mail Proc Unit Cost (Dollars)	TYBR 2003 Delivery Unit Cost (Dollars)	TYBR 2003 Other Unit Cost (Dollars)	TYBR 2003 Total Unit Cost (Dollars)	FY 2004 Total Unit Cost Dollars	BY 2000 Mail Volume (Pieces)	FY 2003 Mail Volume (Pieces)	FY 2003 Mail Volume (Percent)	TY 2004 Total Unit Cost (Dollars)	FY 2003 Mail Volume (Pieces)	FY 2003 Mail Volume (Percent)	Current Returns Adjustment Unit Cost (Dollars)	Current w/Rets Adj Total Unit Cost (Dollars)	After Rates Returns Adjustment Unit Cost (Dollars)	After Rates w/Rets Adj Total Unit Cost (Dollars)		
<b>FIRST-CLASS MAIL LETTERS</b>																		
Nonautomation Presort Letters		0.163	0.063	0.018	0.244	0.254	3,748,977,000	2,673,332,468	5.8%	0.254	16,896,034	3.4%						
Automation Presort Letters																		
Automation Mixed AADC		0.055	0.045	0.018	0.118	0.123	2,504,846,824	2,820,696,002	6.1%	0.123	3,462,228	0.7%						
Automation AADC		0.046	0.044	0.018	0.107	0.111	2,680,656,176	2,636,650,800	5.7%	0.111	5,935,849	1.2%						
Automation 3-Digit		0.042	0.043	0.018	0.104	0.108	21,832,339,000	22,571,247,888	48.6%	0.108	321,218,301	64.4%						
Automation 5-Digit		0.032	0.041	0.018	0.091	0.095	12,720,447,000	14,911,024,110	32.1%	0.095	150,886,728	30.3%						
Automation Carrier Route		0.021	0.064	0.018	0.103	0.107	1,075,333,000	802,292,628	1.7%	0.107	115,591	0.0%						
<b>WEIGHTED AVERAGE / TOTAL</b>	<b>\$0.115</b>	<b>0.050</b>	<b>0.045</b>	<b>0.018</b>	<b>0.113</b>	<b>0.113</b>	<b>44,562,599,000</b>	<b>46,415,243,896</b>	<b>100.0%</b>	<b>0.109</b>	<b>498,514,731</b>	<b>100.0%</b>	<b>\$ (0.0049)</b>	<b>0.104</b>	<b>\$ (0.0049)</b>	<b>0.104</b>		
													(17)			(18)		
													Total Unit Cost Estimates, Including Contingency =		0.107			0.107

- (1) Docket No. R2001-1, PRC LR-2, Volume 4, "TYBR", page 3
- (2) Docket No. R2001-1, PRC LR-4, "FCLETPRCFA.XLS", page 1
- (3) Docket No. R2001-1, PRC LR-7, Page 2
- (4) MC2002-2/USPS-T-3, Attachment A, pg. 2
- (5) (2) + (3) + (4)
- (6) (5) \* (1 + inflation cost adjustment factor)
- (7) Docket No. R2001, PRC, LR-4, FCM base year volumes from FCM letter model.
- (8) Revenue, Pieces, and Weight (RPW) Report.
- (9) (8) / [Sum (8)]
- (10) Line Item (6), Weighted Average weighted by percentages in (12).
- (11) CBCIS 2003 Bank One Volume Data
- (12) (11) / [Sum (11)]
- (13) (Manual Letter Returns Unit Cost \* After Rates Statement Mail) \* (Statement Mail Return Forecast - USPS FCM Avg. Return Rate) / After Rates Statement Mail (10) + (13)
- (14) ((ACS Success Rate \* Electronic Letter Returns Unit Cost + (1 - ACS Success Rate) \* Manual Letter Returns Unit Cost) \* After Rates Statement Mail \* (Statement Mail Return Forecast - USPS FCM Avg. Return Rate)) /
- (15) After Rates Statement Mail - USPS FCM Avg. Return Rate \* (Manual Letter Returns Unit Cost - Electronics Letter Returns Unit Cost) \* ACS Success Rate
- (16) (10) + (15)
- (17) (14) \* Contingency Factor (Assumptions)
- (18) (16) \* Contingency Factor (Assumptions)

# ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

**Bank One Model (REVISED 9/1/2004)**  
 Negotiated Service Agreement  
 Appendix A, page 5

Rate Category	DOCKET NO. R2001-1 PRC FIGURES - NATIONWIDE MAIL MIX									DOCKET NO. R2001-1 PRC FIGURES - BANK ONE MAIL MIX								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(19)	(20)
	TYBR 2003 Total Unit Cost (Dollars)	TYBR 2003 Mail Proc Unit Cost (Dollars)	TYBR 2003 Delivery Unit Cost (Dollars)	TYBR 2003 Other Unit Cost (Dollars)	TYBR 2003 Total Unit Cost (Dollars)	FY 2004 Total Unit Cost Dollars	BY 2000 Mail Volume (Pieces)	FY 2003 Mail Volume (Pieces)	FY 2003 Mail Volume (Percent)	TY 2004 Total Unit Cost (Dollars)	FY 2003 Mail Volume (Pieces)	FY 2003 Mail Volume (Percent)	Current Returns Adjustment Unit Cost (Dollars)	Current w/Rets Adj Total Unit Cost (Dollars)	After Rates Returns Adjustment Unit Cost (Dollars)	After Rates w/Rets Adj Total Unit Cost (Dollars)	After Rates Forwarding Adjustment Unit Cost (Dollars)	After Rates w/For Adj Total Unit Cost (Dollars)
FIRST-CLASS MAIL LETTERS																		
Nonautomation Presort Letters		0.163	0.063	0.018	0.244	0.254	3,748,977,000	2,673,332,468	5.8%	0.254	5,469	0.0%						
Automation Presort Letters																		
Automation Mixed AADC		0.055	0.045	0.018	0.118	0.123	2,504,846,824	2,820,696,002	6.1%	0.123	159,789	0.3%						
Automation AADC		0.046	0.044	0.018	0.107	0.111	2,680,656,176	2,636,650,800	5.7%	0.111	157,854	0.3%						
Automation 3-Digit		0.042	0.043	0.018	0.104	0.108	21,832,339,000	22,571,247,888	48.6%	0.108	20,459,211	34.3%						
Automation 5-Digit		0.032	0.041	0.018	0.091	0.095	12,720,447,000	14,911,024,110	32.1%	0.095	38,358,545	64.4%						
Automation Carrier Route		0.021	0.064	0.018	0.103	0.107	1,075,333,000	802,292,628	1.7%	0.107	462,363	0.8%						
WEIGHTED AVERAGE / TOTAL	\$0.115	0.050	0.045	0.018	0.113	0.113	44,562,599,000	46,415,243,896	100.0%	0.099	59,603,231	100.0%	0.0428	0.142	0.0269	0.126	0.002	0.128
													(17)	(18)	(21)			
													0.146	0.130	0.132			
										Total Unit Cost Estimates, Including Contingency								

- (1) Docket No. R2001-1, PRC LR-2, Volume 4, "TYBR", page 3.
- (2) Docket No. R2001-1, PRC LR-4, "FLETPROFA.XLS".
- (3) Docket No. R2001-1, PRC LR-7, Page 2.
- (4) MC2002-2/USPS-T-3, Attachment A, pg. 2
- (5) (2) + (3) + (4)
- (6) (5) \* (1 + inflation cost adjustment factor)
- (7) Docket No. R2001, PRC, LR-4, FCM base year volumes from FCM letter model.
- (8) Revenue, Pieces, and Weight (RPW) Report.
- (9) (8) / (Sum (8))
- (10) Line Item (6), Weighted Average weighted by percentages in (12).
- (11) CBCIS 2003 Bank One Volume Data
- (12) (11) / (Sum (11))
- (13) (Manual Letter Returns Unit Cost \* After Rates Statement Mail) \* (Statement Mail Return Forecast - USPS FCM Avg. Return Rate) / After Rates Statement Mail
- (14) (10) + (13)
- (15) ((ACS Success Rate \* Electronic Letter Returns Unit Cost + (1 - ACS Success Rate) \* Manual Letter Returns Unit Cost) \* After Rates Statement Mail \* (Statement Mail Return Forecast - USPS FCM Avg. Return Rate)) / After Rates Statement Mail - USPS FCM Avg. Return Rate \* (Manual Letter Returns Unit Cost - Electronics Letter Returns Unit Cost) \* ACS Success Rate
- (16) (10) + (15)
- (17) (14) \* Contingency Factor (Assumptions)
- (18) (16) \* Contingency Factor (Assumptions)
- (19) (Bank One FCM forwarding rate - USPS FCM avg forwarding rate) \* forwarding cost + (Bank One FCM forwarding rate \* forwarding notice cost) (Assumptions)
- (20) (16) + (19)
- (21) (20) \* Contingency Factor (Assumptions)

# ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

## Agreement Structure

Year 1			Year 2			Year 3		
Threshold	Discount		Threshold	Discount		Threshold	Discount	
535,000,000	560,000,000	\$ 0.025	535,000,000	560,000,000	\$ 0.025	535,000,000	560,000,000	\$ 0.025
560,000,000	585,000,000	\$ 0.030	560,000,000	585,000,000	\$ 0.030	560,000,000	585,000,000	\$ 0.030
585,000,000	610,000,000	\$ 0.035	585,000,000	610,000,000	\$ 0.035	585,000,000	610,000,000	\$ 0.035
610,000,000	645,000,000	\$ 0.040	610,000,000	645,000,000	\$ 0.040	610,000,000	645,000,000	\$ 0.040
645,000,000	680,000,000	\$ 0.045	645,000,000	680,000,000	\$ 0.045	645,000,000	680,000,000	\$ 0.045
680,000,000		\$ 0.050	680,000,000		\$ 0.050	680,000,000		\$ 0.050

### Discount on volume above threshold

(1) Before Rates Forecast	571,080,000	571,080,000	571,080,000	
(2) After Rates Forecast	590,135,000	670,135,000	670,135,000	
Discount in first tier	\$ 625,000	\$ 625,000	\$ 625,000	
Discount in second tier	\$ 750,000	\$ 750,000	\$ 750,000	
Discount in third tier	\$ 179,725	\$ 875,000	\$ 875,000	
Discount in fourth tier	\$ -	\$ 1,400,000	\$ 1,400,000	
Discount in fifth tier	\$ -	\$ 1,131,075	\$ 1,131,075	
Discount in sixth tier	\$ -	\$ -	\$ -	
<b>(3) Discount Earned</b>	<b>\$ 1,554,725</b>	<b>\$ 4,781,075</b>	<b>\$ 4,781,075</b>	

### Exposure on volume above threshold

(4) Threshold	535,000,000	535,000,000	535,000,000	
(5) Before Rates Rorecast	571,080,000	571,080,000	571,080,000	
(6) Exposed Pieces	36,080,000	36,080,000	36,080,000	
(7) After Rates Forecast	590,135,000	670,135,000	670,135,000	
Exposure in first tier	\$ 625,000	\$ 625,000	\$ 625,000	
Exposure in second tier	\$ 332,400	\$ 332,400	\$ 332,400	
Exposure in third tier	\$ -	\$ -	\$ -	
Exposure in fourth tier	\$ -	\$ -	\$ -	
Exposure in fifth tier	\$ -	\$ -	\$ -	
Exposure in sixth tier	\$ -	\$ -	\$ -	
<b>(8) Total Exposure</b>	<b>\$ 957,400</b>	<b>\$ 957,400</b>	<b>\$ 957,400</b>	

- (1) Before Rates Total Volume (Volume calcs)
- (2) After Rates Total Volume (Volume calcs)
- (3) Sum of discounts earned in first tier to sixth tier
- (4) Agreement Structure Beginning Threshold
- (5) (1)
- (6) Before rates - Threshold: The number of total pieces on which leakage occurs
- (7) (2)
- (8) Sum of leakage in first tier to sixth tier

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

<b>Bank One Model</b>			
<b>Negotiated Service Agreement</b>			
<b>Appendix A, page 7</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>

**Return Costs**

UAA Rate

(1)	Operational Mail	0.3%	0.3%	0.3%
(2)	Marketing mail letter	9.0%	9.0%	9.0%
(3)	Marketing mail flat	11.0%	11.0%	11.0%

**Before Rates Forecast**

(4)	Operational Mail	506,650,000	506,650,000	506,650,000
(5)	Marketing mail letter	29,387,000	29,387,000	29,387,000
(6)	Marketing mail flat	35,043,000	35,043,000	35,043,000

**After Rates Forecast**

(7)	Operational Mail	506,650,000	506,650,000	506,650,000
(8)	Marketing mail letter	48,442,000	128,442,000	128,442,000
(9)	Marketing mail flat	35,043,000	35,043,000	35,043,000

**Return Forecast**

(10)	Operational Mail	1,722,610	1,722,610	1,722,610
(11)	Marketing mail letter	2,644,830	2,644,830	2,644,830
(12)	Marketing mail flat	3,854,730	3,854,730	3,854,730

**Return Costs**

(13)	Operational Mail	\$ 949,503	\$ 987,483	\$ 1,026,982
(14)	Marketing mail letter	\$ 1,457,830	\$ 1,516,144	\$ 1,576,789
(15)	Marketing mail flat	\$ 4,022,592	\$ 4,183,496	\$ 4,350,835
(16)	Total	\$ 6,429,925	\$ 6,687,122	\$ 6,954,607

**After Rates Return Costs**

(17)	Operational Mail	\$ 949,503	\$ 987,483	\$ 1,026,982
(18)	Marketing mail letter	\$ 990,224	\$ 1,029,833	\$ 1,071,027
(19)	Marketing mail flat	\$ 2,069,144	\$ 2,151,910	\$ 2,237,986
(20)	Total	\$ 4,008,871	\$ 4,169,226	\$ 4,335,995

**(21) Return Cost Savings**

<b>\$ 2,421,054</b>	<b>\$ 2,517,896</b>	<b>\$ 2,618,612</b>
---------------------	---------------------	---------------------

- (1) MC 2004-3 BOC T-1 at page 9
- (2) MC 2004-3 BOC T-1 at page 9
- (3) MC 2004-3 BOC T-1 at page 9
- (4) MC 2004-3 BOC T-1 at page 5 - 6
- (5) MC 2004-3 BOC T-1 at page 5 - 6
- (6) MC 2004-3 BOC T-1 at page 5 - 6
- (7) MC 2004-3 BOC T-1 at page 5 - 6
- (8) MC 2004-3 BOC T-1 at page 5 - 6
- (9) MC 2004-3 BOC T-1 at page 5 - 6
- (10) (1) \* (4)
- (11) (2) \* (5)
- (12) (3) \* (6)
- (13) (10) \* Manual Letter Returns Unit Cost (Assumptions)
- (14) (11) \* Manual Letter Returns Unit Cost (Assumptions)
- (15) (12) \* Manual Flats Returns Unit Cost (Assumptions)
- (16) (13) + (14) + (15)
- (17) (10) \* Manual Letter Returns Unit Cost (Assumptions)
- (18) ((11) \* ACS Success Rate \* Electronic Letter Returns Unit Cost) + (1 - ACS Success Rate) \* Manual Letter Returns Unit Cost \* (11)
- (19) ((12) \* (1 - ACS Success Rate) \* Manual Flat Returns Unit Cost) + ((12) \* ACS Success Rate \* Electronic Flat Returns Unit Cost)
- (20) (17) + (18) + (19)
- (21) (16) - (20)

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

**Bank One Model**  
**Negotiated Service Agreement**  
**Appendix A, page 8**

**(1) Standard Mail Regular Revenue per piece**

Mail Category	Revenue per piece	Volume	Weighted Avg.
Mixed AADC Auto	\$ 0.211	13,191,188	2,789,495
AADC Auto	\$ 0.199	27,941,526	5,574,178
3-Digit Auto	\$ 0.183	215,575,750	39,531,174
5-Digit Auto	\$ 0.166	201,585,157	33,493,187
Basic Nonauto	\$ 0.259	4,056,643	1,050,661
3/5 Digit Nonauto	\$ 0.237	1,927,253	456,643
Total Volume		464,277,517	82,895,338
<b>Revenue per piece</b>			<b>\$ 0.179</b>

**(2) Standard Mail ECR Revenue per piece**

Mail Category	Revenue per piece	Volume	Weighted Avg.
Basic Nonauto Letters	\$ 0.182	1,008,992	183,324
Basic Auto Letters	\$ 0.148	25,001,012	3,702,239
High-Density Letters	\$ 0.164	12,771	2,094
Saturation Letters	\$ 0.152	699,186	106,276
Total Volume		26,721,961	3,993,933
<b>Revenue per piece</b>			<b>\$ 0.149</b>

**(3) Average Revenue per piece**

**\$ 0.177**

- (1) Rate Schedule
- (2) Rate Schedule
- (3) (Standard Mail Regular Revenue + Standard Mail ECR Revenue) /  
 (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)

# ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

**Bank One Model (REVISED 9/1/2004)**  
 Negotiated Service Agreement  
 Appendix A, page 9

**Standard Regular Unit Cost**

	From Docket No. R2001-1									BANK ONE		
	TYBR 2003 Total Unit Cost (Dollars) (1)	TYBR 2003 Mail Proc Unit Cost (Dollars) (2)	TYBR 2003 Delivery Unit Cost (Dollars) (3)	TYBR 2003 Other Unit Cost (Dollars) (4)	TYBR 2003 Total Unit Cost (Dollars) (5)	FY 2004 Total Unit Cost (Dollars) (6)	BY 2000 Mail Volume (Pieces) (7)	FY 2003 Mail Volume (Pieces) (8)	FY 2003 Mail Volume (Percent) (9)	TY 2004 Unit Cost (Dollars) (10)	FY 2003 Mail Volume (Pieces) (11)	FY 2003 Mail Volume (Percent) (12)
<b>LETTERS</b>												
Nonauto Basic		0.130	0.042	0.01	0.18	0.19	1,322,401,662	1,411,242,831	3.2%	0.19	4,056,643	0.9%
Nonauto 3/5-Digit		0.121	0.044	0.01	0.17	0.18	4,476,247,838	2,481,782,907	5.7%	0.18	1,927,253	0.4%
Auto Mixed AADC		0.050	0.039	0.01	0.10	0.10	2,354,963,527	2,687,599,740	6.1%	0.10	13,191,188	2.8%
Auto AADC		0.043	0.038	0.01	0.09	0.09	2,875,476,520	2,848,635,910	6.5%	0.09	27,941,526	6.0%
Auto 3-digit		0.040	0.038	0.01	0.08	0.09	15,600,801,986	17,815,958,778	40.6%	0.09	215,575,750	46.4%
Auto 5-digit		0.031	0.037	0.01	0.07	0.08	11,222,413,732	16,604,952,264	37.9%	0.08	201,585,157	43.4%
<b>Total/Average</b>	<b>0.10</b>	<b>0.05</b>	<b>0.04</b>	<b>0.01</b>	<b>0.10</b>	<b>0.09</b>	<b>37,852,305,265</b>	<b>43,850,172,430</b>	<b>100.0%</b>	<b>0.09</b>	<b>464,277,517</b>	<b>100.0%</b>
Company average letter cost 2003	\$ <b>0.09</b> (13)											

**Standard ECR Unit Cost**

	TY 2004 Unit Costs (cents) (14)	
Total ECR letter unit cost	0.070	(14)
Total ECR letter delivery unit cost	0.052	(15)
	TY 2004 Delivery Unit Costs (cents) (16)	FY 2003 Mail Volume (Pieces) (17)
ECR Basic Auto Letters	0.048	25,001,012
ECR Basic Letters	0.066	1,008,992
ECR High Density Letters	0.049	12,771
ECR Saturation Letters	0.035	699,186
<b>Total</b>		<b>26,721,961</b>
Company Average letter ECR Unit Delivery Cost	0.048 (19)	
Company Delivery Cost Adjustment	-0.004 (20)	
Company ECR total letter unit cost	<b>0.066</b>	

(20) Average Cost per piece 0.087 (21)

- (1) Docket No. R2001-1, LR-J-58, LR58AREG.xls, total unit letter costs
- (2) Docket R2001-1, LR-J-60 Revised 11/15/01
- (3) Docket R2001-1, LR-J-60 Revised 11/15/01
- (4) (1) - average from (2) - average from (3)
- (5) (2) + (3) + (4)
- (6) (5) \* (1 + inflation cost adjustment factor)
- (7) Docket No. R2001, PRC, LR-4, SM base year volumes from SM letter model.
- (8) Revenue, Pieces, and Weight (RPW) Report.
- (9) Each row in (8) divided by total in (8)
- (10) (6)
- (11) CBCIS 2003 Bank One Volume Data
- (12) Each row in column (11) divided by total in column (11)
- (13) Weighted average costs calculated by multiplying column (10) by column (12)
- (14) Docket No. R2001-1, LR-J-58, LR58AECR.xls, total TY2003 ECR unit letter costs
- (15) Docket No. R2001-1, LR-J-58, LR58AECR.xls, sum of TY2003 ECR unit letter delivery costs  
(Cost segments 6, 7 and 10) \* inflationary cost adjustment factor (Assumptions)
- (16) Docket No. R2001-1, LR-J-17, Revised 1/22/02, TY2003 unit delivery costs \* inflationary cost adjustment factor (Assumptions)
- (17) CBCIS 2003 Bank One Volume Data
- (18) Percent of volume in each row of (17) divided by total in (17)
- (19) Weighted average of the unit costs in (16) weighted by the volume percents in (18)
- (20) (15) - (19)
- (21) ((18) + (20)) \* Contingency
- (22) ((13 \* 11) + (21 \* 17)) / (11 + 17)

# ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

<b>Bank One Model (REVISED 9/1/2004)</b>			
<b>Negotiated Service Agreement</b>		(13)	(14)
<b>Appendix A, page 10 REVISED</b>		<b>Year 1</b>	<b>Year 2</b>
		<b>Year 3</b>	

**First Class Letter**

(1) Avg Revenue First-Class Letters	0.292	0.292	0.292
(2) First-Class Operational Letter cost per Piece Before Rates	0.107	0.111	0.116
(3) First-Class Operational Letter cost per Piece After Rates	0.107	0.111	0.116
(4) First-Class Operational Letter avg. Contribution Before Rates	0.185	0.181	0.176
(5) First-Class Operational Letter avg. Contribution After Rates	0.185	0.181	0.176
(6) First-Class Marketing Letter cost per Piece Before Rates	0.146	0.152	0.158
(7) First-Class Marketing Letter cost per Piece After Rates	0.132	0.137	0.142
(8) First-Class Marketing Letter avg. Contribution Before Rates	0.146	0.140	0.134
(9) First-Class Marketing Letter avg. Contribution After Rates	0.160	0.155	0.150

**Standard Mail**

(10) Standard Revenue per Piece	0.177	0.177	0.177
(11) Standard Cost per Piece	0.087	0.090	0.094
(12) Standard Letter Contribution per Piece	0.090	0.087	0.083

- (1) Revenue per piece (FCM rev calc)
- (2) Current Total Unit Cost Estimates, Including Contingency (Ops unit cost)
- (3) After Rates Total Unit Cost Estimates, Including Contingency (Ops unit cost)
- (4) (1) - (2)
- (5) (1) - (3)
- (6) Current Total Unit Cost Estimates, Including Contingency (Mktg unit cost)
- (7) After Rates Total Unit Cost Estimates, Including Contingency (Mktg unit cost)
- (8) (1) - (6)
- (9) (1) - (7)
- (10) Average Revenue per Piece (SM rev calcs)
- (11) Average Cost per Piece (SM cost calcs)
- (12) (10) - (11)
- (13) Year 1 \* Inflation cost adjustment factor Year 2 (Assumptions)
- (14) Year 2 \* Inflation cost adjustment factor Year 3 (Assumptions)

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

**Bank One Model (REVISED 9/1/2004)**

Negotiated Service Agreement  
Appendix A, page 11 REVISED

	Year 1		Year 2		Year 3		Total
<b>ACS Savings</b>							
(1) Operational Mail	\$	-	\$	-	\$	-	-
(2) Marketing Mail Letter	\$	481,634	\$	500,899	\$	520,935	<b>1,503,469</b>
(3) Marketing Mail Flat	\$	2,012,052	\$	2,092,534	\$	2,176,235	<b>6,280,820</b>
<b>Contribution from New Volume</b>							
(4) Operational Mail	\$	-	\$	-	\$	-	-
(5) Marketing Mail Letter	\$	1,336,756	\$	6,771,566	\$	6,587,080	<b>14,695,403</b>
<b>(6) Total Exposure</b>	\$	957,400	\$	957,400	\$	957,400	<b>2,872,200</b>
<b>(7) Total Incremental Discounts</b>	\$	597,325	\$	3,823,675	\$	3,823,675	<b>8,244,675</b>
<b>(8) Total USPS Value</b>	<b>\$</b>	<b>2,275,717</b>	<b>\$</b>	<b>4,583,924</b>	<b>\$</b>	<b>4,503,176</b>	<b>11,362,817</b>

- (1) Operational Mail After Rates Return Costs (UAA calcs)
- (2) (Marketing Mail Letter Return Costs -Marketing Mail Letter After Rates Return Costs (UAA calcs))\*Contingency
- (3) Marketing Mail Flats - Marketing Mail Flats After Rates Return Costs (UAA calcs)\*Contingency
- (4) (Operational Mail After Rates - Operational Mail Before Rates) \* FCM Operational Letter avg. Contribution After Rates
- (5) (Marketing Mail Letter After Rates - Marketing Mail Letter Before Rates) \* FCM Marketing Letter avg. Contribution After Rates
- (6) Total Exposure (Disc&Leak)
- (7) Discount Earned - Total Exposure (Disc&Leak)
- (8) (1) + (2) + (3) + (4) + (5) - (6) - (7)

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

**Bank One Model**  
 Negotiated Service Agreement  
 Appendix A, page 12

**Special Services Update  
 Address Change Service (ACS Flats)**

	Total cost/piece		Frequency		Weighted Cost/Piece	
<b>ACS COA Notification</b>						
Mechanized Terminal	\$0.0660	[1]	0.00	[7]	\$0.0000	[14]
Non-Mechanized Terminal	\$0.2691	[2]	1.00	[8]	\$0.2691	[15]
					\$0.2691	[16]
<b>ACS Nixie Processing</b>						
Nixie Clerk handling	\$0.0000	[3]	1.00	[9]	\$0.0000	[17]
ACS Nixie Keying	\$0.2074	[4]	1.00	[10]	\$0.2074	[18]
					\$0.2074	[19]

			% of ACS Volume		Volume Weighted Cost per Piece	
ACS COA notification	\$0.2691	[5]	58.03%	[11]	\$0.1561	[20]
ACS Nixie processing	\$0.2074	[6]	41.97%	[12]	\$0.0870	[21]
<b>TOTAL COST PER PIECE</b>			100.00%	[13]	<b>\$0.243</b>	[22]

- |   |                                    |
|---|------------------------------------|
| [1] USPS LR-I-110, Table 5.2.2, cell J31      | [12] Nixie Pieces/Total ACS Volume |
| [2] USPS LR-I-110, Table 5.2.2, cell J32      | [13] [11]+[12]                     |
| [3] These costs are treated as institutional. | [14] [1]*[7]                       |
| [4] USPS LR-I-110, Table 5.2.2, cell J29      | [15] [2]*[8]                       |
| [5] [16]                                      | [16] [14]+[15]                     |
| [6] [3]+[4]                                   | [17] [3]*[9]                       |
| [7] USPS LR-I-110, Table 5.2.2, cell L31      | [18] [4]*[10]                      |
| [8] USPS LR-I-110, Table 5.2.2, cell L32      | [19] [17]+[18]                     |
| [9] All nixies subject to clerk processing.   | [20] [5]*[11]                      |
| [10] All nixies subject to keying.            | [21] [6]*[12]                      |
| [11] ACS "keyed only" pieces/Total ACS Volume | [22] [20]+[21]                     |

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

**Bank One Model**

Negotiated Service Agreement (REVISED 9/01/2004)

Appendix A, page 13

**Physical Return Costs**

Cost for UAA Mail Being Returned to Sender  
Physical Flat Mailpieces Returned

	A Annual Volume (Thousands)		B <u>Cost/Piece</u>		C Annual Cost (Thousands)		D <u>Frequency</u>		E Weighted <u>Cost/Piece</u>
1.	69,209 (1)		\$0.0545 (2)		\$3,771		1.00		\$0.0545
2.	33,866 (3)		\$0.2711 (4)		\$9,181		0.49 (5)		\$0.1327
3.	24,021 (6)		<b>\$0.5381</b> (7)		\$12,926		0.35 (8)		\$0.1868
4.	69,209 (1)		\$0.6295 (9)		\$43,567		1.00		\$0.6295
<b>5. Total</b>									<b>\$1.0034</b>

- (1) Refer to Table 5.2.1.2, Row 3.a, Column D (USPS LR-J-69).
- (2) Refer to Table 5.2.1.2, Row 3.a, Column G (USPS-LR-J-69).
- (3) Refer to Table 5.2.1.3.1 (USPS-JR-J-69). This is the sum of Row 1, Column A and a portion of Row 3, Column A. Refer to Volume Section, Volume Profile, Table 4.3, "Disposition at CFS Unit", of the portion of mail that is returned to sender.
- (4) This is the ratio of Table 5.2.1.3, Column H, and Table 5.2.1.3.1, Column A, Row 4 (USPS-LR-J-69).
- (5) This is the portion of return to sender mail that is returned by the Nixie clerk at the delivery unit, along with the portion of ACS Nixie that is returned at the CFS unit. This is the ratio of Rows 2 and 1, Column A.
- (6) Refer to Volume Section, Volume Profile, Table 4.3, "Disposition at CFS Unit", Total Returned.
- (7) Refer to Table 5.2.2, Column G, (Non-ACS) Total. Non Mach terminal cost/piece is used.
- (8) This is the portion of return to sender mail returned from the CFS unit, along with the portion of ACS Nixie that is returned from the CFS unit. This is the ratio of Rows 3 and 1, Column A, Table 5.2.2.
- (9) Refer to Table 5.2.4.1, Row 2, Column F. This Number was calculated based on data obtained from USPS Cost Attribution

ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

**Bank One Model**  
 Negotiated Service Agreement  
 Appendix A, page 14

**Electronic "Return" Costs**  
 Cost of UAA Mail Being Returned to Sender  
 Bank One Accepts ACS Flats

	A	B	C	D	E
	<u>Annual Volume</u> <u>(Thousands)</u>	<u>Cost/Piece (1)</u>	<u>Annual Cost</u> <u>(Thousands)</u>	<u>Frequency</u>	<u>Weighted</u> <u>Cost/Piece</u>
1.	69,209 (1)	\$0.0545 (2)	\$3,771	1.00	\$0.0545
2.	33,866 (3)	\$0.2711 (4)	\$9,181	0.49 (5)	\$0.1327
3. eACS					\$0.2430 (6)
<b>4. Total</b>					<b>\$0.4301</b>

- (1) Refer to Table 5.2.1.2, Row 3.a, Column D (USPS LR-J-69).
- (2) Refer to Table 5.2.1.2, Row 3.a, Column G (USPS-LR-J-69).
- (3) Refer to Table 5.2.1.3.1 (USPS-JR-J-69). This is the sum of Row 1, Column A and a portion of Row 3, Column A. Refer to Volume Section, Volume Profile, Table 4.3, "Disposition at CFS Unit", of the portion of mail that is returned to sender.
- (4) This is the ratio of Table 5.2.1.3, Column H, and Table 5.2.1.3.1, Column A, Row 4 (USPS-LR-J-69).
- (5) This is the cost of the Nixie clerk preparing mail for the CFS unit (USPS-LR-1/MC2002-2, page 1, row 2 as proxie).
- (6) From Tab 3 of USPS LR-J-69.

# ATTACHMENT D TO MODIFIED STIPULATION AND AGREEMENT

<b>Bank One Model</b>			
<b>Negotiated Service Agreement</b>			
<b>Appendix A, page 15</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>

**I. ASSUMPTIONS**

(1) Return Rate--Mktg Letters	9.0%	9.0%	9.0%
(2) Address Change Service (ACS) Success Rate	85.0%	85.0%	85.0%
(3) Forwarding Rate	2.0%	2.0%	2.0%

**II. SETTLEMENT - ACTUAL DATA**

(4) Return Rate--Mktg Letters	9.0%	9.0%	n/a
(5) ACS Success Rate--Mktg Letters	85.0%	85.0%	n/a
(6) Forwarding Rate--Mktg Letters	2.0%	2.0%	n/a

**III. SETTLEMENT - ACTUAL RESULTS**

(7) Total USPS Value	\$ 2,275,717	\$ 4,583,924	n/a
(8) Total USPS Value -- Two-Year Total		\$ 6,859,641	
(9) Year 3 Marginal Contribution Per Piece (Using Year 2 Data for (4), (5), (6))			Marginal Contribution Per Piece
Threshold	Discount		
535,000,000	560,000,000	\$ 0.025	n/a
560,000,000	585,000,000	\$ 0.030	n/a
585,000,000	610,000,000	\$ 0.035	n/a
610,000,000	645,000,000	\$ 0.040	n/a
645,000,000	680,000,000	\$ 0.045	n/a
680,000,000		\$ 0.050	n/a

**STEPS**

- 1 INPUT actual data for Year 1 and Year 2 in section II. Settlement - Actual Data.
- 2 CLICK on button Calculate Results.

note: inserting/deleting rows or columns on worksheets or changing worksheet names may affect the referential integrity of the macro.

- (1) Marketing Mail--Letters Return Rate (Assumptions)
- (2) ACS Success Rate (Assumptions)
- (3) Marketing Mail--Letters Forwarding Rate (Assumptions)
- (4) Data Collection Plan (DCP), (Item 4 + Item 6)/Item 1
- (5) DCP Item 6/(Item 4 + Item 6)
- (6) DCP Item 5/Item 1
- (7) Year 1 Value using Year 1 Data for (4), (5), (6); Year 2 Value using Year 2 Data for (4), (5), (6)
- (8) Year 1 Total USPS Value (7) + Year 2 Total USPS Value (7)
- (9) Year 3 FCM Mktg Letter After Rates Avg. Contribution (Contrib Inputs) - Year 3 Standard Letter Contribution (Contrib Inputs) - Discount (Disc&Exp)  
(Year 3 Contributions Calculated Using Year 2 Data for (4), (5), (6))

Note: The "Calculate Results" macro calculates the figures in "III. Settlement -- Actual Results" by substituting the values in "II. Settlement -- Actual Data" for return rate for mktg letters, forwarding rate, and ACS success rate into the "Assumptions" spreadsheet and recording the results of the Appendix A analysis into this worksheet. Once the macro is complete, it returns these values to the original assumptions.

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement )  
Functionally Equivalent Negotiated Service ) Docket No. MC2004-3  
Agreement with Bank One Corporation )

**SIGNATURE PAGE FOR STIPULATION AND AGREEMENT**

---

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking  
United States Postal Service

October 5, 2004

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement )  
Functionally Equivalent Negotiated Service ) Docket No. MC2004-3  
Agreement with Bank One Corporation )

**SIGNATURE PAGE FOR STIPULATION AND AGREEMENT**

David M. Levy  
Joy M. Leong  
SIDLEY AUSTIN BROWN & WOOD LLP  
1501 K Street, N.W.  
Washington DC 20005  
(202) 736-8000  
[dlevy@sidley.com](mailto:dlevy@sidley.com)  
[jleong@sidley.com](mailto:jleong@sidley.com)

*Counsel for Bank One Corporation*

October 5, 2004

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement )  
Functionally Equivalent Negotiated Service ) Docket No. MC2004-3  
Agreement with Bank One Corporation )

**SIGNATURE PAGE FOR STIPULATION AND AGREEMENT**

Shelley S. Dreifuss  
Director, Office of the Consumer  
Advocate  
Emmett Rand Costich  
Attorney  
1333 H Street, N.W.  
Washington DC 20268-0001  
(202) 789-6830  
Fax: (202) 789-6819  
[dreifusss@prc.gov](mailto:dreifusss@prc.gov)

October 5, 2004

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement )  
Functionally Equivalent Negotiated Service ) Docket No. MC2004-3  
Agreement with Bank One Corporation )

**SIGNATURE PAGE FOR STIPULATION AND AGREEMENT**

William J. Olson  
John S. Miles  
WILLIAM J. OLSON, P.C.  
8180 Greensboro Drive, Suite 1070  
McLean, VA 22102-3860  
(703) 356-5070

*Counsel for Valpak Direct Marketing  
Systems, Inc., and Valpak Dealers'  
Association, Inc.*

October 5, 2004

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement )  
Functionally Equivalent Negotiated Service ) Docket No. MC2004-3  
Agreement with Bank One Corporation )

**SIGNATURE PAGE FOR STIPULATION AND AGREEMENT**

\_\_\_\_\_

For Intervenor:

\_\_\_\_\_

Date: \_\_\_\_\_

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON DC 20268-0001**

Rate and Service Changes To Implement )  
Functionally Equivalent Negotiated Service ) Docket No. MC2004-3  
Agreement with Bank One Corporation )

**SIGNATURE PAGE FOR STIPULATION AND AGREEMENT**

\_\_\_\_\_

Pro Se

Date: \_\_\_\_\_