

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

Rate and Service Changes to  
Implement Baseline Negotiated  
Service Agreement with Bookspan

Docket No. MC2005-3

PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

(Issued August 24, 2005)

The proponents are requested to provide the information described below to assist in developing a record for the consideration of their request. In order to facilitate inclusion of the requested material in the evidentiary record, either the Postal Service or Bookspan, as appropriate, is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided by September 7, 2005.

1. Please refer to Request of the United States Postal Service for a Recommended Decision on Classifications and Rates to Implement a Baseline Negotiated Service Agreement with Bookspan, Attachment A (proposed Domestic Mail Classification Schedule language). Section 620.11 states in part: "Eligible Standard Mail under this section is defined as letter shaped pieces sent by Bookspan for the purposes of soliciting book club membership of persons who are not current subscribers to the book club or clubs Bookspan is promoting in the mailing or to book club members whose membership is expiring."

Also, please refer to Request of the United States Postal Service for a Recommended Decision on Classifications and Rates to Implement a Baseline Negotiated Service Agreement with Bookspan, Attachment F (Negotiated Service Agreement Between the United States Postal Service and Bookspan). Section I.A. states in part: "In the last three government fiscal years, Bookspan

mailed an average of 87 million Standard Mail letters to consumers who were not the subscribers to the book club or clubs Bookspan was promoting in the mailing and to book club members whose membership was expiring. For the purposes of this agreement, the term 'Bookspan Letter Mail Solicitations' shall mean Standard Mail solicitation letters sent by Bookspan, by entities in which Bookspan holds controlling shares, and by their vendors on their behalf."

Finally, please refer to Response of Bookspan to Presiding Officer's Information Request No. 1, August 10, 2005, Response 4(c) states in part: "Finally, and perhaps most importantly, the volumes set forth below include letter mail sent by Bookspan to existing members and, therefore, ineligible for the NSA."

The three sources cited above appear inconsistent in describing what types of Bookspan's Standard Mail letters are eligible for mailing under the terms and conditions of the Negotiated Service Agreement. For example, the response to POIR No. 1 part 4(c) infers that "existing" members of a Bookspan book club are not eligible to receive mailings under the terms and conditions of the Negotiated Service Agreement. The DMCS language appears to describe mailings to existing customers. The contract does not place a restriction on mailing to existing customers. As another example, the contract appears to limit mailing to "solicitations" type mailings. However, it is not clear whether a mailing "to book club members whose membership is expiring," as written in the proposed DMCS language, must be a solicitations type mailing.

- a. If there is a conflict between the requirements appearing in the Domestic Mail Classification Schedule language (Request, Attachment A) and the requirements appearing in the Negotiated Service Agreement contract (Request, Attachment F), how is the conflict resolved? Does the Domestic Mail Classification Schedule language take precedence? Please explain.

- b. Please describe the characteristics of Bookspan's Standard Mail that is eligible for mailing under the terms and conditions of the Negotiated Service Agreement. Is eligible Standard Mail limited to "solicitations" mail? Please describe the characteristics of Bookspan's Standard Mail that is not eligible for mailing under the terms and conditions of the Negotiated Service Agreement.
  - c. Please confirm that "book club members whose membership is expiring" are existing members of a Bookspan book club. If this is a correct interpretation, will such existing members be eligible to receive Standard Mail under the terms of the Negotiated Service Agreement? At what point in time is the status of a member of a Bookspan book club changed from an "existing member" to an existing member "whose membership is expiring?"
  - d. Please confirm that Bookspan uses Standard Mail for solicitations to more than one book club. If this is a correct assumption, please indicate whether existing members of one book club may receive Bookspan solicitations for a second (unrelated) book club under the terms of the Negotiated Service Agreement.
  - e. Witness Posch states that: "A current member receives 16 to 19 Standard Mail letters per year offering the cycle's Featured Selection as well as other club selections and offerings." Bookspan-T-1 at 4.
    - i. Under what circumstances do these mailings solicit "book club membership of persons who are not current subscribers to the book club or clubs Bookspan is promoting in the mailing?"
    - ii. Under what circumstances are these mailings eligible for mailing under the terms of the Negotiated Service Agreement?
2. Please refer to the Request, Attachment F, Section II.F. (page 4) (Bookspan NSA) which sets forth the Merger and Acquisition provisions of the Bookspan NSA. In relevant part, the Bookspan NSA, Section F states: "[i]f the merger or

acquisition results in a material increase as described herein, the Standard Mail volume blocks will be adjusted to add the volume of Standard Mail sent by the acquired entity during the 12 months preceding the merger or acquisition.” In light of this language, and the rest of the agreement: if a merger or acquisition results in a material increase as defined in Section F of the Bookspan NSA and volume blocks are adjusted to add the volume of Standard Mail sent by the acquired entity, will there be a corresponding adjustment to the volume commitment levels? If so, please quantify that adjustment. If not, please explain why not.

3. In Attachment 1 to the response to POIR No. 1, witness Yorgey presents the results of the Postal Service's estimates of Bookspan's before rates volumes using monthly, quarterly, and yearly trend analysis. Also, the response to POIR No. 1 question 1(c) states that the Postal Service's analysis “does not indicate that any particular portion of Bookspan's mail is likely to exhibit demand characteristics that differ fundamentally from those of the subclass to which it belongs.”
  - a. Please confirm that Table 1 below shows the financial impact of the proposed NSA on the Postal Service as estimated by USPS-T-2, Appendix A, with the following modifications (presented in Attachment A):
    - Before rates volumes are set equal to the results of the Postal Service's yearly trend forecast (response to POIR No. 1, Attachment 1, page 1 of 3), adjusted downward for the response to the R2005-1 proposed rate increase.
    - Bookspan's after rates volumes are estimated using the elasticities of Standard Regular and ECR, weighted by Bookspan's FY 2004 “new member solicitation” letter volumes.
    - All increased volume in response to the discounts is assumed to be new volume (*i.e.*, not at the expense of reduced flats volume).

Table 1.

	FY2006	FY2007	FY2008	Total
(1) Contribution from new Standard letter mail	\$ 340,830	\$ 345,453	\$ 348,492	<b>1,034,776</b>
(2) Contribution from Standard non-letter mail converted to Standard letter mail	\$ -	\$ -	\$ -	-
(3) <b>Total New Contribution</b>	\$ 340,830	\$ 345,453	\$ 348,492	<b>1,034,776</b>
(4) <b>Total Discount Exposure</b>	\$ 156,833	\$ 288,380	\$ 139,927	<b>585,140</b>
(5) <b>Total Incremental Discounts</b>	\$ 66,458	\$ 69,665	\$ 72,873	<b>208,996</b>
(6) <b>Total USPS Value</b>	<b>\$ 117,539</b>	<b>\$ (12,592)</b>	<b>\$ 135,693</b>	<b>\$ 240,640</b>

- b. Please confirm that Table 2 below presents the financial impact of the proposed NSA on the Postal Service as estimated by USPS-T-2, Appendix A, modified as described in subpart (a) above, except using the results of the Postal Service's quarterly trend forecast (response to POIR No. 1, Attachment 1, page 2 of 3). The calculations are presented in Attachment B.

Table 2.

	FY2006	FY2007	FY2008	Total
(1) Contribution from new Standard letter mail	\$ 366,336	\$ 573,668	\$ 594,089	<b>1,534,093</b>
(2) Contribution from Standard non-letter mail converted to Standard letter mail	\$ -	\$ -	\$ -	-
(3) <b>Total New Contribution</b>	\$ 366,336	\$ 573,668	\$ 594,089	<b>1,534,093</b>
(4) <b>Total Discount Exposure</b>	\$ 298,781	\$ 501,953	\$ 423,823	<b>1,224,558</b>
(5) <b>Total Incremental Discounts</b>	\$ 71,431	\$ 173,532	\$ 168,256	<b>413,219</b>
(6) <b>Total USPS Value</b>	<b>\$ (3,877)</b>	<b>\$ (101,817)</b>	<b>\$ 2,010</b>	<b>\$ (103,684)</b>

- c. Please confirm that Table 3 below presents the financial impact of the proposed NSA on the Postal Service as estimated by USPS-T-2, Appendix A, modified as described in subpart (a) above, except using the results of the Postal Service's monthly trend forecast (response to POIR No. 1, Attachment 1, page 3 of 3). The calculations are presented in Attachment C.

Table 3.

	FY2006	FY2007	FY2008	Total
(1) Contribution from new Standard letter mail	\$ 385,194	\$ 629,038	\$ 674,509	<b>1,688,741</b>
(2) Contribution from Standard non-letter mail converted to Standard letter mail	\$ -	\$ -	\$ -	-
(3) <b>Total New Contribution</b>	\$ 385,194	\$ 629,038	\$ 674,509	<b>1,688,741</b>
(4) <b>Total Discount Exposure</b>	\$ 403,734	\$ 820,655	\$ 885,710	<b>2,110,100</b>
(5) <b>Total Incremental Discounts</b>	\$ 75,108	\$ 190,281	\$ 211,569	<b>476,959</b>
(6) <b>Total USPS Value</b>	<b>\$ (93,648)</b>	<b>\$ (381,899)</b>	<b>\$ (422,770)</b>	<b>\$ (898,317)</b>

- d. Please confirm that the financial impact of the proposed NSA on the Postal Service as estimated by USPS-T-2, Appendix A, modified as described in subpart (a) above, except using the before rates volume forecasts originally included in the Postal Service's analysis (USPS-T-2, Appendix A, page 2), would include no discounts being paid, no increase in volume, and therefore no impact on the Postal Service's finances. If not, please provide the calculations showing the impact on the Postal Service's finances under these assumptions.
4. In the response to POIR No. 1, question 1(a)(i) and (ii), witness Yorgey indicates that the results of the trend analysis provided in that response represent "initial forecast ranges." The response goes on to state that later efforts "refined the analysis using different volume assumptions to make alternative forecasts."
    - a. Do the results provided in response to POIR No. 1 represent the Postal Service's best independent estimates of Bookspan's before rates volumes?
    - b. If not, please provide the Postal Service's best independent estimates of Bookspan's before rates volumes, including supporting documents and electronic workpapers (*e.g.*, Excel spreadsheets). Please include a presentation of the calculation of any adjustments to the inputs or outputs and explain the rationale for any such adjustments.

George Omas  
Presiding Officer

**Bookspan**

**Negotiated Service Agreement**

**Appendix A, page 1**

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>(1)</b> Inflation cost adjustment factor	4.0%	4.0%	4.0%
<b>(2)</b> Conversion of Standard Mail Flats to Standard Mail Letters	0.0%	0.0%	0.0%
<b>(3)</b> Contingency Factor	1.00		

- (1) Docket No. MC2004-4/USPS-T-1, pg 13
- (2) Docket No. MC2005-3, Bookspan T-2, p11
- (3) Contingency provision of zero percent, Docket No.R2005-1, USPS-T-6, p. 18.

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	FY 2002	FY 2003	FY 2004	FY 2006	FY 2007	FY 2008
<b>Volume calculations (1)</b>			<b>Forecast Volumes (2)</b>			
<b>Before Rates (BR)</b>						
New Membership Std letter-size	84,694,802	82,991,923	94,014,756	94,841,652	99,418,996	103,996,341
New Membership Std Flat-size	215,324,921	196,631,597	164,378,427	136,613,359	111,961,483	87,309,608
<b>Total</b>	<b>300,019,723</b>	<b>279,623,520</b>	<b>258,393,183</b>	<b>231,455,011</b>	<b>211,380,479</b>	<b>191,305,948</b>
<b>After Rates (AR)</b>						
New Membership Std letter-size				98,164,551	102,902,268	107,639,986
New Membership Std Flat-size				136,613,359	111,961,483	87,309,608
<b>Total</b>				<b>234,777,910</b>	<b>214,863,752</b>	<b>194,949,594</b>

- (1) CBCIS - FY 2002, 2003, 2004 volumes
- (2) Docket No. MC2005-3, Bookspan T-2, p11

<b>Elasticity Analysis</b>		<b>R2005-1 Rate Effects</b>		
		<b>Letters</b>		
Pre-R2005-1 Before Rates Volumes		96,553,781	101,213,758	105,873,735
Pct. Letter volume change		(1.8%)	(1.8%)	(1.8%)
Letter Volume change		(1,712,129)	(1,794,762)	(1,877,394)
Post-R2005-1 Before Rates Volumes		94,841,652	99,418,996	103,996,341
		<b>Flats</b>		
Pre-R2005-1 Before Rates Volumes		141,165,154	115,691,907	90,218,660
Pct. Flats volume change		(3.2%)	(3.2%)	(3.2%)
Flats Volume change		(4,551,795)	(3,730,424)	(2,909,053)
Post-R2005-1 Before Rates Volumes		136,613,359	111,961,483	87,309,608
		<b>NSA Rate Effects (Letters)</b>		
NSA marginal rate change		(10.7%)	(10.7%)	(10.7%)
pct. Leter NSA vol. change based on wgt. Avg. elasticity		3.5%	3.5%	3.5%
net NSA letter volume change based on wgt. Avg. elasticity		3,322,899	3,483,272	3,643,646

Before Rates volume from Attachment 1 to POIR 1, page 1 of 3.

	elasticity	Bookspan letter vol.	Bookspan letter vol. pct.	Bookspan Flats vol.	Bookspan Flats vol. pct.
Std. regular	(0.2671)	87,033,240	92.6%	98,660,071	60.0%
Std. ECR	(1.0926)	6,981,516	7.4%	65,718,356	40.0%
		94,014,756		164,378,427	
Avg. weighted by Bookspan letter mix	<b>(0.3284)</b>				
Avg. weighted by Bookspan Flats mix				<b>(0.5971)</b>	

Elasticity source: LR-K-64

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**Appendix A, page 3**

**Standard Mail Regular Letter-size Revenue per piece**

Mail Category	Bookspan average		
	Revenue per piece (1)	Volume (2)	Revenue (3)
Nonauto Basic	\$ 0.262	1,518,805	\$ 398,179
Nonauto 3/5-Digit	\$ 0.236	58,859	\$ 13,882
Auto Mixed AADC	\$ 0.216	7,078,780	\$ 1,529,430
Auto AADC	\$ 0.205	12,572,357	\$ 2,575,943
Auto 3-digit	\$ 0.183	60,973,641	\$ 11,138,540
Auto 5-digit	\$ 0.167	4,830,798	\$ 805,554
<b>Total</b>		87,033,240	\$ 16,461,528
<b>Revenue per piece</b>			<b>\$ 0.189</b>

USPS Totals (USPS-LR-K-77)		
Revenue per piece (5)	Volume (6)	Revenue (7)
\$ 0.268	793,501,993	\$ 212,264,084
\$ 0.240	1,065,186,190	\$ 255,806,937
\$ 0.217	1,950,273,409	\$ 423,917,198
\$ 0.207	2,201,484,140	\$ 455,753,816
\$ 0.189	15,819,321,120	\$ 2,987,383,691
\$ 0.170	16,402,050,918	\$ 2,790,244,409
	38,231,817,770	\$ 7,125,370,135
		<b>\$ 0.186</b>

**Standard Mail ECR Letter-size Revenue per piece**

Mail Category	Revenue per piece	Volume	Revenue	Revenue per piece	Volume	Revenue
Nonauto Basic Letters	\$ 0.171	5,575,871	952,919	\$ 0.173	2,144,903,041	\$ 370,356,707
Auto Basic Letters	\$ 0.148	1,405,645	208,620	\$ 0.150	1,914,433,081	\$ 287,098,257
<b>Total</b>		6,981,516	1,161,539		4,059,336,122	\$ 657,454,964
<b>Revenue per piece</b>			<b>\$ 0.166</b>			<b>\$ 0.162</b>
<b>Average Revenue per piece</b>			<b>\$ 0.187</b>	<b>(4)</b>		<b>\$ 0.184</b>

- (1) (3)/(2)
- (2) CBCIS, Bookspan FY2004 volume
- (3) CBCIS, Bookspan FY2004 revenue
- (4) Bookspan (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)
- (5) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Billing Determinants
- (6) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Volume
- (7) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Revenue
- (8) Average USPS (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)

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**Standard Regular Unit Cost**

	USPS			Bookspan			
	TYBR 2006 Total Unit Cost (Dollars) (1)	FY 2006 Mail Volume (Pieces) (2)	FY 2006 Mail Volume (Percent) (3)	TY 2006 Total Unit Cost (Dollars) (4)	FY 2004 Mail Volume (Pieces) (6)	FY 2004 Mail Volume (Percent) (7)	Company Avg. Letter Cost w/Contingency (Dollars) (8)
<b>LETTERS</b>							
Nonauto Basic	0.235	809,733,939	1.9%	0.235	1,518,805	1.7%	
Nonauto 3/5-Digit	0.220	697,778,977	1.6%	0.220	58,859	0.1%	
Auto Mixed AADC	0.094	2,217,147,820	5.1%	0.094	7,078,780	8.1%	
Auto AADC	0.085	2,496,325,308	5.7%	0.085	12,572,357	14.4%	
Auto 3-digit	0.081	17,989,964,663	41.4%	0.081	60,973,641	70.1%	
Auto 5-digit	0.070	19,265,167,056	44.3%	0.070	4,830,798	5.6%	
<b>Total/average</b>	<b>0.082</b>	<b>43,476,117,763</b>	<b>100.0%</b>	<b>0.085</b>	<b>87,033,240</b>	<b>100.0%</b>	<b>\$ 0.085</b>

**Standard ECR Unit Cost**

	TYBR 2006 Total Unit Cost (Dollars) (9)	FY 2006 Mail Volume (Pieces) (10)	FY 2006 Mail Volume (Percent) (11)	TY 2006 Total Unit Cost (Dollars) (12)	FY 2004 Mail Volume (Pieces) (14)	FY 2004 Mail Volume (Percent) (15)	Company Avg. Letter Cost w/Contingency (Dollars) (16)
	<b>LETTERS</b>						
Nonauto Basic Letters	0.094	2,204,590,228	52.3%	0.094	5,575,871	79.9%	
Auto Basic Letters	0.046	2,008,138,417	47.7%	0.046	1,405,645	20.1%	
<b>Total/Average</b>	<b>0.071</b>	<b>4,212,728,645</b>	<b>100.0%</b>	<b>0.084</b>	<b>6,981,516</b>	<b>100.0%</b>	<b>\$ 0.084</b>

**Bookspan Average Cost per piece**

**\$ 0.085**

(17)

- (1) Docket No. R2005-1 (USPS-LR-K-48 as revised 05/20/05, USPS-LR-K-67, USPS-LR-K-119)
- (2) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (3) Each row in (2) divided by total in (2)
- (4) (1)
- (5) (4) x (7) Bookspan weighted average
- (6) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 3)
- (7) Each row in (6) divided by total in (6)
- (8) Total Unit Cost (5) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (9) Docket No. R2005-1 (USPS-LR-K-67, USPS-LR-K-84, USPS-LR-K-119)
- (10) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (11) Each row in (10) divided by total in (10)
- (12) (9)
- (13) (12) x (15) Bookspan weighted average
- (14) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 3)
- (15) Each row in (14) divided by total in (14)
- (16) Total Unit Cost (13) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (17) ((8)x(6) + (16)x(14)) / ((6) + (14))

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**Standard Mail Regular Non-letter Revenue per piece**

Mail Category	Bookspan average		
	Revenue per piece (1)	Volume (2)	Revenue (3)
Nonauto Basic	\$ 0.374	29,186	10,917
Nonauto 3/5 Digit	\$ 0.290	1,367,428	395,959
Auto Basic	\$ 0.295	167,112	49,264
Auto 3/5 Digit	\$ 0.239	97,096,345	23,192,500
<b>Total</b>		<b>98,660,071</b>	<b>\$ 23,648,640</b>
<b>Revenue per piece</b>			<b>\$ 0.240</b>

USPS Totals (USPS-LR-K-77)		
Revenue per piece (5)	Volume (6)	Revenue (7)
\$ 0.535	479,656,633	256,645,917
\$ 0.498	1,052,913,950	524,611,357
\$ 0.383	338,554,022	129,723,419
\$ 0.289	10,609,272,685	3,070,777,750
	<b>12,480,397,290</b>	<b>\$ 3,981,758,443</b>
		<b>\$ 0.319</b>

**Standard Mail ECR Non-letter Revenue per piece**

Mail Category	Revenue per piece	Volume	Revenue
Basic Non-letter	\$ 0.169	65,718,356	11,116,946
<b>Total</b>		<b>65,718,356</b>	<b>\$ 11,116,946</b>
<b>Revenue per piece</b>			<b>\$ 0.169</b>
<b>Average Revenue per piece</b>			<b>\$ 0.211</b>

Revenue per piece	Volume	Revenue
\$ 0.198	11,396,910,120	2,255,864,010
	<b>11,396,910,120</b>	<b>\$ 2,255,864,010</b>
		<b>\$ 0.198</b>
		<b>\$ 0.261</b>

(4)

(8)

- (1) (3)/(2)
- (2) CBCIS, Bookspan FY2004 volume
- (3) CBCIS, Bookspan FY2004 revenue
- (4)  $\text{Bookspan (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)}$
- (5) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Billing Determinants
- (6) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Volume
- (7) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Revenue
- (8)  $\text{USPS (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)}$

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**Standard Regular Unit Cost**

	USPS			Bookspan			
	TYBR 2006 Total Unit Cost (Dollars) (1)	FY 2006 Mail Volume (Pieces) (2)	FY 2006 Mail Volume (Percent) (3)	TY 2006 Total Unit Cost (Dollars) (4)	FY 2004 Mail Volume (Pieces) (6)	FY 2004 Mail Volume (Percent) (7)	Company Avg. Letter Cost w/Contingency (Dollars) (8)
<b>NON-LETTERS</b>							
Nonauto Basic	0.351	443,471,958.026	3.4%	0.351	29,186	0.0%	
Nonauto 3/5 Digit	0.260	925,540,123.464	7.1%	0.260	1,367,428	1.4%	
Auto Basic	0.347	414,714,246.537	3.2%	0.347	167,112	0.2%	
Auto 3/5 Digit	0.260	11,218,794,042.215	86.3%	0.260	97,096,345	98.4%	
<b>Total/average</b>	<b>0.266</b>	<b>13,002,520,370</b>	<b>100.0%</b>	<b>0.261</b>	<b>98,660,071</b>	<b>100.0%</b>	<b>\$ 0.261</b>

**Standard ECR Unit Cost**

	TYBR 2006 Total Unit Cost (Dollars) (9)	FY 2006 Mail Volume (Pieces) (10)	FY 2006 Mail Volume (Percent) (11)	TY 2006 Total Unit Cost (Dollars) (12)	FY 2004 Mail Volume (Pieces) (14)	FY 2004 Mail Volume (Percent) (15)	Company Avg. Letter Cost w/Contingency (Dollars) (16)
<b>NON-LETTERS</b>							
Basic Non-Letters	0.098	12,224,335,151	100.0%	0.098	65,718,356	100.0%	
<b>Total/Average</b>	<b>0.098</b>	<b>12,224,335,151</b>	<b>100.0%</b>	<b>0.098</b>	<b>65,718,356</b>	<b>100.0%</b>	<b>\$ 0.098</b>

**Bookspan Average Cost per piece**

**\$ 0.196**

(17)

- (1) Docket No. R2005-1 (USPS-LR-K-58, USPS-LR-K-67, USPS-LR-K-119)
- (2) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (3) Each row in (2) divided by total in (2)
- (4) (1)
- (5) (4) x (6) Bookspan weighted average
- (6) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 5)
- (7) Each row in (6) divided by total in (6)
- (8) Total Unit Cost (5) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (9) Docket No. R2005-1 (USPS-LR-K-67, USPS-LR-K-84, USPS-LR-K-119)
- (10) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (11) Each row in (10) divided by total in (10)
- (12) (9)
- (13) (12) x (15) Bookspan weighted average
- (14) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 5)
- (15) Each row in (14) divided by total in (14)
- (16) Total Unit Cost (13) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (17) ((8)x(6) + (16)x(14)) / ((6) + (14))

**Bookspan**  
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**Agreement Structure**

FY2006			FY2007			FY2008		
Threshold		Discount	Threshold		Discount	Threshold		Discount
87,000,001	120,000,000	\$ 0.020	85,000,001	110,000,000	\$ 0.020	94,000,001	100,000,000	\$ 0.010
120,000,001	150,000,000	\$ 0.030	110,000,001	150,000,000	\$ 0.030	100,000,001	120,000,000	\$ 0.020
						120,000,001	150,000,000	\$ 0.030

**Discount on volume above threshold**

(1) Before Rates Forecast	94,841,652	99,418,996	103,996,341
(2) After Rates Forecast	98,164,551	102,902,268	107,639,986
(3) Discount in first tier	\$ 223,291	\$ 358,045	\$ 60,000
Discount in second tier	\$ -	\$ -	\$ 152,800
Discount in third tier	\$ -	\$ -	\$ -
<b>(4) Discount Earned</b>	<b>\$ 223,291</b>	<b>\$ 358,045</b>	<b>\$ 212,800</b>

**Exposure on volume above threshold**

(5) Threshold	87,000,001	85,000,001	94,000,001
(6) Before Rates Forecast	94,841,652	99,418,996	103,996,341
(7) Exposed Pieces	7,841,651	14,418,995	9,996,340
(8) After Rates Forecast	98,164,551	102,902,268	107,639,986
(9) Discount Exposure in first tier	\$ 156,833	\$ 288,380	\$ 60,000
Discount Exposure in second tier	\$ -	\$ -	\$ 79,927
Discount Exposure in third tier	\$ -	\$ -	\$ -
<b>(10) Total Exposure</b>	<b>\$ 156,833</b>	<b>\$ 288,380</b>	<b>\$ 139,927</b>

- (1) Before Rates Total Volume (Appendix A, pg. 2)
- (2) After Rates Total Volume (Appendix A, pg. 2)
- (3) Discount Earned per discount tier based on rate chart above.
- (4) Sum of discounts earned in first tier to fifth tier
- (5) Agreement Structure Beginning Threshold
- (6) (1)
- (7) If the Before Rates Forecast volume (6) is greater than the Threshold volume (5), then the total pieces represent the volume on which Discount Exposure occurs
- (8) (2)
- (9) If the Before Rates Forecast volume (6) is greater than the Threshold volume (5), then the Discount Exposure represents the discount X the volume per discount tier.
- (10) Sum of Exposure in first tier to third tier

Original Commitment Level	94,000,000	95,000,000	105,000,000
Actual / Commitment	104.4%	108.3%	
Adjusted Commitment Level			

<b>Bookspan</b>			
<b>Negotiated Service Agreement</b>			
<b>Appendix A, page 8</b>			
	<b>FY2006</b>	<b>(7)</b> <b>FY2007</b>	<b>(8)</b> <b>FY2008</b>

**Standard Mail Letters**

(1)	Standard letters Revenue per Piece	0.187	0.187	0.187
(2)	Standard letters Cost per Piece	0.085	0.088	0.092
(3)	Standard letters Contribution per Piece	0.103	0.099	0.096

**Standard Mail Non-letters**

(4)	Standard Non-letter Revenue per Piece	0.211	0.211	0.211
(5)	Standard Non-letter Cost per Piece	0.196	0.204	0.212
(6)	Standard Non-letter Contribution per Piece	0.016	0.008	(0.000)

- (1) Average Revenue per Piece (Appendix A, pg. 3, (4))
- (2) Average Cost per Piece (Appendix A, pg. 4, (17))
- (3) (1) - (2)
- (4) Average Revenue per Piece (Appendix A, pg. 5, (4))
- (5) Average Cost per Piece (Appendix A, pg. 6, (17))
- (6) (4) - (5)
- (7) Year 1 \* Inflation cost adjustment factor Year 2 (Appendix A, pg. 1, (1))
- (8) Year 2 \* Inflation cost adjustment factor Year 3 (Appendix A, pg. 1, (1))

**Bookspan**  
**Negotiated Service Agreement**  
**Appendix A, page 9**

	FY2006	FY2007	FY2008	Total
	FY2006	FY2007	FY2008	Total
(1) Contribution from new Standard letter mail	\$ 340,830	\$ 345,453	\$ 348,492	<b>1,034,776</b>
(2) Contribution from Standard non-letter mail converted to Standard letter mail	\$ -	\$ -	\$ -	-
(3) <b>Total New Contribution</b>	\$ 340,830	\$ 345,453	\$ 348,492	<b>1,034,776</b>
(4) <b>Total Discount Exposure</b>	\$ 156,833	\$ 288,380	\$ 139,927	<b>585,140</b>
(5) <b>Total Incremental Discounts</b>	\$ 66,458	\$ 69,665	\$ 72,873	<b>208,996</b>
(6) <b>Total USPS Value</b>	<b>\$ 117,539</b>	<b>\$ (12,592)</b>	<b>\$ 135,693</b>	<b>\$ 240,640</b>

- (1) (Assumption (2), (Appendix A, pg. 1)) X (Volume Before Discount (Appendix A, pg. 2) - Volume After Discount (Appendix A, pg. 2))  
X (Contribution Standard letter mail (3), (Appendix A, pg. 8) - Contribution Standard non-letter mail (6),(Appendix A, pg. 8)
- (2) 1minus Assumption (2), (Appendix A, pg. 1) X (Volume After Discount (Appendix A, pg. 2) - Volume After Discount (Appendix A, pg. 2))  
X Contribution Standard letter mail (Appendix A, pg. 8)
- (3) Sum of (1) + (2)
- (4) Total Discount Exposure (10)(Appendix A, pg. 7)
- (5) Discount Earned (4) (Appendix A, pg. 7)
- (6) (3) - (4) - (5)

**Bookspan**

**Negotiated Service Agreement**

**Appendix A, page 1**

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>(1)</b> Inflation cost adjustment factor	4.0%	4.0%	4.0%
<b>(2)</b> Conversion of Standard Mail Flats to Standard Mail Letters	0.0%	0.0%	0.0%
<b>(3)</b> Contingency Factor	1.00		

- (1) Docket No. MC2004-4/USPS-T-1, pg 13
- (2) Docket No. MC2005-3, Bookspan T-2, p11
- (3) Contingency provision of zero percent, Docket No.R2005-1, USPS-T-6, p. 18.

**Bookspan**  
 Negotiated Service Agreement  
 Appendix A, page 2

	FY 2002	FY 2003	FY 2004	FY 2006	FY 2007	FY 2008
<b>Volume calculations (1)</b>			<b>Forecast Volumes (2)</b>			
<b>Before Rates (BR)</b>						
New Membership Std letter-size	84,694,802	82,991,923	94,014,756	101,939,062	110,065,112	118,191,162
New Membership Std Flat-size	215,324,921	196,631,597	164,378,427	153,654,029	137,522,488	121,390,947
<b>Total</b>	<b>300,019,723</b>	<b>279,623,520</b>	<b>258,393,183</b>	<b>255,593,091</b>	<b>247,587,600</b>	<b>239,582,109</b>
<b>After Rates (AR)</b>						
New Membership Std letter-size				105,510,628	115,849,521	124,402,631
New Membership Std Flat-size				153,654,029	137,522,488	121,390,947
<b>Total</b>				<b>259,164,657</b>	<b>253,372,009</b>	<b>245,793,578</b>

- (1) CBCIS - FY 2002, 2003, 2004 volumes
- (2) Docket No. MC2005-3, Bookspan T-2, p11

<b>Elasticity Analysis</b>		<b>R2005-1 Rate Effects</b>		
		<b>Letters</b>		
Pre-R2005-1 Before Rates Volumes		103,779,318	112,052,063	120,324,808
Pct. Letter volume change		(1.8%)	(1.8%)	(1.8%)
Letter Volume change		(1,840,255)	(1,986,951)	(2,133,647)
Post-R2005-1 Before Rates Volumes		101,939,062	110,065,112	118,191,162
		<b>Flats</b>		
Pre-R2005-1 Before Rates Volumes		158,773,599	142,104,574	125,435,550
Pct. Flats volume change		(3.2%)	(3.2%)	(3.2%)
Flats Volume change		(5,119,570)	(4,582,087)	(4,044,603)
Post-R2005-1 Before Rates Volumes		153,654,029	137,522,488	121,390,947
		<b>NSA Rate Effects (Letters)</b>		
NSA marginal rate change		(10.7%)	(16.0%)	(16.0%)
pct. Leter NSA vol. change based on wgt. Avg. elasticity		3.5%	5.3%	5.3%
NSA letter volume change based on wgt. Avg. elasticity		3,571,566	5,784,409	6,211,469

Before Rates volume from Attachment 1 to POIR 1, page 2 of 3.

	elasticity	Bookspan letter vol.	Bookspan letter vol. pct.	Bookspan Flats vol.	Bookspan Flats vol. pct.
Std. regular	(0.2671)	87,033,240	92.6%	98,660,071	60.0%
Std. ECR	(1.0926)	6,981,516	7.4%	65,718,356	40.0%
		94,014,756		164,378,427	
Avg. weighted by Bookspan letter mix	<b>(0.3284)</b>				
Avg. weighted by Bookspan Flats mix				<b>(0.5971)</b>	

Elasticity source: LR-K-64

**Bookspan**  
**Negotiated Service Agreement**  
**Appendix A, page 3**

**Standard Mail Regular Letter-size Revenue per piece**

Mail Category	Bookspan average		
	Revenue per piece (1)	Volume (2)	Revenue (3)
Nonauto Basic	\$ 0.262	1,518,805	\$ 398,179
Nonauto 3/5-Digit	\$ 0.236	58,859	\$ 13,882
Auto Mixed AADC	\$ 0.216	7,078,780	\$ 1,529,430
Auto AADC	\$ 0.205	12,572,357	\$ 2,575,943
Auto 3-digit	\$ 0.183	60,973,641	\$ 11,138,540
Auto 5-digit	\$ 0.167	4,830,798	\$ 805,554
<b>Total</b>		87,033,240	\$ 16,461,528
<b>Revenue per piece</b>			<b>\$ 0.189</b>

USPS Totals (USPS-LR-K-77)			
Revenue per piece (5)	Volume (6)	Revenue (7)	
\$ 0.268	793,501,993	\$	212,264,084
\$ 0.240	1,065,186,190	\$	255,806,937
\$ 0.217	1,950,273,409	\$	423,917,198
\$ 0.207	2,201,484,140	\$	455,753,816
\$ 0.189	15,819,321,120	\$	2,987,383,691
\$ 0.170	16,402,050,918	\$	2,790,244,409
	38,231,817,770	\$	7,125,370,135
			<b>\$ 0.186</b>

**Standard Mail ECR Letter-size Revenue per piece**

Mail Category	Revenue per piece	Volume	Revenue
Nonauto Basic Letters	\$ 0.171	5,575,871	952,919
Auto Basic Letters	\$ 0.148	1,405,645	208,620
<b>Total</b>		6,981,516	1,161,539
<b>Revenue per piece</b>			<b>\$ 0.166</b>

Revenue per piece	Volume	Revenue	
\$ 0.173	2,144,903,041	\$	370,356,707
\$ 0.150	1,914,433,081	\$	287,098,257
	4,059,336,122	\$	657,454,964
			<b>\$ 0.162</b>

**Average Revenue per piece** **\$ 0.187** (4) **\$ 0.184** (8)

- (1) (3)/(2)
- (2) CBCIS, Bookspan FY2004 volume
- (3) CBCIS, Bookspan FY2004 revenue
- (4) Bookspan (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)
- (5) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Billing Determinants
- (6) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Volume
- (7) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Revenue
- (8) Average USPS (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)

**Bookspan**  
 Negotiated Service Agreement  
 Appendix A, page 4

**Standard Regular Unit Cost**

	USPS			Bookspan			
	TYBR 2006 Total Unit Cost (Dollars) (1)	FY 2006 Mail Volume (Pieces) (2)	FY 2006 Mail Volume (Percent) (3)	TY 2006 Total Unit Cost (Dollars) (4)	FY 2004 Mail Volume (Pieces) (6)	FY 2004 Mail Volume (Percent) (7)	Company Avg. Letter Cost w/Contingency (Dollars) (8)
<b>LETTERS</b>							
Nonauto Basic	0.235	809,733,939	1.9%	0.235	1,518,805	1.7%	
Nonauto 3/5-Digit	0.220	697,778,977	1.6%	0.220	58,859	0.1%	
Auto Mixed AADC	0.094	2,217,147,820	5.1%	0.094	7,078,780	8.1%	
Auto AADC	0.085	2,496,325,308	5.7%	0.085	12,572,357	14.4%	
Auto 3-digit	0.081	17,989,964,663	41.4%	0.081	60,973,641	70.1%	
Auto 5-digit	0.070	19,265,167,056	44.3%	0.070	4,830,798	5.6%	
				(5)			
<b>Total/average</b>	<b>0.082</b>	<b>43,476,117,763</b>	<b>100.0%</b>	<b>0.085</b>	<b>87,033,240</b>	<b>100.0%</b>	<b>\$ 0.085</b>

**Standard ECR Unit Cost**

	TYBR 2006	FY 2006	FY 2006	TY 2006	FY 2004	FY 2004	Company Avg.
	Total Unit Cost (Dollars) (9)	Mail Volume (Pieces) (10)	Mail Volume (Percent) (11)	Total Unit Cost (Dollars) (12)	Mail Volume (Pieces) (14)	Mail Volume (Percent) (15)	Letter Cost w/Contingency (Dollars) (16)
<b>LETTERS</b>							
Nonauto Basic Letters	0.094	2,204,590,228	52.3%	0.094	5,575,871	79.9%	
Auto Basic Letters	0.046	2,008,138,417	47.7%	0.046	1,405,645	20.1%	
				(13)			
<b>Total/Average</b>	<b>0.071</b>	<b>4,212,728,645</b>	<b>100.0%</b>	<b>0.084</b>	<b>6,981,516</b>	<b>100.0%</b>	<b>\$ 0.084</b>

**Bookspan Average Cost per piece**

**\$ 0.085**

(17)

- (1) Docket No. R2005-1 (USPS-LR-K-48 as revised 05/20/05, USPS-LR-K-67, USPS-LR-K-119)
- (2) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (3) Each row in (2) divided by total in (2)
- (4) (1)
- (5) (4) x (7) Bookspan weighted average
- (6) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 3)
- (7) Each row in (6) divided by total in (6)
- (8) Total Unit Cost (5) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (9) Docket No. R2005-1 (USPS-LR-K-67, USPS-LR-K-84, USPS-LR-K-119)
- (10) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (11) Each row in (10) divided by total in (10)
- (12) (9)
- (13) (12) x (15) Bookspan weighted average
- (14) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 3)
- (15) Each row in (14) divided by total in (14)
- (16) Total Unit Cost (13) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (17) ((8)x(6) + (16)x(14)) / ((6) + (14))

**Bookspan**  
 Negotiated Service Agreement  
 Appendix A, page 5

**Standard Mail Regular Non-letter Revenue per piece**

Mail Category	Bookspan average		
	Revenue per piece (1)	Volume (2)	Revenue (3)
Nonauto Basic	\$ 0.374	29,186	10,917
Nonauto 3/5 Digit	\$ 0.290	1,367,428	395,959
Auto Basic	\$ 0.295	167,112	49,264
Auto 3/5 Digit	\$ 0.239	97,096,345	23,192,500
<b>Total</b>		<b>98,660,071</b>	<b>\$ 23,648,640</b>
<b>Revenue per piece</b>			<b>\$ 0.240</b>

USPS Totals (USPS-LR-K-77)		
Revenue per piece (5)	Volume (6)	Revenue (7)
\$ 0.535	479,656,633	256,645,917
\$ 0.498	1,052,913,950	524,611,357
\$ 0.383	338,554,022	129,723,419
\$ 0.289	10,609,272,685	3,070,777,750
	<b>12,480,397,290</b>	<b>\$ 3,981,758,443</b>
		<b>\$ 0.319</b>

**Standard Mail ECR Non-letter Revenue per piece**

Mail Category	Revenue per piece	Volume	Revenue
Basic Non-letter	\$ 0.169	65,718,356	11,116,946
<b>Total</b>		<b>65,718,356</b>	<b>\$ 11,116,946</b>
<b>Revenue per piece</b>			<b>\$ 0.169</b>

Revenue per piece	Volume	Revenue
\$ 0.198	11,396,910,120	2,255,864,010
	<b>11,396,910,120</b>	<b>\$ 2,255,864,010</b>
		<b>\$ 0.198</b>

**Average Revenue per piece** **\$ 0.211** (4)

**\$ 0.261** (8)

- (1) (3)/(2)
- (2) CBCIS, Bookspan FY2004 volume
- (3) CBCIS, Bookspan FY2004 revenue
- (4)  $\text{Bookspan (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)}$
- (5) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Billing Determinants
- (6) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Volume
- (7) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Revenue
- (8)  $\text{USPS (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)}$

**Bookspan**

Negotiated Service Agreement  
Appendix A, page 6

**Standard Regular Unit Cost**

	USPS			Bookspan			
	TYBR 2006 Total Unit Cost (Dollars) (1)	FY 2006 Mail Volume (Pieces) (2)	FY 2006 Mail Volume (Percent) (3)	TY 2006 Total Unit Cost (Dollars) (4)	FY 2004 Mail Volume (Pieces) (6)	FY 2004 Mail Volume (Percent) (7)	Company Avg. Letter Cost w/Contingency (Dollars) (8)
<b>NON-LETTERS</b>							
Nonauto Basic	0.351	443,471,958.026	3.4%	0.351	29,186	0.0%	
Nonauto 3/5 Digit	0.260	925,540,123.464	7.1%	0.260	1,367,428	1.4%	
Auto Basic	0.347	414,714,246.537	3.2%	0.347	167,112	0.2%	
Auto 3/5 Digit	0.260	11,218,794,042.215	86.3%	0.260	97,096,345	98.4%	
<b>Total/average</b>	<b>0.266</b>	<b>13,002,520,370</b>	<b>100.0%</b>	<b>0.261</b>	<b>98,660,071</b>	<b>100.0%</b>	<b>\$ 0.261</b>

**Standard ECR Unit Cost**

	TYBR 2006 Total Unit Cost (Dollars) (9)	FY 2006 Mail Volume (Pieces) (10)	FY 2006 Mail Volume (Percent) (11)	TY 2006 Total Unit Cost (Dollars) (12)	FY 2004 Mail Volume (Pieces) (14)	FY 2004 Mail Volume (Percent) (15)	Company Avg. Letter Cost w/Contingency (Dollars) (16)
	<b>NON-LETTERS</b>						
Basic Non-Letters	0.098	12,224,335,151	100.0%	0.098	65,718,356	100.0%	
<b>Total/Average</b>	<b>0.098</b>	<b>12,224,335,151</b>	<b>100.0%</b>	<b>0.098</b>	<b>65,718,356</b>	<b>100.0%</b>	<b>\$ 0.098</b>

**Bookspan Average Cost per piece**

**\$ 0.196**

(17)

- (1) Docket No. R2005-1 (USPS-LR-K-58, USPS-LR-K-67, USPS-LR-K-119)
- (2) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (3) Each row in (2) divided by total in (2)
- (4) (1)
- (5) (4) x (6) Bookspan weighted average
- (6) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 5)
- (7) Each row in (6) divided by total in (6)
- (8) Total Unit Cost (5) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (9) Docket No. R2005-1 (USPS-LR-K-67, USPS-LR-K-84, USPS-LR-K-119)
- (10) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (11) Each row in (10) divided by total in (10)
- (12) (9)
- (13) (12) x (15) Bookspan weighted average
- (14) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 5)
- (15) Each row in (14) divided by total in (14)
- (16) Total Unit Cost (13) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (17) ((8)x(6) + (16)x(14)) / ((6) + (14))

**Bookspan**  
 Negotiated Service Agreement  
 Appendix A, page 7

**Agreement Structure**

FY2006			FY2007			FY2008		
Threshold		Discount	Threshold		Discount	Threshold		Discount
87,000,001	120,000,000	\$ 0.020	85,000,001	110,000,000	\$ 0.020	94,000,001	100,000,000	\$ 0.010
120,000,001	150,000,000	\$ 0.030	110,000,001	150,000,000	\$ 0.030	100,000,001	120,000,000	\$ 0.020
						120,000,001	150,000,000	\$ 0.030

**Discount on volume above threshold**

(1) Before Rates Forecast	101,939,062	110,065,112	118,191,162
(2) After Rates Forecast	105,510,628	115,849,521	124,402,631
(3) Discount in first tier	\$ 370,213	\$ 500,000	\$ 60,000
Discount in second tier	\$ -	\$ 175,486	\$ 400,000
Discount in third tier	\$ -	\$ -	\$ 132,079
<b>(4) Discount Earned</b>	<b>\$ 370,213</b>	<b>\$ 675,486</b>	<b>\$ 592,079</b>

**Exposure on volume above threshold**

(5) Threshold	87,000,001	85,000,001	94,000,001
(6) Before Rates Forecast	101,939,062	110,065,112	118,191,162
(7) Exposed Pieces	14,939,061	25,065,111	24,191,161
(8) After Rates Forecast	105,510,628	115,849,521	124,402,631
(9) Discount Exposure in first tier	\$ 298,781	\$ 500,000	\$ 60,000
Discount Exposure in second tier	\$ -	\$ 1,953	\$ 363,823
Discount Exposure in third tier	\$ -	\$ -	\$ -
<b>(10) Total Exposure</b>	<b>\$ 298,781</b>	<b>\$ 501,953</b>	<b>\$ 423,823</b>

- (1) Before Rates Total Volume (Appendix A, pg. 2)
- (2) After Rates Total Volume (Appendix A, pg. 2)
- (3) Discount Earned per discount tier based on rate chart above.
- (4) Sum of discounts earned in first tier to fifth tier
- (5) Agreement Structure Beginning Threshold
- (6) (1)
- (7) If the Before Rates Forecast volume (6) is greater than the Threshold volume (5), then the total pieces represent the volume on which Discount Exposure occurs
- (8) (2)
- (9) If the Before Rates Forecast volume (6) is greater than the Threshold volume (5), then the Discount Exposure represents the discount X the volume per discount tier.
- (10) Sum of Exposure in first tier to third tier

Original Commitment Level	94,000,000	95,000,000	105,000,000
Actual / Commitment	112.2%	115.6%	
Adjusted Commitment Level		100,255,314	110,424,761

<b>Bookspan</b>			
<b>Negotiated Service Agreement</b>			
<b>Appendix A, page 8</b>			
	<b>FY2006</b>	<b>(7)</b> <b>FY2007</b>	<b>(8)</b> <b>FY2008</b>

**Standard Mail Letters**

(1)	Standard letters Revenue per Piece	0.187	0.187	0.187
(2)	Standard letters Cost per Piece	0.085	0.088	0.092
(3)	Standard letters Contribution per Piece	0.103	0.099	0.096

**Standard Mail Non-letters**

(4)	Standard Non-letter Revenue per Piece	0.211	0.211	0.211
(5)	Standard Non-letter Cost per Piece	0.196	0.204	0.212
(6)	Standard Non-letter Contribution per Piece	0.016	0.008	(0.000)

- (1) Average Revenue per Piece (Appendix A, pg. 3, (4))
- (2) Average Cost per Piece (Appendix A, pg. 4, (17))
- (3) (1) - (2)
- (4) Average Revenue per Piece (Appendix A, pg. 5, (4))
- (5) Average Cost per Piece (Appendix A, pg. 6, (17))
- (6) (4) - (5)
- (7) Year 1 \* Inflation cost adjustment factor Year 2 (Appendix A, pg. 1, (1))
- (8) Year 2 \* Inflation cost adjustment factor Year 3 (Appendix A, pg. 1, (1))

**Bookspan**  
**Negotiated Service Agreement**  
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	FY2006	FY2007	FY2008	Total
	FY2006	FY2007	FY2008	Total
(1) Contribution from new Standard letter mail	\$ 366,336	\$ 573,668	\$ 594,089	<b>1,534,093</b>
(2) Contribution from Standard non-letter mail converted to Standard letter mail	\$ -	\$ -	\$ -	-
(3) <b>Total New Contribution</b>	\$ 366,336	\$ 573,668	\$ 594,089	<b>1,534,093</b>
(4) <b>Total Discount Exposure</b>	\$ 298,781	\$ 501,953	\$ 423,823	<b>1,224,558</b>
(5) <b>Total Incremental Discounts</b>	\$ 71,431	\$ 173,532	\$ 168,256	<b>413,219</b>
<b>(6) Total USPS Value</b>	<b>\$ (3,877)</b>	<b>\$ (101,817)</b>	<b>\$ 2,010</b>	<b>\$ (103,684)</b>

- (1) (Assumption (2), (Appendix A, pg. 1)) X (Volume Before Discount (Appendix A, pg. 2) - Volume After Discount (Appendix A, pg. 2))  
X (Contribution Standard letter mail (3), (Appendix A, pg. 8) - Contribution Standard non-letter mail (6),(Appendix A, pg. 8)
- (2) 1minus Assumption (2), (Appendix A, pg. 1) X (Volume After Discount (Appendix A, pg. 2) - Volume After Discount (Appendix A, pg. 2))  
X Contribution Standard letter mail (Appendix A, pg. 8)
- (3) Sum of (1) + (2)
- (4) Total Discount Exposure (10)(Appendix A, pg. 7)
- (5) Discount Earned (4) (Appendix A, pg. 7)
- (6) (3) - (4) - (5)

**Bookspan**

**Negotiated Service Agreement**

**Appendix A, page 1**

	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>(1)</b> Inflation cost adjustment factor	4.0%	4.0%	4.0%
<b>(2)</b> Conversion of Standard Mail Flats to Standard Mail Letters	0.0%	0.0%	0.0%
<b>(3)</b> Contingency Factor	1.00		

- (1) Docket No. MC2004-4/USPS-T-1, pg 13
- (2) Docket No. MC2005-3, Bookspan T-2, p11
- (3) Contingency provision of zero percent, Docket No.R2005-1, USPS-T-6, p. 18.

**Bookspan**  
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 Appendix A, page 2

	FY 2002	FY 2003	FY 2004	FY 2006	FY 2007	FY 2008
<b>Volume calculations (1)</b>			<b>Forecast Volumes (2)</b>			
<b>Before Rates (BR)</b>						
New Membership Std letter-size	84,694,802	82,991,923	94,014,756	107,186,696	120,688,518	134,190,340
New Membership Std Flat-size	215,324,921	196,631,597	164,378,427	151,151,819	135,463,216	119,774,613
<b>Total</b>	<b>300,019,723</b>	<b>279,623,520</b>	<b>258,393,183</b>	<b>258,338,515</b>	<b>256,151,734</b>	<b>253,964,953</b>
<b>After Rates (AR)</b>						
New Membership Std letter-size				110,942,120	127,031,234	141,242,637
New Membership Std Flat-size				151,151,819	135,463,216	119,774,613
<b>Total</b>				<b>262,093,939</b>	<b>262,494,450</b>	<b>261,017,250</b>

- (1) CBCIS - FY 2002, 2003, 2004 volumes
- (2) Docket No. MC2005-3, Bookspan T-2, p11

<b>Elasticity Analysis</b>		<b>R2005-1 Rate Effects</b>		
		<b>Letters</b>		
Pre-R2005-1 Before Rates Volumes		109,121,685	122,867,248	136,612,812
Pct. Letter volume change		(1.8%)	(1.8%)	(1.8%)
Letter Volume change		(1,934,988)	(2,178,730)	(2,422,472)
Post-R2005-1 Before Rates Volumes		107,186,696	120,688,518	134,190,340
		<b>Flats</b>		
Pre-R2005-1 Before Rates Volumes		156,188,019	139,976,690	123,765,361
Pct. Flats volume change		(3.2%)	(3.2%)	(3.2%)
Flats Volume change		(5,036,200)	(4,513,474)	(3,990,748)
Post-R2005-1 Before Rates Volumes		151,151,819	135,463,216	119,774,613
		<b>NSA Rate Effects (Letters)</b>		
NSA marginal rate change		(10.7%)	(16.0%)	(16.0%)
pct. Leter NSA vol. change based on wgt. Avg. elasticity		3.5%	5.3%	5.3%
NSA letter volume change based on wgt. Avg. elasticity		3,755,424	6,342,716	7,052,297

Before Rates volume from Attachment 1 to POIR 1, page 3 of 3.

	elasticity	Bookspan letter vol.	Bookspan letter vol. pct.	Bookspan Flats vol.	Bookspan Flats vol. pct.
Std. regular	(0.2671)	87,033,240	92.6%	98,660,071	60.0%
Std. ECR	(1.0926)	6,981,516	7.4%	65,718,356	40.0%
		94,014,756		164,378,427	
Avg. weighted by Bookspan letter mix	<b>(0.3284)</b>				
Avg. weighted by Bookspan Flats mix				<b>(0.5971)</b>	

Elasticity source: LR-K-64

**Bookspan**  
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**Appendix A, page 3**

**Standard Mail Regular Letter-size Revenue per piece**

Mail Category	Bookspan average		
	Revenue per piece (1)	Volume (2)	Revenue (3)
Nonauto Basic	\$ 0.262	1,518,805	\$ 398,179
Nonauto 3/5-Digit	\$ 0.236	58,859	\$ 13,882
Auto Mixed AADC	\$ 0.216	7,078,780	\$ 1,529,430
Auto AADC	\$ 0.205	12,572,357	\$ 2,575,943
Auto 3-digit	\$ 0.183	60,973,641	\$ 11,138,540
Auto 5-digit	\$ 0.167	4,830,798	\$ 805,554
<b>Total</b>		87,033,240	\$ 16,461,528
<b>Revenue per piece</b>			<b>\$ 0.189</b>

USPS Totals (USPS-LR-K-77)			
Revenue per piece (5)	Volume (6)	Revenue (7)	
\$ 0.268	793,501,993	\$	212,264,084
\$ 0.240	1,065,186,190	\$	255,806,937
\$ 0.217	1,950,273,409	\$	423,917,198
\$ 0.207	2,201,484,140	\$	455,753,816
\$ 0.189	15,819,321,120	\$	2,987,383,691
\$ 0.170	16,402,050,918	\$	2,790,244,409
	38,231,817,770	\$	7,125,370,135
			<b>\$ 0.186</b>

**Standard Mail ECR Letter-size Revenue per piece**

Mail Category	Revenue per piece	Volume	Revenue
Nonauto Basic Letters	\$ 0.171	5,575,871	952,919
Auto Basic Letters	\$ 0.148	1,405,645	208,620
<b>Total</b>		6,981,516	1,161,539
<b>Revenue per piece</b>			<b>\$ 0.166</b>

Revenue per piece	Volume	Revenue	
\$ 0.173	2,144,903,041	\$	370,356,707
\$ 0.150	1,914,433,081	\$	287,098,257
	4,059,336,122	\$	657,454,964
			<b>\$ 0.162</b>

**Average Revenue per piece** **\$ 0.187** (4) **\$ 0.184** (8)

- (1) (3)/(2)
- (2) CBCIS, Bookspan FY2004 volume
- (3) CBCIS, Bookspan FY2004 revenue
- (4) Bookspan (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)
- (5) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Billing Determinants
- (6) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Volume
- (7) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Revenue
- (8) Average USPS (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)

**Bookspan**  
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**Standard Regular Unit Cost**

	USPS			Bookspan			
	TYBR 2006 Total Unit Cost (Dollars) (1)	FY 2006 Mail Volume (Pieces) (2)	FY 2006 Mail Volume (Percent) (3)	TY 2006 Total Unit Cost (Dollars) (4)	FY 2004 Mail Volume (Pieces) (6)	FY 2004 Mail Volume (Percent) (7)	Company Avg. Letter Cost w/Contingency (Dollars) (8)
<b>LETTERS</b>							
Nonauto Basic	0.235	809,733,939	1.9%	0.235	1,518,805	1.7%	
Nonauto 3/5-Digit	0.220	697,778,977	1.6%	0.220	58,859	0.1%	
Auto Mixed AADC	0.094	2,217,147,820	5.1%	0.094	7,078,780	8.1%	
Auto AADC	0.085	2,496,325,308	5.7%	0.085	12,572,357	14.4%	
Auto 3-digit	0.081	17,989,964,663	41.4%	0.081	60,973,641	70.1%	
Auto 5-digit	0.070	19,265,167,056	44.3%	0.070	4,830,798	5.6%	
				(5)			
<b>Total/average</b>	<b>0.082</b>	<b>43,476,117,763</b>	<b>100.0%</b>	<b>0.085</b>	<b>87,033,240</b>	<b>100.0%</b>	<b>\$ 0.085</b>

**Standard ECR Unit Cost**

	TYBR 2006	FY 2006	FY 2006	TY 2006	FY 2004	FY 2004	Company Avg.
	Total Unit Cost (Dollars) (9)	Mail Volume (Pieces) (10)	Mail Volume (Percent) (11)	Total Unit Cost (Dollars) (12)	Mail Volume (Pieces) (14)	Mail Volume (Percent) (15)	Letter Cost w/Contingency (Dollars) (16)
<b>LETTERS</b>							
Nonauto Basic Letters	0.094	2,204,590,228	52.3%	0.094	5,575,871	79.9%	
Auto Basic Letters	0.046	2,008,138,417	47.7%	0.046	1,405,645	20.1%	
				(13)			
<b>Total/Average</b>	<b>0.071</b>	<b>4,212,728,645</b>	<b>100.0%</b>	<b>0.084</b>	<b>6,981,516</b>	<b>100.0%</b>	<b>\$ 0.084</b>

**Bookspan Average Cost per piece**

**\$ 0.085**

(17)

- (1) Docket No. R2005-1 (USPS-LR-K-48 as revised 05/20/05, USPS-LR-K-67, USPS-LR-K-119)
- (2) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (3) Each row in (2) divided by total in (2)
- (4) (1)
- (5) (4) x (7) Bookspan weighted average
- (6) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 3)
- (7) Each row in (6) divided by total in (6)
- (8) Total Unit Cost (5) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (9) Docket No. R2005-1 (USPS-LR-K-67, USPS-LR-K-84, USPS-LR-K-119)
- (10) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (11) Each row in (10) divided by total in (10)
- (12) (9)
- (13) (12) x (15) Bookspan weighted average
- (14) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 3)
- (15) Each row in (14) divided by total in (14)
- (16) Total Unit Cost (13) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (17) ((8)x(6) + (16)x(14)) / ((6) + (14))

**Bookspan**  
 Negotiated Service Agreement  
 Appendix A, page 5

**Standard Mail Regular Non-letter Revenue per piece**

Mail Category	Bookspan average		
	Revenue per piece (1)	Volume (2)	Revenue (3)
Nonauto Basic	\$ 0.374	29,186	10,917
Nonauto 3/5 Digit	\$ 0.290	1,367,428	395,959
Auto Basic	\$ 0.295	167,112	49,264
Auto 3/5 Digit	\$ 0.239	97,096,345	23,192,500
<b>Total</b>		<b>98,660,071</b>	<b>\$ 23,648,640</b>
<b>Revenue per piece</b>			<b>\$ 0.240</b>

USPS Totals (USPS-LR-K-77)		
Revenue per piece (5)	Volume (6)	Revenue (7)
\$ 0.535	479,656,633	256,645,917
\$ 0.498	1,052,913,950	524,611,357
\$ 0.383	338,554,022	129,723,419
\$ 0.289	10,609,272,685	3,070,777,750
	<b>12,480,397,290</b>	<b>\$ 3,981,758,443</b>
		<b>\$ 0.319</b>

**Standard Mail ECR Non-letter Revenue per piece**

Mail Category	Revenue per piece	Volume	Revenue
Basic Non-letter	\$ 0.169	65,718,356	11,116,946
<b>Total</b>		<b>65,718,356</b>	<b>\$ 11,116,946</b>
<b>Revenue per piece</b>			<b>\$ 0.169</b>

Revenue per piece	Volume	Revenue
\$ 0.198	11,396,910,120	2,255,864,010
	<b>11,396,910,120</b>	<b>\$ 2,255,864,010</b>
		<b>\$ 0.198</b>

**Average Revenue per piece** **\$ 0.211** (4)

**\$ 0.261** (8)

- (1) (3)/(2)
- (2) CBCIS, Bookspan FY2004 volume
- (3) CBCIS, Bookspan FY2004 revenue
- (4)  $\text{Bookspan (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)}$
- (5) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Billing Determinants
- (6) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Volume
- (7) Docket No. R2005-1, USPS-LR-K-77, FY2004 Standard Mail Regular Revenue
- (8)  $\text{USPS (Standard Mail Regular Revenue + Standard Mail ECR Revenue) / (Standard Mail Regular Total Volume + Standard Mail ECR Total Volume)}$

**Bookspan**

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**Standard Regular Unit Cost**

	USPS			Bookspan			
	TYBR 2006 Total Unit Cost (Dollars) (1)	FY 2006 Mail Volume (Pieces) (2)	FY 2006 Mail Volume (Percent) (3)	TY 2006 Total Unit Cost (Dollars) (4)	FY 2004 Mail Volume (Pieces) (6)	FY 2004 Mail Volume (Percent) (7)	Company Avg. Letter Cost w/Contingency (Dollars) (8)
<b>NON-LETTERS</b>							
Nonauto Basic	0.351	443,471,958.026	3.4%	0.351	29,186	0.0%	
Nonauto 3/5 Digit	0.260	925,540,123.464	7.1%	0.260	1,367,428	1.4%	
Auto Basic	0.347	414,714,246.537	3.2%	0.347	167,112	0.2%	
Auto 3/5 Digit	0.260	11,218,794,042.215	86.3%	0.260	97,096,345	98.4%	
<b>Total/average</b>	<b>0.266</b>	<b>13,002,520,370</b>	<b>100.0%</b>	<b>0.261</b>	<b>98,660,071</b>	<b>100.0%</b>	<b>\$ 0.261</b>

**Standard ECR Unit Cost**

	TYBR 2006	FY 2006	FY 2006	TY 2006	FY 2004	FY 2004	Company Avg.
	Total Unit Cost (Dollars) (9)	Mail Volume (Pieces) (10)	Mail Volume (Percent) (11)	Total Unit Cost (Dollars) (12)	Mail Volume (Pieces) (14)	Mail Volume (Percent) (15)	Letter Cost w/Contingency (Dollars) (16)
<b>NON-LETTERS</b>							
Basic Non-Letters	0.098	12,224,335,151	100.0%	0.098	65,718,356	100.0%	
<b>Total/Average</b>	<b>0.098</b>	<b>12,224,335,151</b>	<b>100.0%</b>	<b>0.098</b>	<b>65,718,356</b>	<b>100.0%</b>	<b>\$ 0.098</b>

**Bookspan Average Cost per piece**

**\$ 0.196**

(17)

- (1) Docket No. R2005-1 (USPS-LR-K-58, USPS-LR-K-67, USPS-LR-K-119)
- (2) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (3) Each row in (2) divided by total in (2)
- (4) (1)
- (5) (4) x (6) Bookspan weighted average
- (6) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 5)
- (7) Each row in (6) divided by total in (6)
- (8) Total Unit Cost (5) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (9) Docket No. R2005-1 (USPS-LR-K-67, USPS-LR-K-84, USPS-LR-K-119)
- (10) Docket No. R2005-1 (USPS-T-7, Attachment A, pg. 7)
- (11) Each row in (10) divided by total in (10)
- (12) (9)
- (13) (12) x (15) Bookspan weighted average
- (14) CBCIS, Bookspan FY2004 volume (Appendix A, pg. 5)
- (15) Each row in (14) divided by total in (14)
- (16) Total Unit Cost (13) x Contingency Factor Assumption (Appendix A, pg. 1, (3))
- (17) ((8)x(6) + (16)x(14)) / ((6) + (14))

**Bookspan**  
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**Agreement Structure**

FY2006			FY2007			FY2008		
Threshold		Discount	Threshold		Discount	Threshold		Discount
87,000,001	120,000,000	\$ 0.020	85,000,001	110,000,000	\$ 0.020	94,000,001	100,000,000	\$ 0.010
120,000,001	150,000,000	\$ 0.030	110,000,001	150,000,000	\$ 0.030	100,000,001	120,000,000	\$ 0.020
						120,000,001	150,000,000	\$ 0.030

**Discount on volume above threshold**

(1) Before Rates Forecast	107,186,696	120,688,518	134,190,340
(2) After Rates Forecast	110,942,120	127,031,234	141,242,637
(3) Discount in first tier	\$ 478,842	\$ 500,000	\$ 60,000
Discount in second tier	\$ -	\$ 510,937	\$ 400,000
Discount in third tier	\$ -	\$ -	\$ 637,279
<b>(4) Discount Earned</b>	<b>\$ 478,842</b>	<b>\$ 1,010,937</b>	<b>\$ 1,097,279</b>

**Exposure on volume above threshold**

(5) Threshold	87,000,001	85,000,001	94,000,001
(6) Before Rates Forecast	107,186,696	120,688,518	134,190,340
(7) Exposed Pieces	20,186,695	35,688,517	40,190,339
(8) After Rates Forecast	110,942,120	127,031,234	141,242,637
(9) Discount Exposure in first tier	\$ 403,734	\$ 500,000	\$ 60,000
Discount Exposure in second tier	\$ -	\$ 320,656	\$ 400,000
Discount Exposure in third tier	\$ -	\$ -	\$ 425,710
<b>(10) Total Exposure</b>	<b>\$ 403,734</b>	<b>\$ 820,655</b>	<b>\$ 885,710</b>

- (1) Before Rates Total Volume (Appendix A, pg. 2)
- (2) After Rates Total Volume (Appendix A, pg. 2)
- (3) Discount Earned per discount tier based on rate chart above.
- (4) Sum of discounts earned in first tier to fifth tier
- (5) Agreement Structure Beginning Threshold
- (6) (1)
- (7) If the Before Rates Forecast volume (6) is greater than the Threshold volume (5), then the total pieces represent the volume on which Discount Exposure occurs
- (8) (2)
- (9) If the Before Rates Forecast volume (6) is greater than the Threshold volume (5), then the Discount Exposure represents the discount X the volume per discount tier.
- (10) Sum of Exposure in first tier to third tier

Original Commitment Level	94,000,000	95,000,000	105,000,000
Actual / Commitment	118.0%	123.4%	
Adjusted Commitment Level		102,971,060	116,015,617

<b>Bookspan</b>			
<b>Negotiated Service Agreement</b>			
<b>Appendix A, page 8</b>			
	<b>FY2006</b>	<b>(7)</b> <b>FY2007</b>	<b>(8)</b> <b>FY2008</b>

**Standard Mail Letters**

(1) Standard letters Revenue per Piece	0.187	0.187	0.187
(2) Standard letters Cost per Piece	0.085	0.088	0.092
(3) Standard letters Contribution per Piece	0.103	0.099	0.096

**Standard Mail Non-letters**

(4) Standard Non-letter Revenue per Piece	0.211	0.211	0.211
(5) Standard Non-letter Cost per Piece	0.196	0.204	0.212
(6) Standard Non-letter Contribution per Piece	0.016	0.008	(0.000)

- (1) Average Revenue per Piece (Appendix A, pg. 3, (4))
- (2) Average Cost per Piece (Appendix A, pg. 4, (17))
- (3) (1) - (2)
- (4) Average Revenue per Piece (Appendix A, pg. 5, (4))
- (5) Average Cost per Piece (Appendix A, pg. 6, (17))
- (6) (4) - (5)
- (7) Year 1 \* Inflation cost adjustment factor Year 2 (Appendix A, pg. 1, (1))
- (8) Year 2 \* Inflation cost adjustment factor Year 3 (Appendix A, pg. 1, (1))

**Bookspan**  
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	FY2006	FY2007	FY2008	Total
	FY2006	FY2007	FY2008	Total
(1) Contribution from new Standard letter mail	\$ 385,194	\$ 629,038	\$ 674,509	<b>1,688,741</b>
(2) Contribution from Standard non-letter mail converted to Standard letter mail	\$ -	\$ -	\$ -	-
(3) <b>Total New Contribution</b>	\$ 385,194	\$ 629,038	\$ 674,509	<b>1,688,741</b>
(4) <b>Total Discount Exposure</b>	\$ 403,734	\$ 820,655	\$ 885,710	<b>2,110,100</b>
(5) <b>Total Incremental Discounts</b>	\$ 75,108	\$ 190,281	\$ 211,569	<b>476,959</b>
<b>(6) Total USPS Value</b>	<b>\$ (93,648)</b>	<b>\$ (381,899)</b>	<b>\$ (422,770)</b>	<b>\$ (898,317)</b>

- (1) (Assumption (2), (Appendix A, pg. 1)) X (Volume Before Discount (Appendix A, pg. 2) - Volume After Discount (Appendix A, pg. 2))  
X (Contribution Standard letter mail (3), (Appendix A, pg. 8) - Contribution Standard non-letter mail (6),(Appendix A, pg. 8)
- (2) 1minus Assumption (2), (Appendix A, pg. 1) X (Volume After Discount (Appendix A, pg. 2) - Volume After Discount (Appendix A, pg. 2))  
X Contribution Standard letter mail (Appendix A, pg. 8)
- (3) Sum of (1) + (2)
- (4) Total Discount Exposure (10)(Appendix A, pg. 7)
- (5) Discount Earned (4) (Appendix A, pg. 7)
- (6) (3) - (4) - (5)