



February 8, 2007

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

RE: Docket Nos. MC2002-2 and MC2006-6

Dear Mr. Williams:

In accordance with the Commission's Opinion and Recommended Decisions in Docket No. MC2002-2, Experimental Rate and Service Changes to Implement Negotiated Service Agreement with Capital One Services, Inc., and Docket No. MC2006-6, Extension of Capital One NSA, attached is the Postal Service's third Data Collection Report for the time period October 1, 2005 to September 30, 2006. I have also attached the Excel spreadsheet showing the contribution analysis.

The report was due January 29, 2007, and we apologize for the delay.

Sincerely,

Matthew J. Connolly
Attorney

Attachments

Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006

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 mailpieces, 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 mailpieces that would otherwise be physically returned, including the number of notices processed by CFS units and separately for PARS (when fully operational).
7. Monthly estimate of the amount of time spent on compliance activity and a description of the activities performed.
8. For each First-Class Mail solicitation mailing list run against NCOA, 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.

Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006

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

Nonautomated Presorted Letters	
First Ounce	25,460,379
Additional Ounces	0
Nonmachineable Pieces	0
Heavy Piece Deduction	0
TOTAL Nonautomated Presorted Letters	25,460,379
Automation Presort Letters	
LETTERS	
Mixed AADC letters	8,207,295
AADC Letters	18,033,908
3-Digit Letters	339,313,187
5-Digit Letters	283,446,780
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Presort Letters	649,001,170
Automation Carrier Route Letters	
First Ounce	30,178,509
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Carrier Route Letters	30,178,509
TOTAL CAPITAL ONE FIRST-CLASS MAIL SOLICITATIONS	704,640,058

Source: PostalOne!

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

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

Nonautomated Presorted Letters	
First Ounce	10,868,349
Additional Ounces	0
Nonmachineable Pieces	0
Heavy Piece Deduction	0
TOTAL Nonautomated Presorted Letters	10,868,349
Automation Presort Letters	
LETTERS	
Mixed AADC letters	405,215
AADC Letters	1,487,951
3-Digit Letters	215,194,874
5-Digit Letters	266,242,232
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Presort Letters	483,330,272
Automation Carrier Route Letters	
First Ounce	2,224,775
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Carrier Route Letters	2,224,775
TOTAL CAPITAL ONE FIRST-CLASS CUSTOMER MAIL	496,423,396

Source: PostalOne!

Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006

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 shows the declining block discounts available to Capital One for a full year.

STARTING BLOCK (pieces)	ENDING BLOCK (pieces)	INCENTIVE	INCENTIVES PAID
0	1,225,000,000	\$0.000	\$0.000
1,225,000,000	1,275,000,000	\$0.030	\$0.000
1,275,000,000	1,325,000,000	\$0.035	\$0.000
1,325,000,000	1,375,000,000	\$0.040	\$0.000
1,375,000,000	1,450,000,000	\$0.045	\$0.000
1,450,000,000	1,525,000,000	\$0.050	\$0.000
1,525,000,000	1,600,000,000	\$0.055	\$0.000
1,600,000,000	>	\$0.060	\$0.000
		TOTAL	\$0.000

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

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

Time Period	Physical Returns
October 2005	826,518
November 2005	1,152,454
December 2005	1,010,411
January 2006	826,679
February 2006	812,304
March 2006	1,045,732
April 2006	421,247
May 2006	828,487
June 2006	830,070
July 2006	669,813
August 2006	828,068
September 2006	687,764

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

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

Time Period	Number of ACS Forwarding Notices
October 2005	944,330
November 2005	1,856,888
December 2005	673,103
January 2006	941,646
February 2006	1,006,262
March 2006	962,345
April 2006	725,138
May 2006	1,069,113
June 2006	1,137,342
July 2006	1,127,835
August 2006	1,305,698
September 2006	1,560,712

PARS was not fully operational during the third year of the agreement.

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

6. **Number of electronic address correction notices provided to Capital One for solicitation mailpieces that would otherwise be physically returned, including the number of notices processed by CFS units and separately for PARS (when fully operational).**

Time Period	Number of ACS UAA Notices
October 2005	1,943,654
November 2005	3,449,237
December 2005	1,901,178
January 2006	1,748,941
February 2006	1,722,831
March 2006	1,981,814
April 2006	1,290,541
May 2006	2,004,486
June 2006	2,094,595
July 2006	1,879,347
August 2006	2,187,932
September 2006	2,369,600

PARS was not fully operational during the third year of the agreement.

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

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

Department	Activity and Description	Work-hours	Time-Frame
Pricing Strategy	<u>Volume Reconciliation</u> : Process of reconciling USPS permit volume counts with Capital One internal volume counts	2	Per month
Pricing Strategy	<u>NSA Data Collection Plan</u> : Ensuring compliance with the Data Collection Plan	80	Per Year
Address Management	<u>ACS Support</u> : Providing ACS counts and support for ACS related issues	4	Per month
Finance	<u>RPW Reporting</u> : Ensuring that discounts are allocated properly in RPW reporting (one-time event)	1*	Per year
Finance	<u>Accounting Procedures</u> : Monitoring and developing accounting controls and procedures for the refund process	2*	Per quarter
Legal	<u>Legal Advice</u> : Advising on compliance and preparation of the data collection plan	18	Per Year
Pricing, Finance	<u>NSA and rate-cases</u> : Ensuring that NSA volumes and effects are accurately reported and accounted for in rate-case filings	215*	Per Year

* These work-hours represent the total time spent on all implemented NSAs.

Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006

8. For each First-Class Mail 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
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
2222T	1/3/2006	17,034,128	286,956
RECOVERIES SOL 9456	1/11/2006	37,196	4,952
RECOVERIES SOL 9457	1/24/2006	36,311	4,955
9277T	1/30/2006	13,526,701	166,578
3333T	1/31/2006	14,019,425	167,870
RECOVERIES SOL 9458	1/31/2006	654,996	60,181
9313T	2/2/2006	1,075,481	15,055
RECOVERIES SOL 9489	2/7/2006	49,190	6,700
RECOVERIES SOL 9490	2/22/2006	54,792	7,277
9421T	3/2/2006	14,208,110	152,615
9418	3/7/2006	1,032,022	11,753
9421	3/8/2006	14,826,448	591,013
RECOVERIES SOL 9535	3/8/2006	43,586	5,725
RECOVERIES SOL 9491	3/9/2006	1,045,885	140,749
RECOVERIES SOL 9536	3/21/2006	42,606	5,455
RECOVERIES SOL 9537	4/3/2006	640,525	61,872
9419	4/4/2006	2,581,441	25,180
RECOVERIES SOL 9569	4/5/2006	32,297	4,251
9483T	4/7/2006	14,608,533	177,415
9506T	4/8/2006	55,496,797	848,912
9507T	4/8/2006	22,975,833	295,908

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

RECOVERIES SOL 9570	4/20/2006	27,790	3,866
9484T	5/1/2006	15,708,860	163,146
RECOVERIES SOL 9571	5/3/2006	598,910	58,162
RECOVERIES SOL 9612	5/9/2006	39,039	4,903
9558T	5/22/2006	14,929,671	150,712
RECOVERIES SOL 9613	5/30/2006	672,113	66,220
9572	6/1/2006	7,301,730	80,147
9593	6/13/2006	23,435,096	224,917
RECOVERIES SOL 9614	6/15/2006	33,323	4,175
RECOVERIES SOL 9690	6/29/2006	671,324	67,693
RECOVERIES SOL 9704	7/14/2006	30,148	3,597
RECOVERIES SOL 9670	7/18/2006	443,654	81,633
RECOVERIES SOL 9705	8/1/2006	652,357	67,108
RECOVERIES SOL 9706	8/11/2006	33,224	4,182
RECOVERIES SOL 9671	8/21/2006	219,559	40,030
RECOVERIES SOL 9750	8/31/2006	613,304	69,696
RECOVERIES SOL 9751	9/18/2006	25,072	3,307
STRATEGY 8514	9/19/2006	799,921	7,750
RECOVERIES SOL 9669	9/29/2006	425,896	89,521
RECOVERIES SOL 9768	9/29/2006	1,851,087	357,667

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

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 mailpiece. No other information from the record would be provided.

In the Postal Service’s first Data Collection Report for Docket No. MC2002-2, covering the time period of September 1, 2003 to September 30, 2004, the Postal Service noted that a “literal application” of this data collection requirement “would require presenting discrete information from each of over 22 million forwarding events.” (See MC2002-2 Data Collection Report, at 13.) The Postal Service concluded that, “in light of the technical effort required to retrieve this information, and the cost of providing it . . . the most effective and efficient way to comply would be to summarize the data.” Because the underlying rationale for summarizing the data responsive to this requirement has not changed, the following summary is provided:

For the period of October 1, 2005 to September 30, 2006, the summary results are:

- a. Total Number of unique Change of Address Records used to forward Capital One Mail: 24,574,156.
- b. Family vs. Individual Moves: Of the 24.5 million COA records used, 13,155,535 (53.53 percent) were designated “Family” moves and 11,218,358 or (45.65 percent) were designated “Individual” moves. The remaining forwards were designated “Business” moves.

The chart below illustrates that a substantial 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
1	18,548,936	75.48%
2	3,750,501	15.26%
3	1,803,682	7.34%
4	406,132	1.65%
>4	64,905	0.27%
Total	24,574,156	100.00%

Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006

- 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.**

For the period of October 1, 2005 to September 30, 2006, Capital One First-Class Mail volume had no impact on contribution as its projected volumes were below threshold levels and no discounts were earned. In terms of trends, Capital One volume is declining and is therefore not comparable to overall workshare volume.

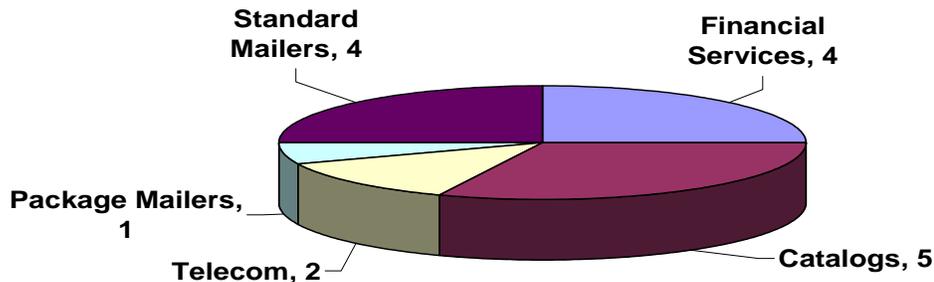
For the period of October 1, 2005 to September 30, 2006, the Capital One First-Class Mail volume accounted for 1.23% of the total USPS workshare First-Class Mail Volume.

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

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 begin when the Postal Service sends a Non-Disclosure Agreement (NDA) to the customer. NSA discussions formally begin when the Postal Service receives the signed NDA from the customer. From that date forward, the Postal Service and the customer engage in active NSA discussions via phone, e-mail, and, on occasion, face to face contact. These discussions include exchanges of information, proposal development, and negotiations. The discussions remain active until an NSA is signed and the case is filed or the negotiations are terminated.

Active NSAs - FY 2006

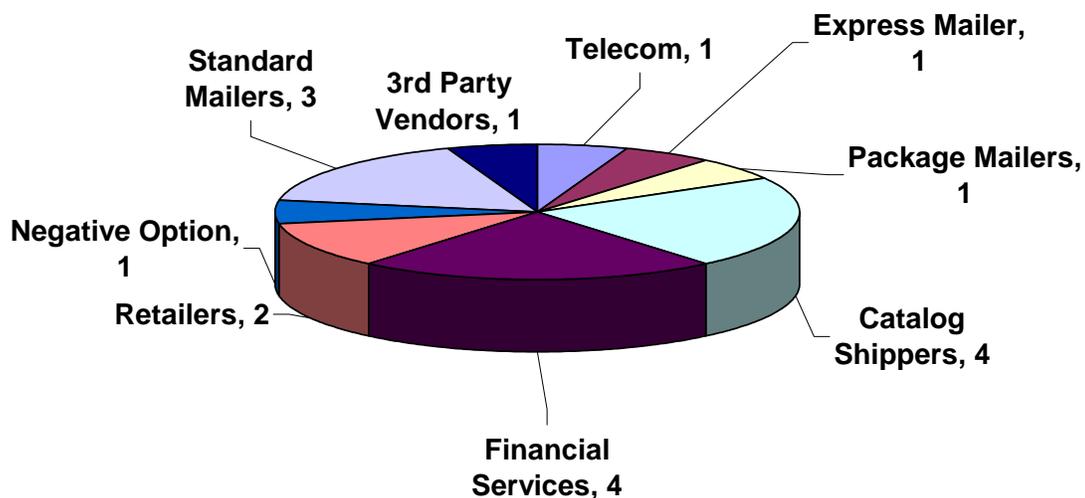


Active NSA Discussions	
Number of Customers	Number of First-Class Mail letters
0	< 100 million
0	100 – 250 million
2	> 250 million
Number of Customers	Number of Standard Mail pieces
4	< 100 million
3	100 – 250 million
2	> 250 million
Number of Customers	Number of First-Class Mail letters and Standard Mail Pieces
0	< 100 million
0	100 – 250 million
4	> 250 million
Number of Customers	Neither First-Class Mail letters nor Standard Mail Pieces
1	

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

An NSA discussion is terminated when a customer fails to return a signed NDA to the Postal Service or decides not to pursue an agreement. There are various reasons why a customer may decide not to pursue an agreement. It may not have adequate resources or funding. It may find that its mailing volume is too small. It may not be interested in being the co-proponent of a baseline agreement. It may find that its mailing profile does not match that set by an existing baseline agreement. The customer and the Postal Service may mutually agree that there is not an NSA that would meet the respective needs of each party.

Terminated NSA Discussions - FY 2006

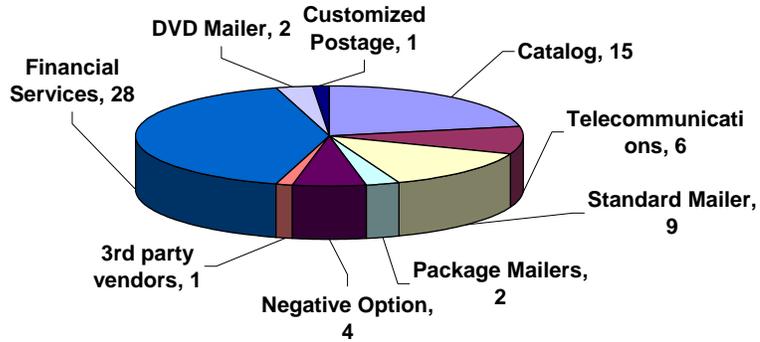


Terminated NSA Discussions	
Number of Customers	Number of First-Class Mail letters
1	< 100 million
0	100 – 250 million
4	> 250 million
Number of Customers	Number of Standard Mail pieces
3	< 100 million
6	100 – 250 million
2	> 250 million
Number of Customers	Neither First-Class Mail letters nor Standard Mail Pieces
2	

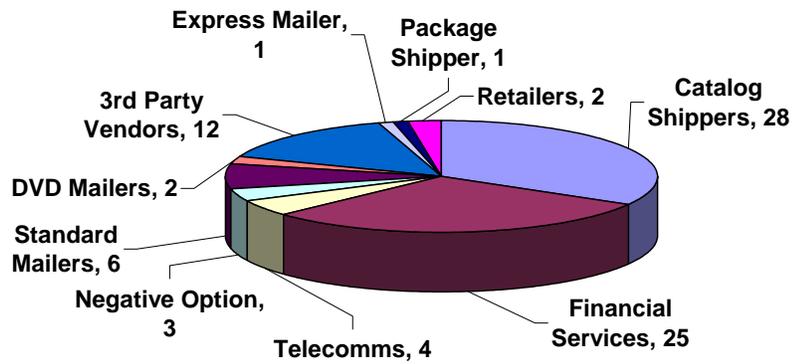
Docket Nos. MC2002-2 and MC2006-6 Data Collection Report Capital One NSA October 2005 – September 2006

Cumulative Results include FY 2004, FY 2005, and FY 2006.

Cumulative Active NSA Discussions (since FY 04)



Cumulative Terminated NSA Discussions (since FY 04)



**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 – September 2006**

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

<u>Standard Mail Letters Regular</u>	
Mail Category	Volume
Mixed AADC Auto	8,351,088
AADC Auto	30,926,713
3-Digit Auto	606,793,057
5-Digit Auto	606,783,860
Basic Auto	39,277,801
Basic Nonauto	23,165,564
3/5 Digit Nonauto	<u>21,277,465</u>
Total Volume	<u>1,336,575,548</u>

<u>Standard Mail ECR Letters</u>	
Mail Category	Volume
Basic Nonauto	4,090,742
Basic Auto	65,496,714
High Density	6,581,712
Saturation	<u>13,546,110</u>
Total Volume	<u>89,715,278</u>
 GRAND TOTAL	 <u>1,426,290,826</u>

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 - September 2006**

USPS Capital One NSA October 05-September 06

Appendix A: page 1

USPS Value Calculation

		Year 3 Results (Oct 2005 - Sept 2006)	
		MC2002 Filing	Actuals
(1)	Total Actual Volume		1,201,063,454
(2)	Threshold	1,225,000,000	1,225,000,000
(3)	Volume Above Threshold		0
(4)	Projected Volume	1,210,000,000	
(5)	Leakage Volume	0	
(6)	Incremental Pieces	0	0
(7)	Standard Mail Volume FY 06 Volume		1,426,290,826
(8)	Standard Mail Volume SPLY		1,084,673,344
		MC2002 Filing	Actuals
New Marketing Mail Contribution			
(9)	Increased Volume FY 06	0	0
(10)	Capital One Revenue per Piece	\$0.291	\$0.306
(11)	Capital One Cost per Piece	\$0.120	\$0.114
(12)	Capital One Contribution per Piece	\$0.171	\$0.192
(13)	Capital One Contribution	\$0	\$0
(14)	Discount on Incremental Volume	\$0	\$0
(15)	New Mail Contribution (net discounts)	\$0	\$0
Discount Leakage			
	Leakage Volume	0	0
(16)	Total Discount Leakage	\$0	\$0
Return Cost Savings			
(17)	Manual Return Cost	\$0.535	\$0.312
(18)	Electronic Return Cost	\$0.332	\$0.116
(19)	Return Cost Savings	\$0.203	\$0.196
(20)	# of ACS Returns	24,574,156	24,574,156
(20a)	ACS Savings	\$4,988,554	\$4,815,153
Forwarded Costs			
(21)	Cost of Providing ACS notices for forwards	\$0.061	\$0.086
(22)	Number of ACS notices provided	13,310,412	13,310,412
(23)	Total Forwarding Costs	\$806,611	\$1,138,040
(24)	Total USPS Value	\$4,181,943	\$3,677,113

1	USPS Permit System
2	MC2002-2 Rate Filing
3	(1) - (2)
4	MC2002-Filing
5	(4) - (2), if Projected volume (4) greater than threshold (2). 0, if threshold is greater than projected volume.
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, Appendix A of this filing, page 3
12	(11) - (12)
13	(13) * (10)
14	USPS Data Collection Report, USPS response to Requirement #3
15	(13) - (14)
16	USPS Data Collection Report, USPS response to Requirement #3
17	MC2002-2 Data Collection Report. For actuals, USPS-LR-L-117 adjusted from TY 08 to FY 06 using Cost Level Changes in USPS-LR-L-168
18	MC2002-2 Data Collection Report. For actuals, USPS-LR-L-117 adjusted from TY 08 to FY 06 using Cost Level Changes in USPS-LR-L-168
19	(17) - (18)
20	Capital One and USPS reports, USPS response to Requirement #9
20a	(19) * (20)
21	MC2002-2 Data Collection Report. For actuals, USPS-LR-L-117 UAA PARS08 Model-BaseCFS PRC.XLS,CFS-Non Let CIOSS Rejs. 50% CIOSS Rejs is assumed.
22	USPS Memphis Records
23	(21) * (22)
24	(15) + (20a) - (23) - (16)

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 - September 2006**

USPS Capital One NSA October 05-September 06

Appendix A: page 2

Marketing Mail Revenue per Piece

Capital One Marketing Mail
First-Class Mail By Rate Category
FY 2006 Presorted Letter Volumes

	(1) <u>FY 2006 Volume</u>		(2) <u>Current Rates</u>		(3) = (1) * (2) <u>Revenue</u>
Nonautomated Presorted Letters					
First Ounce	25,460,379		0.371	\$	9,457,576
Additional Ounces	-	\$	-	\$	-
Nonmachinable Pieces (a)	-	\$	-	\$	-
Heavy Piece Deduction	-	\$	-	\$	-
Total Nonautomated Presorted Letters	25,460,379			\$	9,457,576
Revenue Adjustment Factor					1.000000
Total Nonautomated Presorted Letters Revenue				\$	9,457,576
Automation Presort Letters and Flats					
Letters					
Mixed AADC Letters (b)	8,207,295		\$0.342	\$	2,810,494
AADC Letters (b)	18,033,908		\$0.323	\$	5,831,531
3-Digit Letters	339,313,187		\$0.309	\$	104,771,356
5-Digit Letters	283,446,780		\$0.292	\$	82,863,577
Additional Ounces	-	\$	-	\$	-
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	649,001,170			\$	196,276,959
Revenue Adjustment Factor					1.000000
Total Automation Presort Letters and Flats Revenue				\$	196,276,959
Automation Carrier Route Letters					
First Ounce	30,178,509		\$0.291	\$	8,768,427
Additional Ounces	-	\$	-	\$	-
Heavy Piece Deduction	-	\$	-	\$	-
Automation Carrier Route Letters	30,178,509			\$	8,768,427
Revenue Adjustment Factor					1.000972
Automation Carrier Route Letters Revenue				\$	8,776,948
Total Capital One First-Class Presort Letters	704,640,058			\$	214,511,483
	Revenue per Piece			\$	0.3044

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.

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 - September 2006**

USPS Capital One NSA October 05-September 06

Appendix A: page 4

Statement Mail Revenue per Piece

Capital One Statement Mail
First-Class Mail By Rate Category
FY 2006 Presorted Letter Volumes at Current Rates

	(1)		(2)		(3) = (1) * (2)
	FY 06		Current		
	<u>Volume</u>		<u>Rates</u>		<u>Revenue</u>
Nonautomated Presorted Letters					
First Ounce	10,868,349	\$	0.368	\$	3,996,014
Additional Ounces	0	\$	-	\$	-
Nonmachinable Pieces (a)	0	\$	-	\$	-
Heavy Piece Deduction	0	\$	-	\$	-
Total Nonautomated Presorted Letters	10,868,349			\$	3,996,014
Revenue Adjustment Factor (1)					0.985164
Total Nonautomated Presorted Letters Revenue				\$	3,936,730
Automation Presort Letters and Flats					
Letters					
Mixed AADC Letters (b)	483,330,272				
	405,215	\$	0.321	\$	129,921
AADC Letters (b)	1,487,951	\$	0.316	\$	469,695
3-Digit Letters	215,194,874	\$	0.320	\$	68,930,826
5-Digit Letters	266,242,232	\$	0.292	\$	77,671,943
Additional Ounces	-	\$	-	\$	-
Heavy Piece Deduction	0	\$	-	\$	-
Flats					
Mixed ADC Flats (b)	0	\$	-	\$	-
ADC Flats (b)	0	\$	-	\$	-
3-Digit Flats (c)	0	\$	-	\$	-
5-Digit Flats (c)	0	\$	-	\$	-
Additional Ounces	0	\$	-	\$	-
Heavy Piece Deduction	0	\$	-	\$	-
Nonmachinable Pieces (a)	0	\$	-	\$	-
Total Automation Presort Letters and Flats	483,330,272			\$	147,202,384
Revenue Adjustment Factor					1.000542
Total Automation Presort Letters and Flats Revenue				\$	147,282,176
Automation Carrier Route Letters					
First Ounce	2,224,775	\$	0.295	\$	657,071
Additional Ounces	0	\$	-	\$	-
Heavy Piece Deduction	0	\$	-	\$	-
Automation Carrier Route Letters	2,224,775			\$	657,071
Revenue Adjustment Factor					1.000972
Automation Carrier Route Letters Revenue				\$	657,709
Total Capital One First-Class Presort Letters	496,423,396			\$	151,876,616
	Revenue per Piece			\$	0.3059

(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.

Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
 Capital One NSA
 October 2005 - September 2006

USPS Capital One NSA October 05-September 06
 Appendix A: page 5
 Statement Mail Cost per Piece

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

Capital One Solicitation Return Percentage =	4.9%	(1) Adjusted for Actuals
Capital One Statement Return Percentage =	1.2%	(2)
Average Presort Letters Return Percentage =	1.79%	(3)
Before Rates Customer Mail Volume =	496,423,396	(4) Adjusted for Actuals
Before Rates Solicitation Mail Volume =		(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$0.312	(6)
Electronic Returns Unit Cost =	\$0.116	(7)
Address Change Service (ACS) Success Rate =	71.2%	(8) Adjusted for Actuals
Contingency Factor =	1.010	(9)

Rate Category	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY 2006 NATIONWIDE MAIL MIX							FY 2006 CAPITAL ONE MAIL MIX						
	FY 2006 Mail Proc Unit Cost (Dollars)	FY 2006 Delivery Unit Cost (Dollars)	FY 2006 Other Unit Cost (Dollars)	FY 2006 Total Unit Cost (Dollars)	TY 2006 Mail Volume (Pieces)	FY 2005 Mail Volume (Percent)		FY 2006 Total Unit Cost (Dollars)	FY 2006 Mail Volume (Pieces)	FY 2006 Mail Volume (Percent)	Current Returns Adjustment (Dollars)	Current w/Rets Adj Total Unit Cost (Dollars)	After Rates Returns Adjustment (Dollars)	After Rates w/Rets Adj Total Unit Cost (Dollars)
FIRST-CLASS MAIL LETTERS														
Nonautomation Presort Letters	\$0.102	\$0.046	\$0.013	\$0.161	1,870,606,466	3.84%		\$0.161	10,868,349	2.19%				
Automation Presort Letters														
Automation Mixed AADC	\$0.072	\$0.040	\$0.013	\$0.125	2,817,587,556	5.79%		\$0.125	405,215	0.08%				
Automation AADC	\$0.059	\$0.040	\$0.013	\$0.112	2,545,105,499	5.23%		\$0.112	1,487,951	0.30%				
Automation 3-Digit	\$0.054	\$0.040	\$0.013	\$0.108	23,168,418,713	47.61%		\$0.108	215,194,874	43.35%				
Automation 5-Digit	\$0.039	\$0.040	\$0.013	\$0.093	17,145,711,751	35.24%		\$0.093	266,242,232	53.63%				
Automation Carrier Route	\$0.029	\$0.040	\$0.013	\$0.083	659,603,071	1.36%		\$0.083	2,224,775	0.45%				
Automation Presort Flats														
Automation Mixed ADC	\$0.418	\$0.112	\$0.013	\$0.543	52,631,000	0.11%		\$0.543	0	0.00%				
Automation ADC	\$0.330	\$0.112	\$0.013	\$0.456	45,089,684	0.09%		\$0.456	0	0.00%				
Automation 3-Digit	\$0.270	\$0.112	\$0.013	\$0.395	114,602,484	0.24%		\$0.395	0	0.00%				
Automation 5-Digit	\$0.196	\$0.112	\$0.013	\$0.322	239,065,444	0.49%		\$0.322	0	0.00%				
WEIGHTED AVERAGE / TOTAL	\$0.054	\$0.037	\$0.012	\$0.103	48,658,421,666	100.00%		\$0.101	496,423,396	100.00%	-\$0.0017	\$0.0990	-\$0.0017	\$0.0990
								Total Unit Cost Estimates, Including Contingency =				\$0.1000 Current (24)	\$0.1000 After Rates (25)	

- | | |
|--|---|
| <p>(1) Actual Return Rate
 (2) Actual Return Rate
 (3) USPS-LR-L-61
 (4) This worksheet only addresses cost of Marketing mail.
 (5) USPS CBCIS FY 2005
 (6) USPS-LR-L-117 adjusted from TY 08 to FY 06 using Cost Level Changes in USPS-LR-L-168
 (7) USPS-LR-L-117 adjusted from TY 08 to FY 06 using Cost Level Changes in USPS-LR-L-168
 (8) Actual ACS Success Rate
 (9) R2005-1
 (10) Intentionally left blank
 (11) USPS-LR-L-110, USPS-LR-L-102, USPS-LR-L-101 adjusted from TY08 to FY 06 using USPS-LR-L-111
 (12) USPS-LR-L-110, USPS-LR-L-102, USPS-LR-L-101 adjusted from TY08 to FY 06 using USPS-LR-L-111
 (13) USPS-LR-L-110, USPS-LR-L-102, USPS-LR-L-101 adjusted from TY08 to FY 06 using USPS-LR-L-111
 (14) (11) + (12) + (13)</p> | <p>(15) USPS-LR-L-66
 (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)</p> |
|--|---|

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 - September 2006**

USPS Capital One NSA October 05-September 06

Appendix A: page 6

Capital One UAA volumes

	Marketing Volume	Physical Returns	Electronic Returns	% of Electronic Returns	Return Rate
October-05	52.36	0.83	1.94	70.16%	5.29%
November-05	83.69	1.15	3.45	74.96%	5.50%
December-05	38.25	1.01	1.90	65.30%	7.61%
January-06	57.96	0.83	1.75	67.90%	4.44%
February-06	57.16	0.81	1.72	67.96%	4.44%
March-06	50.31	1.05	1.98	65.46%	6.02%
April-06	43.98	0.42	1.29	75.39%	3.89%
May-06	77.10	0.83	2.00	70.76%	3.67%
June-06	63.23	0.83	2.09	71.62%	4.63%
July-06	55.12	0.67	1.88	73.72%	4.62%
August-06	63.16	0.83	2.19	72.54%	4.78%
September-06	62.32	0.69	2.37	77.50%	4.91%
Totals	704.64	9.94	24.57	71.20%	4.90%

Actual Monthly Volumes in millions

**Docket Nos. MC2002-2 and MC2006-6 Data Collection Report
Capital One NSA
October 2005 - September 2006**

USPS Capital One NSA October 05-September 06

Appendix A: page 7

ACS notices breakdown

	FORWARDING	RETURN	TOTAL	% FORWARDING	% RETURN
October-05	944,330	1,943,654	2,887,984	32.70%	67.30%
November-05	1,856,888	3,449,237	5,306,125	35.00%	65.00%
December-05	673,103	1,901,178	2,574,281	26.15%	73.85%
January-06	941,646	1,748,941	2,690,587	35.00%	65.00%
February-06	1,006,262	1,722,831	2,729,093	36.87%	63.13%
March-06	962,345	1,981,814	2,944,159	32.69%	67.31%
April-06	725,138	1,290,541	2,015,679	35.97%	64.03%
May-06	1,069,113	2,004,486	3,073,599	34.78%	65.22%
June-06	1,137,342	2,094,595	3,231,937	35.19%	64.81%
July-06	1,127,835	1,879,347	3,007,182	37.50%	62.50%
August-06	1,305,698	2,187,932	3,493,630	37.37%	62.63%
September-06	1,560,712	2,369,600	3,930,312	39.71%	60.29%
TOTALS	13,310,412	24,574,156	37,884,568	35.13%	64.87%