

LEGAL POLICY & RATEMAKING LAW SECTION  
LAW DEPARTMENT



February 7, 2006

Hon. Steven W. Williams, Secretary  
Postal Rate Commission  
901 New York Avenue, NW  
Suite 200  
Washington, DC 20268-0001

**RE: Docket No. MC2004-4**

Dear Mr. Williams:

In accordance with the Commission's Opinion and Recommended Decision in Docket No. MC2004-4, Rate and Service Changes to Implement Functionally Equivalent Negotiated Service Agreement with Discover Financial Services, Inc., enclosed is the Postal Service's Data Collection Report for the time period January 1, 2005, to December 31, 2005.

Sincerely,

Brian M. Reimer  
Attorney

Enclosures

**Docket No. MC 2004-4 Data Collection Report**  
**Discover Financial Services NSA**  
**January 2005 – December 2005**

**Data Collection Plan Requirements:**

1. Volume of First-Class Mail solicitations by rate category in eligible DFS permit accounts.
2. Volume of First-Class Mail customer mail by rate category in eligible DFS permit accounts.
3. Amount of discounts paid to DFS for First-Class Mail by incremental volume block.
4. Volumes of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to DFS.
5. Number of electronic address correction notices provided to DFS for forwarded solicitation mail pieces, including the number of notices processed by CFS units and separately for PARS (when fully operational).
6. Number of electronic address correction notices provided to DFS for solicitation mail pieces 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 solicitation mailing list run against NCOA, DFS 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 DFS 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 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. As part of each data collection plan report, the Postal Service will provide an evaluation of the impact of the agreement on contribution. It will also provide an assessment of trends of DFS's First-Class Mail volume as compared to overall First-Class Mail volume.
11. Volume of Standard Mail solicitations by rate category in eligible DFS permit accounts.
12. A comparison of the estimated mailer-specific costs, volumes, and revenues with the actual mailer-specific costs, volumes, and revenues.

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**Discover Financial Services NSA**  
**January 2005 – December 2005**

**1. Data Collection Requirement Number 1**

*Volume of First-Class Mail solicitations by rate category in eligible DFS permit accounts.*

		<u>Volume</u>
<b>Nonautomated Presorted Letters</b>		
	First Ounce	5,265
	Additional Ounces	
	Nonmachinable Pieces (a)	
	Heavy Piece Deduction	
<b>Total Nonautomated Presorted Letters</b>		<b>5,265</b>
<b>Total Nonautomated Presorted Letters Revenue</b>		
<b>Automation Presort Letters and Flats</b>		
	<b>Letters</b>	<b>196,884,352</b>
	Mixed AADC Letters (b)	16,773,222
	AADC Letters (b)	12,062,166
	3-Digit Letters	106,898,817
	5-Digit Letters	61,150,148
	Additional Ounces	-
	Heavy Piece Deduction	0
	<b>Flats</b>	<b>-</b>
	Mixed ADC Flats (b)	0
	ADC Flats (b)	0
	3-Digit Flats (c)	0
	5-Digit Flats (c)	0
	Additional Ounces	
	Heavy Piece Deduction	
	Nonmachinable Pieces (a)	
<b>Total Automation Presort Letters and Flats</b>		<b>196,884,352</b>
<b>Total Automation Presort Letters and Flats Revenue</b>		
<b>Automation Carrier Route Letters</b>		
	First Ounce	
	Additional Ounces	
	Heavy Piece Deduction	
<b>Automation Carrier Route Letters</b>		<b>-</b>
<b>Automation Carrier Route Letters Revenue</b>		

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**2. Data Collection Requirement Number 2**

*Volume of First-Class Mail customer mail by rate category in eligible DFS permit accounts.*

	<u>Volume</u>
-	
<b>Nonautomated Presorted Letters</b>	
First Ounce	3,784,558
Additional Ounces	0
Nonmachinable Pieces (a)	0
Heavy Piece Deduction	0
<b>Total Nonautomated Presorted Letters</b>	<b>3,784,558</b>
<b>Total Nonautomated Presorted Letters Revenue</b>	
<b>Automation Presort Letters and Flats</b>	
<b>Letters</b>	<b>280,877,359</b>
Mixed AADC Letters (b)	1,905,625
AADC Letters (b)	13,320,380
3-Digit Letters	212,756,356
5-Digit Letters	52,894,998
Additional Ounces	7,291,654
Heavy Piece Deduction	
<b>Flats</b>	-
Mixed ADC Flats (b)	
ADC Flats (b)	
3-Digit Flats (c)	
5-Digit Flats (c)	
Additional Ounces	
Heavy Piece Deduction	
Nonmachinable Pieces (a)	
<b>Total Automation Presort Letters and Flats</b>	<b>280,877,359</b>
<b>Total Automation Presort Letters and Flats Revenue</b>	
<b>Automation Carrier Route Letters</b>	
First Ounce	15,735,785
Additional Ounces	0
Heavy Piece Deduction	0
<b>Automation Carrier Route Letters</b>	<b>15,735,785</b>
<b>Automation Carrier Route Letters Revenue</b>	
<b>Total First-Class Presort Letters</b>	<b>300,397,701</b>

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**3. Data Collection Plan Requirement Number 3**

*Amount of discounts paid to DFS for First-Class Mail by incremental volume block.*

The thresholds and discounts for the NSA are calculated and reconciled on a yearly basis. The schedule of the declining block discounts available to DFS for a full year is as follows:

Starting block	Ending block	Incentive	Incentives Paid
0	405,000,000	\$0.000	-
405,000,000	435,000,000	\$0.025	\$750,000
435,000,0001	465,000,000	\$0.030	\$900,000
465,000,001	490,000,000	\$0.035	\$875,000
490,000,001	515,000,000	\$0.040	\$291,429
515,000,0001	+	\$0.045	-
		<b>TOTAL</b>	<b>\$2,816,492</b>

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**4. Data Collection Plan Requirement Number 4**

*Volumes of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to DFS.*

Period	Physical Returns
Jan 2005	0.321
Feb 2005	0.338
Mar 2005	0.234
Apr 2005	0.288
May 2005	0.178
Jun 2005	0.155
Jul 2005	0.153
Aug 2005	0.122
Sep 2005	0.156
Oct 2005	0.168
Nov 2005	0.112
Dec 2005	0.119

\* All numbers in millions

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**5. Data Collection Requirement Number 5**

*Number of electronic address correction notices provided to DFS for forwarded solicitation mail pieces, including the number of notices processed by CFS units and separately for PARS (when fully operational).*

Period	Forwarding Notices
Jan 2005	405,882
Feb 2005	83,456
Mar 2005	341,730
Apr 2005	310,885
May 2005	663,832
Jun 2005	390,688
Jul 2005	450,507
Aug 2005	739,195
Sep 2005	462,782
Oct 2005	368,702
Nov 2005	308,853
Dec 2005	258,093

PARS coverage was not fully operational during the first year of the agreement.

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**6. Data Collection Requirement Number 6**

*Number of electronic address correction notices provided to DFS for solicitation mail pieces that would otherwise be physically returned, including of notices processed by CFS units and separately for PARS (when fully operational).*

Period	ACS Notices
Jan 2005	816,245
Feb 2005	832,262
Mar 2005	906,282
Apr 2005	972,706
May 2005	1,055,473
Jun 2005	919,091
Jul 2005	1,292,163
Aug 2005	1,193,022
Sep 2005	712,623
Oct 2005	863,267
Nov 2005	752,804
Dec 2005	603,736

PARS coverage was not fully operational during the first year of the agreement.

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**7. Data Collection Requirement Number 7**

*Monthly estimate of the amount of time spent on compliance activity and a description of the activities performed.*

<i>Department</i>	<i>Activity and Description</i>	<i>Work-hours</i>	<i>Time-Frame</i>
<i>Pricing Strategy</i>	<u>Volume Reconciliation:</u> process of reconciling USPS permit volume counts with DFS internal volume counts	8	<i>Per month</i>
<i>Pricing Strategy</i>	<u>NSA Data Collection Plan:</u> Fulfilling and ensuring compliance with the Data Collection Plan	20	<i>Per Year</i>
<i>Address Management</i>	<u>ACS Support:</u> Providing ACS counts and support for ACS related issues during the NSA period	4	<i>Per month</i>
<i>Finance</i>	<u>RPW Reporting:</u> Monitoring the NSA process and ensuring proper allocating procedures discounts within RPW reporting (one-time event)	1*	<i>Per month</i>
<i>Finance</i>	<u>Accounting Procedures:</u> Development of accounting controls and procedures for refund process	2*	<i>Per month</i>
<i>Legal</i>	<u>Legal Advice:</u> Advice on compliance and preparation of data collection plan	16	<i>Per Year</i>
<i>Pricing, Finance</i>	<u>NSA and rate-cases:</u> Ensuring that NSA volumes and affects are accurately reported and accounted for in rate-case filings	30*	<i>Per Year</i>

\* *These work-hours represent the total time spent on all implemented NSA's.*

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**8. Data Collection Requirement Number 8**

*For each First Class solicitation mailing list run against NCOA, DFS will provide NCOA contractor reports that separately identify the number of address records checked and the number of corrections made.*

Please see Appendix B

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**9. Data Collection Requirement Number 9**

*For each Change of Address record that is used to forward a piece of DFS 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 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.*

As noted in the MC2002-2 Data First Year data collection plan:

“A literal application of this provision would require presenting discrete information from each of over 22 million forwarding events. In light of the technical effort required to retrieve this information, and the cost of providing it, the Postal Service has concluded that the most effective and efficient way to comply would be to summarize the data, as follows:” (page 13 Data Collection Report MC 2002-2 September 03 – September 04)

For the period January 2005 to December 2005 the summary results are:

- a. Total Number of unique Change of Address Records used to forward DFS 2,839,832
- b. Family vs. Individual Moves: Of the 2.8 million COA records used; 1,322,887 (46.6 percent) were designated “Family” moves and 1,416,944 or (49.9 percent) were designated “Individual” moves. The remaining forwards were designated “Business” moves.

The chart below illustrates that a significant majority of forwarding notices for a given COA record are provided only once. Moreover, only a tiny percentage of records are used more than three times to forward mail.

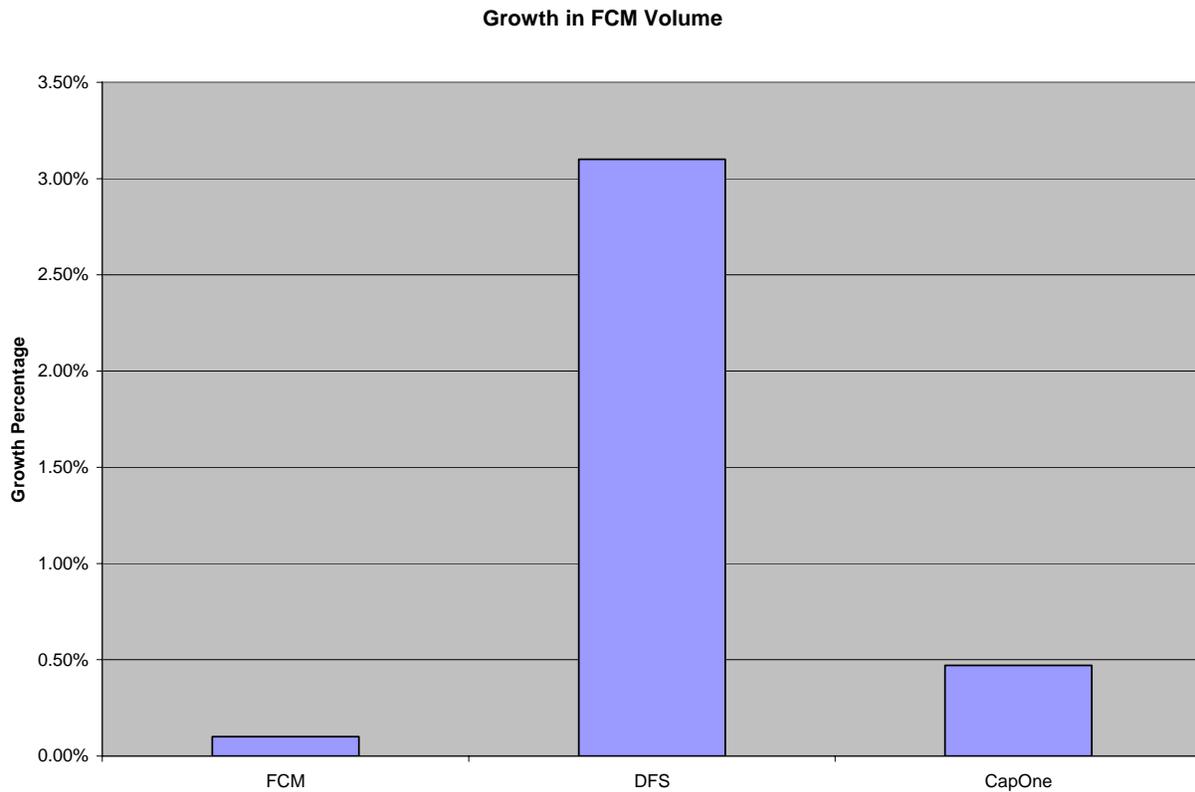
Number of ACS Notices	Number of Records	Percent of Total Records	Total Number of Transactions
1	1,464,696	51.6%	1,464,696
2	940,418	33.1%	1,880,836
3	339,611	11.9%	1,018,833
4	58,717	2.07%	234,868
5>	25,558	0.90%	127,790
>5	10,832	0.38%	57,582
<b>Totals</b>	<b>2,839,832</b>	<b>100.00%</b>	<b>4,784,605</b>

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**10. Data collection 10:**

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

Please see Appendix A and the following graph.



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**11. Data Collection Requirement 11**

*Volume of Standard Mail solicitations by rate category in eligible DFS permit accounts.*

<b>Mail Category</b>	<b>Volume</b>
Mixed AADC Auto	53,828,982
AADC Auto	39,306,079
3-Digit Auto	42,064,882
5-Digit Auto	192,593,269
Basic Nonauto	100,609,374
3/5 Digit Nonauto	16,874,135
Total Volume	445,276,721
<b>ECR Mail Category</b>	<b>Volume</b>
Basic Nonauto Letters	15,702,842
Basic Auto Letters	203,404
Saturation Letters	-
Total Volume	15,906,246

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**Data Collection Point 12**

A comparison of the estimated mailer-specific costs, volumes, and revenues with the actual mailer-specific costs, volumes, and revenues.

Please see Appendix A.

**USPS Discover NSA January 05- December 05**

**Appendix A: page 1**

*USPS Value Calculation*

<b>DFS YEAR 1</b>
(Jan 2005- Dec 2005)

(1)	Total Actual Volume	497,287,318	
(2)	Threshold	405,000,000	
(3)	Volume Above Threshold	92,287,318	
(4)	Projected Volume	451,000,000	
(5)	<b>Leakage Volume</b>	<b>46,000,000</b>	
(6)	<b>Incremental Pieces</b>	<b>46,287,318</b>	
(7)	Standard Mail Volume SPLY	460,743,184	
(8)	Standard Mail Volume Actual CY 05	471,598,926	
(9)	Conversion Percentage	100%	

		<b>MC 2004-4 Year 1</b>	<b>Actual</b>
(10)	Statement Mail	295,000,000	300,397,701
(11)	Marketing Mail	169,000,000	196,889,617
		<b>464,000,000</b>	

		MC2004-Filing	Actuals
	<b>New FCM Mail Contribution</b>		
(12)	Increased Volume	46,287,318	46,287,318
(13)	DFS FCM Revenue per Piece	\$0.292	\$0.290
(14)	DFS FCM Cost per Piece	\$0.135	\$0.114
(15)	DFS FCM Contribution per Piece	\$0.157	\$0.160
(16)	DFS Standard Mail Contribution per Piece	\$0.090	\$0.091
(17)	DFS Contribution	\$3,101,250	\$3,195,845
(18)	Discount on Incremental Volume	\$1,586,493	\$1,586,493
(19)	<b>New FCM Mail Contribution (net discounts)</b>	<b>\$1,514,757</b>	<b>\$1,609,352</b>
	<b>Discount Leakage</b>		
(20)	Leakage Volume	46,000,000	46,000,000
(21)	<b>Total Discount Leakage</b>	<b>\$1,230,000</b>	<b>\$1,230,000</b>
(22)	<b>Return Cost Savings</b>		
(23)	Manual Return Cost	\$0.535	\$0.484
(24)	Electronic Return Cost	\$0.332	\$0.310
(25)	Return Cost Savings	\$0.203	\$0.174
(26)	# of ACS Returns	10,919,674	10,919,674
(27)	<b>ACS Savings</b>	<b>\$2,216,694</b>	<b>\$1,903,299</b>
	<b>Forwarded DFSt Savings</b>		
(28)	Cost of Providing ACS notices for forwards	\$0.061	\$0.062
(29)	Number of ACS notices provided	0	3,652,383
(30)	<b>Total Forwarding Costs</b>	<b>\$0.00</b>	<b>\$0.00</b>
(31)	<b>Total USPS Value</b>	<b>\$2,501,451</b>	<b>\$2,282,652</b>

1	USPS Permit System
2	MC2004-4 Rate Filing
3	(1) - (2)
4	MC2004-4 Rate Filing
5	If projected volume (4) greater than threshold (3) = (4) - (3). If threshold is greater than projected volume 0.
6	(1) - (4)
7	USPS Permit System
8	USPS Permit System
9	MC2004-4 Rate Filing
10	For MC2004-4 Filing witness Giffney Testimony DFS-1 for Actuals USPS Permit System
11	For MC2004-4 Filing witness Giffney Testimony DFS-1 for Actuals USPS Permit System
12	Incremental Pieces = (6)
13	For MC2004-4 Filing witness Ayub Testimony USPST-1 Appendix A for Actuals USPS Permit System
14	For MC2004-4 Filing witness Ayub Testimony USPST-1 Appendix A for Actuals USPS Permit System
15	For MC2004-4 Filing witness Ayub Testimony USPST-1 Appendix A for Actuals (12) - (13)
16	For MC2004-4 Filing witness Ayub Testimony USPST-1 Appendix A for Actuals USPS Permit System
17	For MC2004-4 Filing witness Ayub Testimony USPST-1 Appendix A
18	USPS Data Collection Report
19	(17) - (18)
20	(5)
21	Leakage Volume (5) * Price Incentives
22	Return Cost Savings Calculation
23	For MC2004-4 Filing witness Ayub Testimony USPST-1 Appendix A for Actuals R2005-1 LR-K-59 Attachment A
24	For MC2004-4 Filing witness Ayub Testimony USPST-1 Appendix A for Actuals R2005-1 LR-K-59 Attachment A
25	(23) - (24)
26	DFS and USPS reports
27	(26) * (25)
28	MC2002-2 YEAR 1 Data Collection Report Inflated by 3%
29	USPS Memphis Records
30	(28) * (29)
31	(19) + (27) - (21) - (30)

**USPS Discover NSA January 05- December 05**  
**Appendix A: page 2**

DFS First-Class Mail  
 By Rate Category  
 FY 2001 Presorted Letter Volumes at Current Rates (Eff. 6/30/2002)

	(1) FY 2005 <u>Volume</u>	(2) Current <u>Rates</u>	(3) = (1) * (2) <u>Revenue</u>	
<b>Nonautomated Presorted Letters</b>				
First Ounce	5,265	\$ 0.352	\$ 1,853	0.056038354
Additional Ounces		\$ 0.225	\$ -	2.63427E-05
Nonmachinable Pieces (a)		\$ 0.055	\$ -	1.68492E-05
Heavy Piece Deduction		\$ 0.041	\$ -	3.87945E-06
<b>Total Nonautomated Presorted Letters</b>	<b>5,265</b>		<b>\$ 1,853</b>	0.056038354
<b>Revenue Adjustment Factor (1)</b>			<b>1.000000</b>	0
<b>Total Nonautomated Presorted Letters Revenue</b>			<b>\$ 1,853</b>	0
<b>Automation Presort Letters and Flats</b>				
<b>Letters</b>	<b>196,884,352</b>			0.882240364
Mixed AADC Letters (b)	16,773,222	\$ 0.309	\$ 5,182,925	0
AADC Letters (b)	12,062,166	\$ 0.301	\$ 3,630,712	0
3-Digit Letters	106,898,817	\$ 0.292	\$ 31,214,454	0.523225944
5-Digit Letters	61,150,148	\$ 0.278	\$ 16,999,741	0.35901442
Additional Ounces	-	\$ 0.225	\$ -	0.000559557
Heavy Piece Deduction	0	\$ 0.041	\$ -	1.57432E-05
<b>Flats</b>	<b>-</b>			0
Mixed ADC Flats (b)	0	\$ 0.341	\$ -	0
ADC Flats (b)	0	\$ 0.333	\$ -	0
3-Digit Flats (c)	0	\$ 0.322	\$ -	0
5-Digit Flats (c)	0	\$ 0.302	\$ -	0
Additional Ounces		\$ 0.225	\$ -	0.000117657
Heavy Piece Deduction		\$ 0.041	\$ -	2.58452E-05
Nonmachinable Pieces (a)		\$ 0.055	\$ -	0.000269741
<b>Total Automation Presort Letters and Flats</b>	<b>196,884,352</b>		<b>\$ 57,027,833</b>	0.882240364
<b>Revenue Adjustment Factor</b>			<b>1.000000</b>	0
<b>Total Automation Presort Letters and Flats Revenue</b>			<b>\$ 57,027,833</b>	0
<b>Automation Carrier Route Letters</b>				
First Ounce		\$ 0.275	\$ -	0.061721283
Additional Ounces		\$ 0.225	\$ -	2.22835E-06
Heavy Piece Deduction		\$ 0.041	\$ -	0
<b>Automation Carrier Route Letters</b>	<b>-</b>		<b>\$ -</b>	0.061721283
<b>Revenue Adjustment Factor</b>			<b>1.000000</b>	0
<b>Automation Carrier Route Letters Revenue</b>			<b>\$ -</b>	0
<b>Total DFS First-Class Presort Letters</b>	<b>196,889,617</b>		<b>\$ 57,029,686</b>	1
<b>Revenue per Piece</b>			<b>\$ 0.2897</b>	

DFS FIRST-CLASS MAIL PRESORT MARKETING LETTERS/FLATS UNIT COST ESTIMATE:

DFS Solicitation Return Percentage =	6.7%	(1) Adjusted for Actuals
DFS Statement Return Percentage =	1.2%	(2)
Average Presort Letters Return Percentage =	1.23%	(3)
Before Rates Customer Mail Volume =	-	(4) Adjusted for Actuals
Before Rates Solicitation Mail Volume =	169,000,000	(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$0.484	(6)
Electronic Returns Unit Cost =	\$0.310	(7)
Address Change Service (ACS) Success Rate =	82.3%	(8) Adjusted for Actuals
Contingency Factor =	1.030	(9)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY 2005 NATIONWIDE MAIL MIX							DFS MAIL MIX						
Rate Category	FY 2005 Total Unit Cost (Dollars)	FY 2005 Mail Proc Unit Cost (Dollars)	FY 2005 Delivery Unit Cost (Dollars)	FY 2005 Other Unit Cost (Dollars)	FY 2005 Total Unit Cost (Dollars)	FY 2005 Mail Volume (Pieces)	FY 2005 Mail Volume (Percent)	FY 2005 Total Unit Cost (Dollars)	FY 2005 Mail Volume (Pieces)	FY 2005 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	\$0.066	\$0.005	\$0.234	1,870,606,466	3.84%	\$0.234	5,265	0.00%				
Automation Presort Letters														
Automation Mixed AADC		\$0.051	\$0.046	\$0.005	\$0.102	2,817,587,556	5.79%	\$0.102	16,773,222	8.52%				
Automation AADC		\$0.043	\$0.045	\$0.005	\$0.093	2,545,105,499	5.23%	\$0.093	12,062,166	6.13%				
Automation 3-Digit		\$0.040	\$0.042	\$0.005	\$0.087	23,168,418,713	47.61%	\$0.087	106,898,817	54.29%				
Automation 5-Digit		\$0.030	\$0.039	\$0.005	\$0.074	17,145,711,751	35.24%	\$0.074	61,150,148	31.06%				
Automation Carrier Route		\$0.374	\$0.072	\$0.005	\$0.451	659,603,071	1.36%	\$0.451	0	0.00%				
Automation Presort Flats														
Automation Mixed ADC		\$0.303	\$0.104	\$0.005	\$0.412	52,631,000	0.11%	\$0.412	0	0.00%				
Automation ADC		\$0.282	\$0.104	\$0.005	\$0.391	45,089,684	0.09%	\$0.391	0	0.00%				
Automation 3-Digit		\$0.180	\$0.104	\$0.005	\$0.289	114,602,484	0.24%	\$0.289	0	0.00%				
Automation 5-Digit		\$0.180	\$0.104	\$0.005	\$0.289	239,065,444	0.49%	\$0.289	0	0.00%				
<b>WEIGHTED AVERAGE / TOTAL</b>		<b>\$0.048</b>	<b>\$0.043</b>	<b>\$0.005</b>	<b>\$0.096</b>	<b>48,658,421,666</b>	<b>100.00%</b>	<b>\$0.084</b>	<b>196,889,617</b>	<b>100.00%</b>	<b>\$0.0267</b>	<b>\$0.1109</b>	<b>\$0.0170</b>	<b>\$0.1013</b>
								Total Unit Cost Estimates, Including Contingency =			\$0.1142 Current (24)		\$0.1043 After Rates (25)	

- (1) Actual Return Rates
- (2) Actual Return Rates
- (3) USPS-LR-J-69 (FCM UAA % from Table 4.2 allocated by Return to Sender % from Table 4.3.3)
- (4) DFS T-1
- (5) DFS T-1
- (6) R2005 LR-K-59 Attachment 14b (1 out of 1)
- (7) R2005 LR-K-59 Attachment 14b (1 out of 1)
- (8) Actual ACS Success Rate
- (9) MC2004-4
- (10) R2005-1 LR-K-7 USPS\_version\_FY 2005 After Workyear mix Cost Segments and Components D Report
- (11) R2005-1 Attachment 14a from USPS-LR-K-59
- (12) R2005-1 LR-K-7 USPS\_version\_FY 2005 After Workyear mix Cost Segments and Components D Report
- (13) (10) - Weighted Average(11) - Weighted Average(12)
- (14) (11) + (12) + (13)

- (15) R2005-1 LR-K-66 Volume Forecast Attachment A
- (16) (15) / [Sum (15)]
- (17) Line Item (14), Total - Allocated by (19)
- (18) Attachment A, Page 1
- (19) (18) / [Sum (18)]
- (20) (6) \* [ (4) \* [ (2) - (3) ] + (5) \* [ (1) - (3) ] ] / [ (4) + (5) ]
- (21) Sum (17) + (20)
- (22) [ [ (8) \* (7) + [ 1 - (8) ] \* (6) ] \* [ (5) \* [ (1) - (3) ] ] + (6) \* (4) \* [ (2) - (3) ] ] / [ (4) + (5) ] - (3) \* ((6) - (7)) \* (8) \* ((4) + (5))
- (23) Sum (17) + (22)
- (24) (21) \* (9)
- (25) (23) \* (9)

**USPS Discover NSA January 05- December 05**  
**Appendix A: page 4**

DFS First-Class Mail  
By Rate Category  
FY 2005 Presorted Letter Volumes

	(1) FY 2004 Volume	(2) Current Rates	(3) = (1) * (2) Revenue
<b>Nonautomated Presorted Letters</b>			
First Ounce	3,784,558	\$ 0.352	\$ 1,332,164
Additional Ounces	0	\$ 0.225	-
Nonmachinable Pieces (a)	0	\$ 0.055	-
Heavy Piece Deduction	0	\$ 0.041	-
<b>Total Nonautomated Presorted Letters</b>	<b>3,784,558</b>		<b>\$ 1,332,164</b>
<b>Revenue Adjustment Factor</b>			<b>1.000000</b>
<b>Total Nonautomated Presorted Letters Revenue</b>			<b>\$ 1,332,164</b>
<b>Automation Presort Letters and Flats</b>			
<b>Letters</b>			
	<b>280,877,359</b>		
Mixed AADC Letters (b)	1,905,625	\$ 0.309	\$ 588,838
AADC Letters (b)	13,320,380	\$ 0.301	\$ 4,009,434
3-Digit Letters	212,756,356	\$ 0.292	\$ 62,124,856
5-Digit Letters	52,894,998	\$ 0.278	\$ 14,704,809
Additional Ounces	7,291,654	\$ 0.225	\$ 1,640,622
Heavy Piece Deduction		\$ 0.041	-
<b>Flats</b>			
	-		
Mixed ADC Flats (b)		\$ 0.341	-
ADC Flats (b)		\$ 0.333	-
3-Digit Flats (c)		\$ 0.322	-
5-Digit Flats (c)		\$ 0.302	-
Additional Ounces		\$ 0.225	-
Heavy Piece Deduction		\$ 0.041	-
Nonmachinable Pieces (a)		\$ 0.055	-
<b>Total Automation Presort Letters and Flats</b>	<b>280,877,359</b>		<b>\$ 83,068,560</b>
<b>Revenue Adjustment Factor</b>			<b>1.000000</b>
<b>Total Automation Presort Letters and Flats Revenue</b>			<b>\$ 83,068,560</b>
<b>Automation Carrier Route Letters</b>			
First Ounce	15,735,785	\$ 0.275	\$ 4,327,341
Additional Ounces	0	\$ 0.225	-
Heavy Piece Deduction	0	\$ 0.041	-
<b>Automation Carrier Route Letters</b>	<b>15,735,785</b>		<b>\$ 4,327,341</b>
<b>Revenue Adjustment Factor</b>			<b>1.000000</b>
<b>Automation Carrier Route Letters Revenue</b>			<b>\$ 4,327,341</b>
<b>Total First-Class Presort Letters</b>	<b>300,397,701</b>		<b>\$ 88,728,065</b>
<b>Revenue per Piece</b>			<b>\$ 0.2954</b>

DFS FIRST-CLASS MAIL PRESORT MARKETING LETTERS/FLATS UNIT COST ESTIMATE:

DFS Solicitation Return Percentage =	6.7%	(1) Adjusted for Actuals
DFS Statement Return Percentage =	1.2%	(2)
Average Presort Letters Return Percentage =	1.23%	(3)
Before Rates Customer Mail Volume =	300,397,701	(4) Adjusted for Actuals
Before Rates Solicitation Mail Volume =	-	(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$0.484	(6)
Electronic Returns Unit Cost =	\$0.310	(7)
Address Change Service (ACS) Success Rate =	82.3%	(8) Adjusted for Actuals
Contingency Factor =	1.030	(9)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY 2005 NATIONWIDE MAIL MIX							DFS MAIL MIX						
Rate Category	FY 2005 Total Unit Cost (Dollars)	FY 2005 Mail Proc Unit Cost (Dollars)	FY 2005 Delivery Unit Cost (Dollars)	FY 2005 Other Unit Cost (Dollars)	FY 2005 Total Unit Cost (Dollars)	FY 2005 Mail Volume (Pieces)	FY 2005 Mail Volume (Percent)	FY 2005 Total Unit Cost (Dollars)	FY 2005 Mail Volume (Pieces)	FY 2005 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	\$0.066	\$0.005	\$0.234	1,870,606,466	3.84%	\$0.234	3,784,558	1.26%				
Automation Presort Letters														
Automation Mixed AADC		\$0.051	\$0.046	\$0.005	\$0.102	2,817,587,556	5.79%	\$0.102	1,905,625	0.63%				
Automation AADC		\$0.043	\$0.045	\$0.005	\$0.093	2,545,105,499	5.23%	\$0.093	13,320,380	4.43%				
Automation 3-Digit		\$0.040	\$0.042	\$0.005	\$0.087	23,168,418,713	47.61%	\$0.087	212,756,356	70.82%				
Automation 5-Digit		\$0.030	\$0.039	\$0.005	\$0.074	17,145,711,751	35.24%	\$0.074	52,894,998	17.61%				
Automation Carrier Route		\$0.374	\$0.072	\$0.005	\$0.451	659,603,071	1.36%	\$0.451	15,735,785	5.24%				
Automation Presort Flats														
Automation Mixed ADC		\$0.303	\$0.104	\$0.005	\$0.412	52,631,000	0.11%	\$0.412	0	0.00%				
Automation ADC		\$0.282	\$0.104	\$0.005	\$0.391	45,089,684	0.09%	\$0.391	0	0.00%				
Automation 3-Digit		\$0.180	\$0.104	\$0.005	\$0.289	114,602,484	0.24%	\$0.289	0	0.00%				
Automation 5-Digit		\$0.180	\$0.104	\$0.005	\$0.289	239,065,444	0.49%	\$0.289	0	0.00%				
<b>WEIGHTED AVERAGE / TOTAL</b>		<b>\$0.048</b>	<b>\$0.043</b>	<b>\$0.005</b>	<b>\$0.096</b>	<b>48,658,421,666</b>	<b>100.00%</b>	<b>\$0.106</b>	<b>300,397,701</b>	<b>100.00%</b>	<b>-\$0.0001</b>	<b>\$0.1055</b>	<b>-\$0.0001</b>	<b>\$0.1055</b>
								Total Unit Cost Estimates, Including Contingency =				<b>\$0.1086</b> Current (24)	<b>\$0.1086</b> After Rates (25)	

- (1) Actual Return Rates
- (2) Actual Return Rates
- (3) USPS-LR-J-69 (FCM UAA % from Table 4.2 allocated by Return to Sender % from Table 4.3.3)
- (4) DFS T-1
- (5) DFS T-1
- (6) R2005 LR-K-59 Attachment 14b (1 out of 1)
- (7) R2005 LR-K-59 Attachment 14b (1 out of 1)
- (8) Actual ACS Success Rate
- (9) MC2004-4
- (10) R2005-1 LR-K-7 USPS\_version\_FY 2005 After Workyear mix Cost Segments and Components D Report
- (11) R2005-1 Attachment 14a from USPS-LR-K-59
- (12) R2005-1 LR-K-7 USPS\_version\_FY 2005 After Workyear mix Cost Segments and Components D Report
- (13) (10) - Weighted Average(11) - Weighted Average(12)

- (15) R2005-1 LR-K-66 Volume Forecast Attachment A
- (16) (15) / [Sum (15)]
- (17) Line Item (14), Total - Allocated by (19)
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- (23) Sum (17) + (22)
- (24) (21) \* (9)
- (25) (23) \* (9)

**USPS Discover NSA January 05- December 05****Appendix A: page 6**

Period	First-Class Mail Marketing Volume	Physical Returns	Electronic Returns	% of Electronic Returns	Return Rate
Jan 2005	17.10	0.321	0.82	71.78%	6.65%
Feb 2005	10.92	0.338	0.83	71.13%	10.72%
Mar 2005	20.09	0.234	0.91	79.45%	5.68%
Apr 2005	20.40	0.288	0.97	77.18%	6.18%
May 2005	25.37	0.178	1.06	85.59%	4.86%
Jun 2005	19.63	0.155	0.92	85.61%	5.47%
Jul 2005	24.26	0.153	1.29	89.40%	5.96%
Aug 2005	7.32	0.122	1.19	90.71%	17.98%
Sep 2005	17.13	0.156	0.71	82.02%	5.07%
Oct 2005	11.78	0.168	0.86	83.69%	8.76%
Nov 2005	15.39	0.112	0.75	87.05%	5.62%
Dec 2005	7.52	0.119	0.60	83.52%	9.61%
<b>Totals</b>	<b>196.89</b>	<b>2.34</b>	<b>10.92</b>	<b>82.33%</b>	<b>6.74%</b>

*Actual Monthly Volumes*

## USPS Discover NSA January 05- December 05

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ACS notices breakdown

	FORWARDING	RETURNS	TOTAL	, FORWARDIN	% RETURN
Jan 2005	405,882	816,245	1,222,127	33.21%	66.79%
Feb 2005	83,456	832,262	915,718	9.11%	90.89%
Mar 2005	341,730	906,282	1,248,012	27.38%	72.62%
Apr 2005	310,885	972,706	1,283,591	24.22%	75.78%
May 2005	663,832	1,055,473	1,719,305	38.61%	61.39%
Jun 2005	390,688	919,091	1,309,779	29.83%	70.17%
Jul 2005	450,507	1,292,163	1,742,670	25.85%	74.15%
Aug 2005	73,919	1,193,022	1,266,941	5.83%	94.17%
Sep 2005	462,782	712,623	1,175,405	39.37%	60.63%
Oct 2005	468,702	863,267	1,331,969	35.19%	64.81%
Nov 2005		752,804	752,804	0.00%	100.00%
Dec 2005		<u>603,736</u>	<u>603,736</u>	<u>0.00%</u>	<u>100.00%</u>
<b>TOTALS</b>	<b>3,652,383</b>	<b>10,919,674</b>	<b>14,572,057</b>	<b>25.06%</b>	<b>74.94%</b>

Docket No. MC2004-4 Data Collection Report - Appendix B

Transaction Data	Addresses Run	Type of Mail	Total Match
7-Jan-05	19,528,426	Marketing	950,091
21-Jan-05	28,043,393	Statements	1,534,035
28-Jan-05	18,871,722	Marketing	401,345
4-Feb-05	18,545,498	Marketing	379,356
11-Feb-05	28,751,789	Statements	1,112,375
25-Feb-05	15,660,509	Marketing	1,372,897
4-Mar-05	18,862,461	Marketing	344,280
11-Mar-05	28,341,988	Statements	892,878
25-Mar-05	27,786,415	Marketing	1,064,824
1-Apr-05	17,262,455	Marketing	1,444,872
22-Apr-05	27,739,018	Statements	1,379,504
29-Apr-05	18,630,820	Marketing	1,445,973
6-May-05	15,031,645	Marketing	354,746
20-May-05	27,318,053	Statements	788,171
27-May-05	27,888,428	Marketing	853,511
10-Jun-05	14,431,748	Marketing	596,322
17-Jun-05	28,339,765	Statements	599,903
24-Jun-05	15,240,844	Marketing	1,049,727
8-Jul-05	14,253,605	Marketing	1,278,789
22-Jul-05	28,908,430	Statements	1,428,107
29-Jul-05	14,445,410	Marketing	1,452,695
12-Aug-05	17,455,032	Marketing	979,277
19-Aug-05	28,599,478	Statements	273,783
26-Aug-05	19,774,785	Marketing	553,628
2-Sep-05	21,263,283	Marketing	1,056,350
16-Sep-05	28,362,657	Statements	632,848
23-Sep-05	17,757,891	Marketing	338,533
30-Sep-05	18,903,137	Marketing	306,368
7-Oct-05	27,056,247	Statements	872,764
21-Oct-05	17,153,674	Marketing	1,053,863
28-Oct-05	16,003,019	Marketing	1,131,758
4-Nov-05	27,915,333	Statements	1,592,984
11-Nov-05	16,040,312	Marketing	596,648
18-Nov-05	16,315,267	Marketing	653,791
2-Dec-05	27,676,957	Statements	1,203,161
9-Dec-05	16,703,799	Marketing	1,191,123
30-Dec-05	15,416,677	Marketing	959,160