



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. MC2002-2

Dear Mr. Williams:

In accordance with the Commission's Opinion and Recommended Decision in Docket No. MC2002-2, Experimental Rate and Service Changes to Implement Negotiated Service Agreement with Capital One, attached is the Postal Service's second Data Collection Report for the time period October 1, 2004 to September 30, 2005. I have also attached the Excel spreadsheet showing the contribution analysis.

The report was due January 30, 2006, and we apologize for the delay.

Sincerely,

Nan K. McKenzie
Attorney

Attachments

MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005

Data Collection Plan Requirements:

1. Volume of First-Class Mail solicitations by rate category in eligible Capital One permit accounts.
2. Volume of First-Class Mail customer mail by rate category in eligible Capital One permit accounts.
3. Amount of discounts paid to Capital One for First-Class Mail by incremental volume block.
4. Volumes of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to Capital One.
5. Number of electronic address correction notices provided to Capital One 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 Capital One 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, Capital 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 Capital 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 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 on contribution. It will also provide an assessment of trends of Capital One's First-Class Mail volume as compared to overall First-Class Mail volume.
11. As part of each data collection report, the Postal Service will provide the number of requests made for comparable NSAs, the industry of each requestor, the volume of First-Class Mail mailed annually by the requestor within the following ranges — less than 100 million pieces, 100 to 250 million pieces, and more than 250 million pieces — and the status of negotiations, or if negotiations were terminated, the reason(s) therefore.
12. Volume of Standard Mail solicitations by rate category in eligible Capital One permit accounts.

**MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005**

1. Data Collection Requirement Number 1

Volume of First-Class Mail solicitations by rate category in eligible Capital One permit accounts.

Nonautomated Presorted Letters		
	First Ounce	45,488,451
	Additional Ounces	21,383
	Nonmachinable Pieces (a)	13,677
	Heavy Piece Deduction	3,149
	Total Nonautomated Presorted Letters	45,488,451
Automation Presort Letters and Flats		
	Letters	701,113,478
	Mixed AADC Letters (b)	50,173,745
	AADC Letters (b)	89,194,842
	3-Digit Letters	405,964,013
	5-Digit Letters	155,780,878
	Additional Ounces	1,211,506.00
	Heavy Piece Deduction	16,200
	Flats	-
	Mixed ADC Flats (b)	0
	ADC Flats (b)	0
	3-Digit Flats (c)	0
	5-Digit Flats (c)	0
	Additional Ounces	121,071
	Heavy Piece Deduction	26,598
	Nonmachinable Pieces (a)	277,567
	Total Automation Presort Letters and Flats	701,113,478
Automation Carrier Route Letters		
	First Ounce	65,135,896
	Additional Ounces	2,293
	Heavy Piece Deduction	0
	Automation Carrier Route Letters	65,135,896
	Total Capital One First-Class Presort Letters	811,737,825

**MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005**

2. Data Collection Requirement Number 2

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

Nonautomated Presorted Letters		
	First Ounce	20,954,046
	Additional Ounces	0
	Nonmachinable Pieces (a)	0
	Heavy Piece Deduction	0
Total Nonautomated Presorted Letters		20,954,046
Automation Presort Letters and Flats		
	Letters	457,627,002
	Mixed AADC Letters (b)	29,492,514
	AADC Letters (b)	86,213,787
	3-Digit Letters	189,593,543
	5-Digit Letters	152,327,158
	Additional Ounces	13,399,348
	Heavy Piece Deduction	
	Flats	-
	Mixed ADC Flats (b)	
	ADC Flats (b)	
	3-Digit Flats (c)	
	5-Digit Flats (c)	
	Additional Ounces	
	Heavy Piece Deduction	
	Nonmachinable Pieces (a)	
Total Automation Presort Letters and Flats		457,627,002
Automation Carrier Route Letters		
	First Ounce	15,141,404
	Additional Ounces	0
	Heavy Piece Deduction	0
Automation Carrier Route Letters		15,141,404
Total Capital One First-Class Presort Letters		493,722,452

**MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005**

3. Data Collection Plan Requirement Number 3

Amount of discounts paid to Capital One 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 Capital One for a full year is as follows:

Starting block	Ending block	Incentive	Incentives Paid
0	1,225,000,000	\$0.000	-
1,225,000,001	1,275,000,000	\$0.030	\$1,500,000
1,275,000,000	1,325,000,000	\$0.035	\$1,066,109
1,325,000,001	1,375,000,000	\$0.040	-
1,375,000,001	1,450,000,000	\$0.045	-
1,450,000,001	1,525,000,000	\$0.050	-
1,525,000,001	1,600,000,000	\$0.055	-
1,600,000,001	+	\$0.060	-
		TOTAL	\$2,566,109

MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005

4. Data Collection Plan Requirement Number 4

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

Period	Physical Returns*
October-04	0.374
November-04	0.4759
December-04	0.626
January-05	0.769
February-05	0.452
March-05	0.488
April-05	0.425
May-05	0.507
June-05	0.562
July-05	0.832
August-05	0.637
September-05	0.804

* All numbers in millions.

**MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005**

5. Data Collection Requirement Number 5

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

Time Period	Number of ACS Forwarding Notices (in millions)
Oct 2004	2.922872
Nov 2004	3.97267
Dec 2004	3.325936
Jan 2005	2.517325
Feb 2005	2.033285
Mar 2005	0.988736
Apr 2005	0.660089
May 2005	0.588403
Jun 2005	0.819788
Jul 2005	0.619457
Aug 2005	0.630828
<u>Sep 2005</u>	0.788808

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

MC 2002-2 Data Collection Report
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6. Data Collection Requirement Number 6

Number of electronic address correction notices provided to Capital One 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).

Time Period	Number of ACS UAA Notices (in millions)
Oct 2004	3.930
Nov 2004	7.205
Dec 2004	6.966
Jan 2005	5.762
Feb 2005	4.706
Mar 2005	2.530
Apr 2005	1.369
May 2005	2.222
Jun 2005	1.933
Jul 2005	1.971
Aug 2005	1.640
<u>Sep 2005</u>	1.807

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

**MC 2002-2 Data Collection Report
Capital One NSA
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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	18	<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 NSAs.*

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8. Data Collection Requirement Number 8

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

SOL ID	DATE OF RUN	TOTAL INPUT QUANTITY	TOTAL MATCH QUANTITY
8825	10/21/2004	23,471,498	577,565
6566	10/28/2004	9,003,963	84,620
8829	11/18/2004	27,667,491	1,627,670
5907	11/22/2004	3,179,691	134,325
8890	12/9/2004	53,935,603	538,125
6098	12/13/2004	6,915,763	427,474
Q1 NCOA	12/21/2004	29,493,303	1,118,590
8896	1/17/2005	25,168,310	344,081
6536	1/28/2005	655,152	47,758
8967	2/13/2005	23,857,137	344,399
8988	3/13/2005	20,637,848	273,174
Q2 NCOA	3/21/2005	3,599,463	42,100
SAVINGS 0405	4/4/2005	1,600,000	126,178
8344	4/7/2005	21,759,195	338,897
8980	4/13/2005	57,830,322	1,071,975
8989T	4/20/2005	22,103,505	285,559
8989	4/21/2005	18,278,976	741,279
RECOVERIES 0505	5/3/2005	660,269	74,238
9054T	5/19/2005	21,602,158	303,950
RECOVERIES 0605	6/3/2005	804,029	85,157
9003	6/15/2005	56,622,883	1,359,855
9039	6/18/2005	22,644,457	319,936
9073	6/24/2005	21,325,107	373,595
RECOVERIES 0705	6/30/2005	818,667	85,119
9074	7/27/2005	21,271,685	368,233

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RECOVERIES 0805	8/5/2005	698,545	68,072
YAM 0805	8/17/2005	13,247,326	161,966
9042	8/19/2005	22,031,961	361,676
9124T	8/19/2005	20,618,375	365,086
9041	8/21/2005	56,761,173	1,047,344
STRATEGY 07063	8/22/2005	700,000	20,421
9124	8/24/2005	17,156,659	818,224
9125	9/27/2005	18,033,958	348,842
RECOVERIES 0905	9/30/2005	665,366	66,698
YAM 1005	10/19/2005	12,872,708	86,699
9126	10/26/2005	17,964,280	268,849
RECOVERIES 1005	10/31/2005	508,257	49,543
RECOVERIES SOL 9191	11/2/2005	1,201,128	210,211
RECOVERIES SOL 9323	11/4/2005	19,636	2,410
RECOVERIES SOL 9333	11/21/2005	18,815	2,273
9275T	11/23/2005	16,864,437	281,613
9275	11/29/2005	14,544,538	633,149
RECOVERIES SOL 9322	11/30/2005	578,471	56,507
RECOVERIES SOL 9345	12/12/2005	10,595,489	1,089,500
9325T	12/28/2005	22,535,629	476,816
9326T	12/29/2005	55,441,019	1,351,188
RECOVERIES SOL 9417	12/29/2005	1,065,577	140,179
9276T	12/31/2005	16,772,067	293,131

**MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005**

9. Data Collection Requirement Number 9

For each Change of Address record that is used to forward a piece of Capital 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 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 October 2004 to September 2005, the summary results are:

- a. Total Number of unique Change of Address Records used to forward Capital One Mail 15,018,152
- b. Family vs. Individual Moves: Of the 15.0 million COA records used, 7,795,720 (51.9 percent) were designated “Family” moves and 6,093,436 (40.1 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.

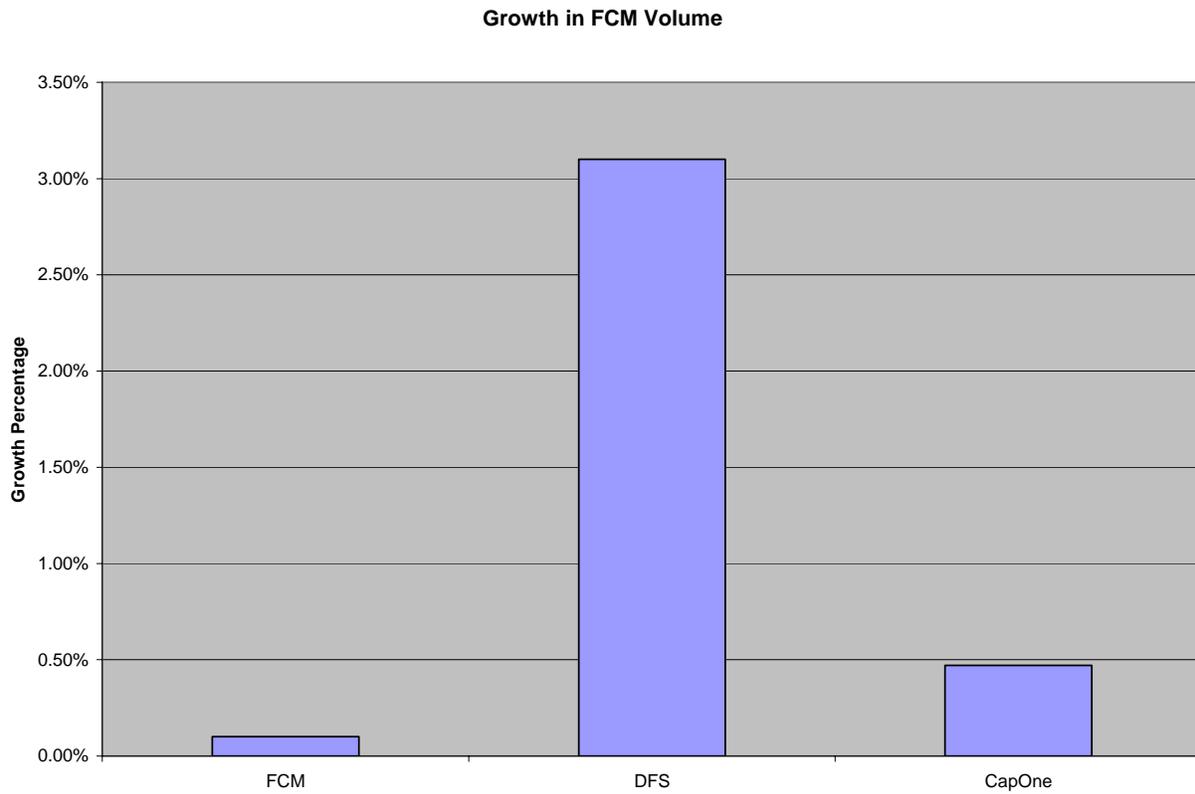
Number of ACS Notices	Number of Records	Percent of Total Records	Total Number of Transactions
1	12,119,124	80.70%	12,119,124
2	1,440,956	9.59%	2,881,912
3	1,064,087	7.09%	3,192,261
4	298,973	1.99%	1,195,892
5	92,914	0.62%	464,570
>5	2,098	0.01%	14,438
Totals	15,018,152	100.00%	19,868,197

**MC 2002-2 Data Collection Report
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October 2005 – September 2005**

10. Data Collection Requirement Number 10

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 Capital One's First-Class Mail volume as compared to overall First-Class Mail volume.

Please see Appendix A and chart below.



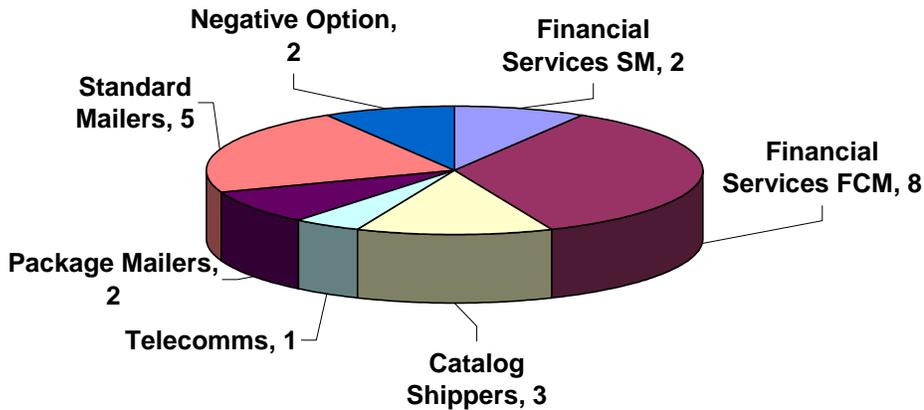
**MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005**

11. Data Collection Requirement Number 11

As part of each data collection report, the Postal Service will provide the number of requests made for comparable NSAs, the industry of each requestor, the volume of First-Class Mail mailed annually by the requestor within the following ranges — less than 100 million pieces, 100 to 250 million pieces, and more than 250 million pieces — and the status of negotiations, or if negotiations were terminated, the reason(s) therefore.

NSA discussions formally begin with the circulation of a Non-Disclosure Agreement to the customer from the Postal Service. Active discussions begin with a signed NDA and communication between the customer and the Postal Service via phone or emails. This contact with the customer continues with the exchange of information, proposal development, and then negotiations. In such cases as Capital One, Bank One, Discover, and HSBC, they result in signed NSAs and filed cases.

Active Discussions - FY 2005

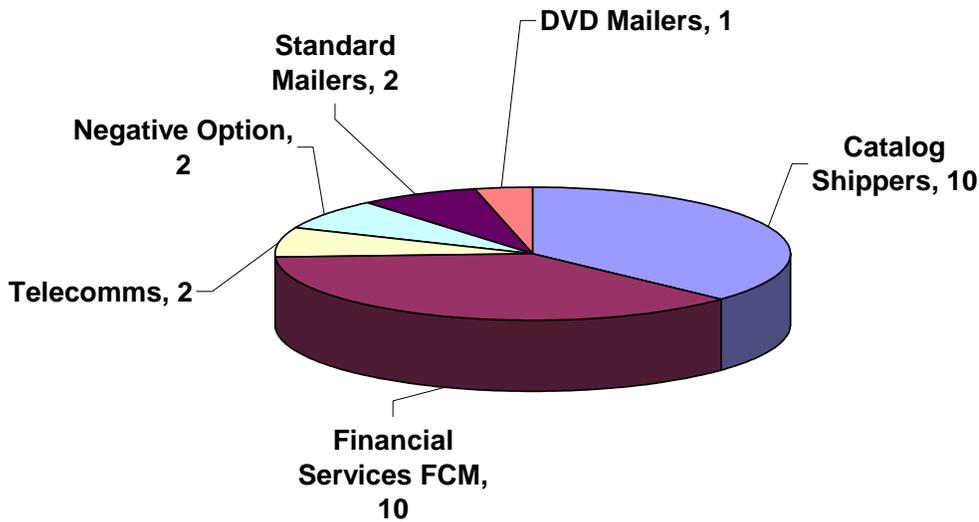


Active NSA Discussions	
Number of Customers	Number of First-Class Mail letters
1	< 100 million
1	100 – 250 million
6	> 250 million
Number of Customers	Number of Standard Mail pieces
2	< 100 million
4	100 – 250 million
7	> 250 million

**MC 2002-2 Data Collection Report
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Terminated NSA discussions occur when customers fail to return the signed NDA or decide not to pursue an agreement due to not having the adequate resources or funding. Other terminated discussions occurred because companies were too small or uninterested in being the first baseline or they did not have the same mailing profile as those that have already set a baseline agreement. Some discussions terminated when it became clear that an NSA could not be reached that would meet the respective needs of each party.

Terminated NSA Discussions - FY 2005

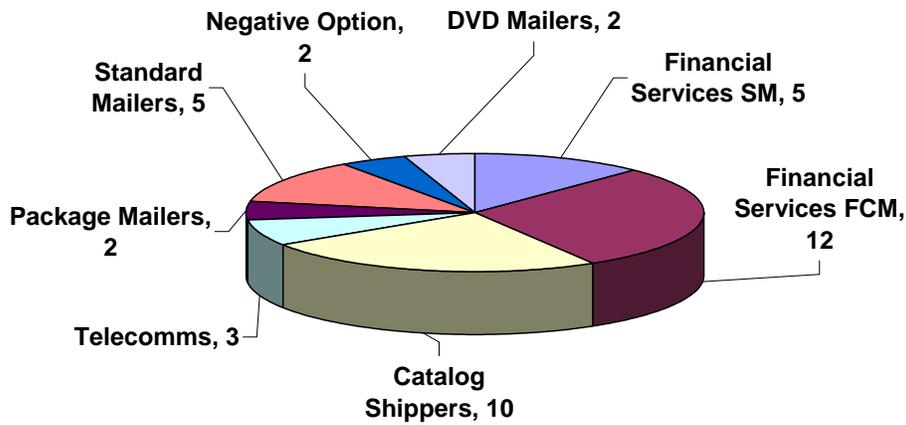


Terminated NSA Discussions	
Number of Customers	Number of First-Class Mail letters
3	< 100 million
5	100 – 250 million
6	> 250 million
Number of Customers	Number of Standard Mail pieces
3	< 100 million
4	100 – 250 million
7	> 250 million

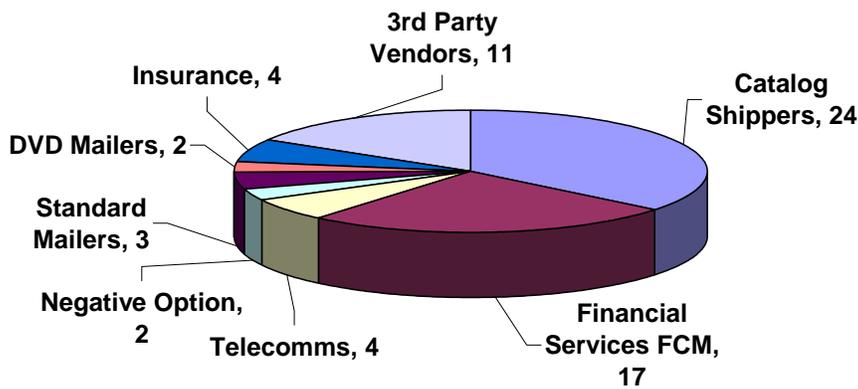
**MC 2002-2 Data Collection Report
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Cumulative Results include FY 2004 and FY 2005 reports on NSAs, both active and terminated discussions.

Cumulative Active NSA Discussions (since FY 04)



Cumulative Terminated NSA Discussions (since FY 04)



**MC 2002-2 Data Collection Report
Capital One NSA
October 2005 – September 2005**

12. Data Collection Requirement Number 12

Volume of Standard Mail solicitations by rate category in eligible Capital One permit accounts.

Mail Category	Volume
Mixed AADC Auto	7,172,808
AADC Auto	50,138,148
3-Digit Auto	500,818,749
5-Digit Auto	409,097,722
Basic Nonauto	27,445,918
3/5 Digit Nonauto	70,223,895
Total Volume	1,064,897,239
ECR Revenue per piece	
Mail Category	Volume
Basic Nonauto Letters	
Basic Auto Letters	19,776,105
Saturation Letters	-
Total Volume	19,776,105

USPS Capital One NSA October 04-September 05
Appendix A: page 1
USPS Value Calculation

		Year 2 Results (Oct 2004- Sept 2005)	
		MC2002 Filing	Actuals
(1)	Total Actual Volume		1,305,460,277
(2)	Threshold	1,225,000,000	1,225,000,000
(3)	Volume Above Threshold		80,460,277
(4)	Projected Volume	1,210,000,000	1,238,132,943
(5)	Leakage Volume	0	13,132,943
(6)	Incremental Pieces	-1,210,000,000	67,327,334
(7)	Standard Mail Volume FY 05 Volume		1,084,673,344
(8)	Standard Mail Volume SPLY		1,057,749,027
		MC2002 Filing	Actuals
New Marketing Mail Contribution			
(9)	Increased Volume FY 05	67,327,334	67,327,334
(10)	Capital One Revenue per Piece	\$0.291	\$0.294
(11)	Capital One Cost per Piece	\$0.120	\$0.151
(12)	Capital One Contribution per Piece	\$0.171	\$0.142
(13)	Capital One Contribution	\$11,512,974	\$9,528,189
(14)	Discount on Incremental Volume	\$2,566,109	\$2,566,109
(15)	New Mail Contribution (net discounts)	\$8,946,865	\$6,568,092
Discount Leakage			
	Leakage Volume	13,132,943	13,132,943
(16)	Total Discount Leakage	\$393,988	\$393,988
Return Cost Savings			
(17)	Manual Return Cost	\$0.535	\$0.484
(18)	Electronic Return Cost	\$0.332	\$0.310
(19)	Return Cost Savings	\$0.203	\$0.174
(20)	# of ACS Returns	42,040,795	42,040,795
(20a)	ACS Savings	\$8,534,281	\$7,315,098
Forwarded Costs			
(21)	Cost of Providing ACS notices for forwards	\$0.061	\$0.062
(22)	Number of ACS notices provided	0	19,868,197
(23)	Total Forwarding Costs	\$0.00	\$1,240,133.12
(24)	Total USPS Value	\$17,087,158.21	\$12,643,056.97

1	USPS Permit System
2	MC2002-2 Rate Filing
3	(1) - (2)
4	MC2002-Filing and USPS Forecasts
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	Incremental Pieces = (6)
10	For MC2002-2 Filing witness Crum Testimony USPST-2 Appendix A. For Actuals, USPS Permit System
11	For MC2002-2 Filing witness Crum Testimony USPST-2 Appendix A. For Actuals, USPS Permit System
12	(11) - (12)
13	(13) * (10)
14	USPS Data Collection Report
15	(13) - (14)
16	USPS Data Collection Report
17	For Actuals, R2005-1 LR-K-59 Attachment A
18	For Actuals, R2005-1 LR-K-59 Attachment A
19	(23) - (24)
20	Capital One and USPS reports
20a	(19) * (20)
21	MC2002-2 Data Collection Report Inflated by 3%
22	USPS Memphis Records
23	(28) * (29)
24	(15) + (20a) - (23) - (16)

USPS Capital One NSA October 04-September 05

Appendix A: page 2

Marketing Mail Revenue per Piece

Capital One Marketing Mail
 First-Class Mail By Rate Category
 FY 2005 Presorted Letter Volumes at Current Rates (Eff. 6/30/2002)

	(1) FY 05 Volume	(2) Current Rates	(3) = (1) * (2) Revenue	
Nonautomated Presorted Letters				
First Ounce	45,488,451	\$ 0.352	\$ 16,011,935	0.056038354
Additional Ounces	21,383	\$ 0.225	\$ 4,811	2.63427E-05
Nonmachinable Pieces (a)	13,677	\$ 0.055	\$ 752	1.68492E-05
Heavy Piece Deduction	3,149	\$ 0.041	\$ 129	3.87945E-06
Total Nonautomated Presorted Letters	45,488,451		\$ 16,017,627	0.056038354
Revenue Adjustment Factor (1)			0.985164	0
Total Nonautomated Presorted Letters Revenue			\$ 15,779,994	0
Automation Presort Letters and Flats				
Letters				
Mixed AADC Letters (b)	701,113,478			0.882240364
AADC Letters (b)	50,173,745	\$ 0.309	\$ 15,503,687	0
3-Digit Letters	89,194,842	\$ 0.301	\$ 26,847,647	0
5-Digit Letters	405,964,013	\$ 0.292	\$ 118,541,492	0.523225944
Additional Ounces	155,780,878	\$ 0.278	\$ 43,307,084	0.35901442
Heavy Piece Deduction	1,211,506.00	\$ 0.225	\$ 272,589	0.000559557
	16,200	\$ 0.041	\$ 664	1.57432E-05
Flats				
Mixed ADC Flats (b)	-			0
ADC Flats (b)	0	\$ 0.341	\$ -	0
3-Digit Flats (c)	0	\$ 0.333	\$ -	0
5-Digit Flats (c)	0	\$ 0.322	\$ -	0
Additional Ounces	0	\$ 0.302	\$ -	0
Heavy Piece Deduction	0	\$ 0.225	\$ -	0.000117657
Nonmachinable Pieces (a)	0	\$ 0.041	\$ -	2.58452E-05
	277,567	\$ 0.055	\$ 15,266	0.000269741
Total Automation Presort Letters and Flats	701,113,478		\$ 204,488,430	0.882240364
Revenue Adjustment Factor			1.000542	0
Total Automation Presort Letters and Flats Revenue			\$ 204,599,274	0
Automation Carrier Route Letters				
First Ounce	65,135,896	\$ 0.275	\$ 17,912,371	0.061721283
Additional Ounces	2,293	\$ 0.225	\$ 516	2.22835E-06
Heavy Piece Deduction	0	\$ 0.041	\$ -	0
Automation Carrier Route Letters	65,135,896		\$ 17,912,887	0.061721283
Revenue Adjustment Factor			1.000972	0
Automation Carrier Route Letters Revenue			\$ 17,930,295	0
Total Capital One First-Class Presort Letters	811,737,825		\$ 238,309,562	1
		Revenue per Piece	\$ 0.2936	

(1) Revenue adjustment factors increase (or decrease) revenue calculated by multiplying rate category volumes times rates to match booked revenues.

Notes:

Capital One volume based on postage statement data from the PERMIT system.

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

Capital One Solicitation Return Percentage =	6.0%	(1) Adjusted for Actuals
Capital One 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 =	811,737,825	(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$0.484	(6)
Electronic Returns Unit Cost =	\$0.310	(7)
Address Change Service (ACS) Success Rate =	85.8%	(8) Adjusted for Actuals
Contingency Factor =	1.030	(9)

(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
DOCKET NO. R2001-1 PRC FIGURES - NATIONWIDE MAIL MIX							DOCKET NO. R2001-1 PRC FIGURES - CAPITAL ONE MAIL MIX						

Rate Category	FY 2005	FY 2005	FY 2005	FY 2005	FY 2005	FY 2005	FY 2005	FY 2005	FY 2005	FY 2005	Current	Current	After Rates	After Rates
	Total	Mail Proc	Delivery	Other	Total	Mail	Mail	Total	Mail	Mail	Returns	w/Rets Adj	Returns	w/Rets Adj
	Unit Cost	Unit Cost	Unit Cost	Unit Cost	Unit Cost	Volume	Volume	Unit Cost	Volume	Volume	Unit Cost	Unit Cost	Unit Cost	Unit Cost
	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Pieces)	(Percent)	(Dollars)	(Pieces)	(Percent)	(Dollars)	(Dollars)	(Dollars)	(Dollars)
FIRST-CLASS MAIL LETTERS														
Nonautomation Presort Letters		\$0.163	\$0.066	\$0.005	\$0.234	1,870,606,466	3.84%	\$0.234	45,488,451	5.60%				
Automation Presort Letters														
Automation Mixed AADC		\$0.051	\$0.046	\$0.005	\$0.102	2,817,587,556	5.79%	\$0.102	50,173,745	6.18%				
Automation AADC		\$0.043	\$0.045	\$0.005	\$0.093	2,545,105,499	5.23%	\$0.093	89,194,842	10.99%				
Automation 3-Digit		\$0.040	\$0.042	\$0.005	\$0.087	23,168,418,713	47.61%	\$0.087	405,964,013	50.01%				
Automation 5-Digit		\$0.030	\$0.039	\$0.005	\$0.074	17,145,711,751	35.24%	\$0.074	155,780,878	19.19%				
Automation Carrier Route		\$0.374	\$0.072	\$0.005	\$0.451	659,603,071	1.36%	\$0.451	65,135,896	8.02%				
Automation Presort Flats														
Automation Mixed ADC		\$0.303	\$0.104	\$0.005	\$0.412	52,631,000	0.11%	\$0.412		0.00%				
Automation ADC		\$0.282	\$0.104	\$0.005	\$0.391	45,089,684	0.09%	\$0.391		0.00%				
Automation 3-Digit		\$0.180	\$0.104	\$0.005	\$0.289	114,602,484	0.24%	\$0.289		0.00%				
Automation 5-Digit		\$0.180	\$0.104	\$0.005	\$0.289	239,065,444	0.49%	\$0.289		0.00%				
WEIGHTED AVERAGE / TOTAL		\$0.048	\$0.043	\$0.005	\$0.096	48,658,421,666	100.00%	\$0.123	811,737,825	100.00%	\$0.0233	\$0.1464	\$0.0142	\$0.1374
											Total Unit Cost Estimates, including Contingency =		\$0.1508	\$0.1415
													Current	After Rates
													(24)	(25)

(1) Actual Return Rate
 (2) Actual Return Rate
 (3) USPS-LR-J-69 (FCM UAA % from Table 4.2 allocated by Return to Sender % from Table 4.3.3)
 (4) Actual Volume
 (5) Actual Volume
 (6) R2005 LR-K-59 Attachment 14b (1 out of 1)
 (7) R2005 LR-K-59 Attachment 14a (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)
 (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 Capital One NSA October 04-September 05

Appendix A: page 4

Statement Mail Revenue per Piece

Capital One Statement Mail
 First-Class Mail By Rate Category
 FY 2005 Presorted Letter Volumes

	(1) FY 2005 Volume	(2) Current Rates	(3) = (1) * (2) Revenue
Nonautomated Presorted Letters			
First Ounce	20,954,046	\$ 0.352	\$ 7,375,824
Additional Ounces	0	\$ 0.225	-
Nonmachinable Pieces (a)	0	\$ 0.055	-
Heavy Piece Deduction	0	\$ 0.041	-
Total Nonautomated Presorted Letters	20,954,046		\$ 7,375,824
Revenue Adjustment Factor			1.000000
Total Nonautomated Presorted Letters Revenue			\$ 7,375,824
Automation Presort Letters and Flats			
Letters			
Mixed AADC Letters (b)	29,492,514	\$ 0.309	\$ 9,113,187
AADC Letters (b)	86,213,787	\$ 0.301	\$ 25,950,350
3-Digit Letters	189,593,543	\$ 0.292	\$ 55,361,315
5-Digit Letters	152,327,158	\$ 0.278	\$ 42,346,950
Additional Ounces	13,399,348	\$ 0.225	\$ 3,014,853
Heavy Piece Deduction		\$ 0.041	-
Flats			
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	-
Total Automation Presort Letters and Flats	457,627,002		\$ 135,786,654
Revenue Adjustment Factor			1.000000
Total Automation Presort Letters and Flats Revenue			\$ 135,786,654
Automation Carrier Route Letters			
First Ounce	15,141,404	\$ 0.275	\$ 4,163,886
Additional Ounces	0	\$ 0.225	-
Heavy Piece Deduction	0	\$ 0.041	-
Automation Carrier Route Letters	15,141,404		\$ 4,163,886
Revenue Adjustment Factor			1.000972
Automation Carrier Route Letters Revenue			\$ 4,167,933
Total Capital One First-Class Presort Letters	493,722,452		\$ 147,330,411
Revenue per Piece			\$ 0.2984

Notes:

Capital One volume based on postage statement data from the PERMIT system.

a. Following the implementation of Docket No. R2001-1, the nonstandard surcharge was expanded and renamed to include nonmachinable mail. No additional Capital One volume is assumed to be subject to the nonmachinable surcharge.

CAPITAL ONE FIRST-CLASS MAIL STATEMENT PRESORT LETTERS/FLATS UNIT COST ESTIMATES

Capital One Solicitation Return Percentage =	0.0%	(1) Adjusted for Actuals
Capital One Statement Return Percentage =	1.2%	(2)
Average Presort Letters Return Percentage =	1.23%	(3)
Before Rates Customer Mail Volume =	493,722,452	(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 =	85.8%	(8) Adjusted for Actuals
Contingency Factor =	1.030	(9)

Rate Category	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY 2005 NATIONWIDE MAIL MIX							FY 2005 CAPITAL ONE MAIL MIX						
	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 (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)
FIRST-CLASS MAIL LETTERS														
Nonautomation Presort Letters		\$0.163	\$0.066	\$0.005	\$0.234	1,870,606,466	3.84%	\$0.234	20,954,046	4.24%				
Automation Presort Letters														
Automation Mixed AADC		\$0.051	\$0.046	\$0.005	\$0.102	2,817,587,556	5.79%	\$0.102	29,492,514	5.97%				
Automation AADC		\$0.043	\$0.045	\$0.005	\$0.093	2,545,105,499	5.23%	\$0.093	86,213,787	17.46%				
Automation 3-Digit		\$0.040	\$0.042	\$0.005	\$0.087	23,168,418,713	47.61%	\$0.087	189,593,543	38.40%				
Automation 5-Digit		\$0.030	\$0.039	\$0.005	\$0.074	17,145,711,751	35.24%	\$0.074	152,327,158	30.85%				
Automation Carrier Route		\$0.374	\$0.072	\$0.005	\$0.451	659,603,071	1.36%	\$0.451	15,141,404	3.07%				
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%				
WEIGHTED AVERAGE / TOTAL		\$0.048	\$0.043	\$0.005	\$0.096	48,658,421,666	100.00%	\$0.102	493,722,452	100.00%	\$0.0000	\$0.1020	\$0.0000	\$0.1020
Total Unit Cost Estimates, Including Contingency =											\$0.1050		\$0.1050	
											Current		After Rates	
											(24)		(25)	

(1) Actual Return Rate
 (2) Actual Return Rate
 (3) USPS-LR-J-69 (FCM UAA % from Table 4.2 allocated by Return to Sender % from Table 4.3.3)
 (4) Actual Volume
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 (6) R2005 LR-K-59 Attachment 14b (1 out of 1)
 (7) R2005 LR-K-59 Attachment 14b (1 out of 1)
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 (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) * (5) / ((4) + (5))
 (23) Sum (17) + (22)
 (24) (21) * (9)
 (25) (23) * (9)

USPS Capital One NSA October 04-September 05**Appendix A: page 6***Capital One UAA volumes*

Period	Marketing Volume	Physical Returns	Electronic Returns	% of Electronic Returns	Return Rate
October-04	106.37	0.374	3.93	91.31%	4.05%
November-04	142.21	0.4759	7.21	93.80%	5.40%
December-04	111.60	0.626	6.97	91.75%	6.80%
January-05	102.28	0.769	5.76	88.23%	6.39%
February-05	54.22	0.452	4.71	91.24%	9.51%
March-05	57.31	0.488	2.53	83.83%	5.27%
April-05	36.00	0.425	1.37	76.31%	4.98%
May-05	47.54	0.507	2.22	81.42%	5.74%
June-05	37.76	0.562	1.93	77.48%	6.61%
July-05	28.37	0.832	1.97	70.32%	9.88%
August-05	30.08	0.637	1.64	72.03%	7.57%
September-05	58.00	0.804	1.81	69.21%	4.50%
Totals	811.74	6.95	42.04	85.81%	6.04%

Actual Monthly Volumes

USPS Capital One NSA October 04-September 05

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ACS notices breakdown

	FORWARDING	RETURN	TOTAL	% FORWARDING	% RETURN
Oct 2004	2,922,872	3,930,070	6,852,942	42.65%	57.35%
Nov 2004	3,972,670	7,205,033	11,177,703	35.54%	64.46%
Dec 2004	3,325,936	6,965,644	10,291,580	32.32%	67.68%
Jan 2005	2,517,325	5,762,136	8,279,461	30.40%	69.60%
Feb 2005	2,033,285	4,705,807	6,739,092	30.17%	69.83%
Mar 2005	988,736	2,529,675	3,518,411	28.10%	71.90%
Apr 2005	660,089	1,368,682	2,028,771	32.54%	67.46%
May 2005	588,403	2,221,910	2,810,313	20.94%	79.06%
Jun 2005	819,788	1,933,272	2,753,060	29.78%	70.22%
Jul 2005	619,457	1,970,941	2,590,398	23.91%	76.09%
Aug 2005	630,828	1,640,212	2,271,040	27.78%	72.22%
Sep 2005	<u>788,808</u>	<u>1,807,413</u>	<u>2,596,221</u>	<u>30.38%</u>	<u>69.62%</u>
TOTALS	19,868,197	42,040,795	61,908,992	32.09%	67.91%