

LEGAL POLICY & RATEMAKING LAW SECTION
LAW DEPARTMENT



February 25, 2008

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

RE: Docket No. MC2004-3

Dear Mr. Williams:

In accordance with the Commission's Opinion and Recommended Decision in Docket No. MC2004-3, Rate and Service Changes to Implement Functionally Equivalent Negotiated Service Agreement with Bank One Corporation, enclosed is the Postal Service's Data Collection Report for Year Two of this agreement, which corresponds to the time period April 1, 2006 to March 31, 2007.

Please note that this letter and the accompanying report are also being filed electronically.

Sincerely,

A handwritten signature in black ink that reads "Eric P. Koetting".

Eric P. Koetting
Nan K. McKenzie
Attorneys

Enclosures

MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007

Data Collection Plan Requirements:

1. Volume of First-Class Mail solicitations by rate category in eligible Chase permit accounts.
2. Volume of First-Class Mail customer mail by rate category in eligible Chase permit accounts.
3. Amount of discounts paid to Chase for First-Class Mail by incremental volume block.
4. Volumes of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to Chase.
5. Number of electronic address correction notices provided to Chase 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 Chase 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 solicitation mailing list run against NCOA, Chase 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 Chase 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 Chase's First-Class Mail volume as compared to overall First-Class Mail volume.
11. Volume of Standard Mail solicitations by rate category in eligible Chase permit accounts.
12. A comparison of the estimated mailer-specific costs, volumes, and revenues with the actual mailer-specific costs, volumes, and revenues.

**MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007**

1. Volume of First-Class Mail solicitations by rate category in eligible Chase permits accounts.

Nonautomated Presorted Letters	
First Ounce	2,048,593
Additional Ounces	0
Nonmachineable Pieces	0
Heavy Piece Deduction	0
TOTAL Nonautomated Presorted Letters	2,048,593
Automation Presort Letters	
Mixed AADC letters	2,883,537
AADC Letters	6,321,908
3-Digit Letters	68,931,060
5-Digit Letters	73,627,992
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Presort Letters	151,764,497
Automation Carrier Route Letters	
First Ounce	9,682,133
Additional Ounces	0
Heavy Piece Deduction	0
TOTAL Automation Carrier Route Letters	9,682,133
TOTAL CHASE FIRST-CLASS MAIL SOLICITATIONS	163,495,223

Source: PostalOne!

**MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007**

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

Nonautomated Presorted Letters	
First Ounce	5,446,966
Additional Ounces	806,700
Nonmachineable Pieces	0
Heavy Piece Deduction	0
TOTAL Nonautomated Presorted Letters	5,446,966
Automation Presort Letters	
Mixed AADC letters	11,295,993
AADC Letters	19,378,151
3-Digit Letters	345,217,293
5-Digit Letters	490,956,436
Additional Ounces	28,226,121
Heavy Piece Deduction	0
TOTAL Automation Presort Letters	866,847,873
Automation Carrier Route Letters	
First Ounce	68,288,290
Additional Ounces	220,701
Heavy Piece Deduction	0
TOTAL Automation Carrier Route Letters	68,288,290
TOTAL CHASE FIRST-CLASS CUSTOMER MAIL	940,583,129

Source: PostalOne!

**MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007**

3. Amount of discounts paid to Chase 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 Chase for the full Year Two, after the thresholds for each tier were adjusted to account for the merger between Bank One and Chase.

Starting block	Ending block	Incentive	Incentives Earned
908,000,000	933,000,000	\$ 0.025	\$ 625,000
933,000,000	958,000,000	\$ 0.030	\$ 750,000
958,000,000	983,000,000	\$ 0.035	\$ 875,000
983,000,000	1,018,000,000	\$ 0.040	\$ 441,512
1,018,000,000	1,053,000,000	\$ 0.045	\$ -
1,053,000,000	>	\$ 0.050	\$ -
TOTAL			\$ 2,691,512

The thresholds were adjusted as follows. The negotiated thresholds for Bank One were 535 million pieces in the first tier, 560 million in the second tier, 585 million in the third tier, 610 million in the fourth tier, 645 million in the fifth tier, and 680 million in the sixth tier. In the 12 months prior to the merger (i.e., calendar 2005), Chase First-Class Mail volume (statements plus marketing) was 373 million pieces. Thus, after applying the annual threshold adjustment, the new volumes are as shown above.

Although total eligible volume in Year Two totaled 1,104,078,352 pieces (statements plus marketing), Chase earned only \$2.7 million dollars of discounts because they reached the incentive cap for the NSA. The discounts earned are as shown in the above table. Incentives earned for the three tiers reflect discount piece volumes of 25 million each. Incentives earned in the fourth tier, the 4.0-cent tier, reflect volumes in the tier of 11,037,800 pieces, which represents the point at which Chase hit the incentive cap.

MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007

The discount amount earned during Year Two, based on the total annual volume and the adjustments ultimately made to the discount tier thresholds as shown above, do not correspond directly to the payments made during Year Two. Because of the pendency of the merger, with the attendant uncertainty regarding what the ultimate thresholds would be, partial payments were made relative to discount calculations based on preliminary data in Year One, and reconciliations were made in Year Two. In that sense, the above table shows the lower Incentives Earned for Year Two, rather than the higher Incentives Paid. (To clarify, Incentives Earned during Year Two would have been higher but for the cap, and in that sense, Incentives Earned during Year Two exceeded the actual amount of Incentives Paid in Year Two. But since for purposes of this exercise the sum of Incentives Earned in Years One and Two logically must equal the cap, and the sum of Incentives Paid in Years One and Two must likewise equal the cap, then because Incentives Earned exceeded Incentives Paid in Year One, the converse must be true in Year Two. Stated otherwise, the amount of Incentives Paid in Year Two includes all of the Incentives Earned in Year Two, plus a portion of the Incentives Earned in Year One.)

MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007

4. Data Collection Plan

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

The Postal Service does not know the number of First-Class solicitations with ACS endorsements that were physically returned to Chase in Year 2 of the NSA. The Postal Service relies on Chase to provide this information, and after Chase reached the discount ceiling for the NSA, it stopped collecting these data.

MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007

5. Data Collection Requirement

Number of electronic address correction notices provided to Chase 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
April 2006	1,564,987
May 2006	1,169,526
June 2006	1,517,183
July 2006	1,115,906
August 2006	1,063,966
September 2006	804,149
October 2006	388,312
November 2006	307,306
December 2006	75,843
January 2007	223,596
February 2007	162,063
March 2007	138,800

MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007

6. Data Collection Requirement

Number of electronic address correction notices provided to Chase 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
April 2006	1,426,922
May 2006	853,241
June 2006	649,919
July 2006	426,747
August 2006	376,150
September 2006	366,211
October 2006	212,742
November 2006	200,070
December 2006	77,042
January 2007	129,988
February 2007	109,888
March 2007	101,641

**MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007**

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> : Reconciling USPS permit volume counts with 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> : Developing accounting controls and procedures for the refund process	2*	Per quarter
Finance	<u>Data Collection Report Preparation Assistance</u> : Coordinating data collection reports with inputs from rate case studies	65*	Per year
Legal	<u>Legal Advice</u> : Advising on compliance and preparation of the data collection plan	55	Per year
Pricing, Finance	<u>NSA and rate-cases</u> : Ensuring that NSA volumes and affects 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.

MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007

8. Data Collection Plan

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

Neither Chase nor the Postal Service can provide this information. After Chase reached the discount ceiling for the NSA, it stopped collecting these data.

MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007

9. Data Collection Plan

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

The Postal Service cannot provide this information. The Postal Service relies on Chase to provide this information, and after Chase reached the discount ceiling for the NSA, it stopped collecting these data.

MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007

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

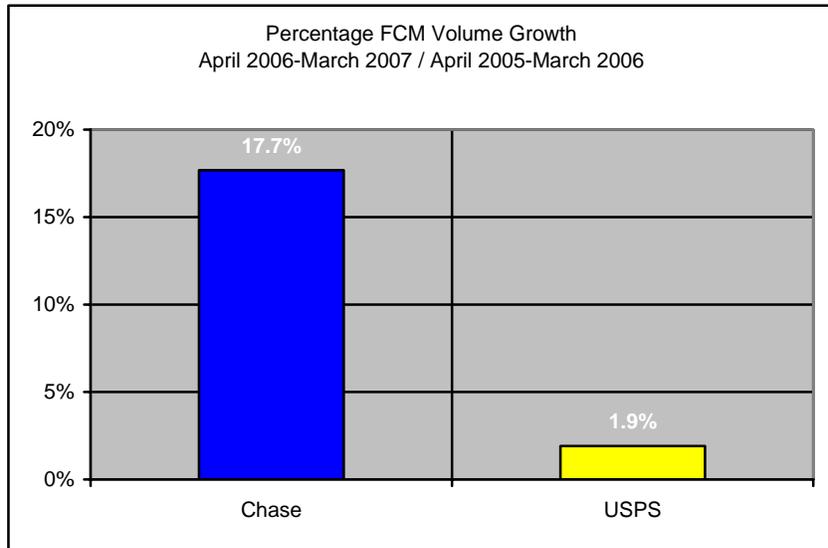
As explained in detail in response to Item 3 in this Report, the growth in First Class Mail volume due to the merger between Bank One and Chase resulted in an adjustment in the previously negotiated thresholds. The occurrence of the merger precludes any reliable evaluation of the impact on contribution, because such an evaluation would require a comprehensive (i.e., Bank One plus Chase) before-rates volume forecast. Unfortunately, the only before-rates forecast presented on the record pertains exclusively to Bank One. Nevertheless, for purposes of illustration, it is possible to make an approximation of the impact by assuming that a comprehensive before-rates forecast would have been higher than that presented in the case by the same amount as the increase in the discount thresholds. In other words, this assumption is that the estimated combined Bank One and Chase before-rates volume forecast would have been higher than the Bank One before-rates volume forecast by the amount of the volume mailed by Chase in the 12 months prior to the merger. Applying this assumption, an illustrative evaluation of impact on contribution is shown in the Appendix. Based on this exercise and the assumptions employed therein, against the background of \$2.7 million in discounts earned during the April 2006-March 2007 period, the increase in contribution to the Postal Service from the NSA as a whole is estimated at \$7.7 million in Year Two.

MC2004-3 Data Collection Report

Chase NSA

April 2006 – March 2007

In the time period April 2006 to March 2007, Chase First-Class Mail volume accounted for 1.98% of the total USPS First-Class Mail Volume (less single piece letters). Actual Chase volume during the April 2006-March 2007 performed better than USPS workshare volume over the same period when compared to the April 2005-March 2006 period, with growth rates at 17.7 percent and 1.9 percent respectively:



Source: USPS Revenue, Pieces, and Weight (RPW) Report

**MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007**

11. Volume of Standard Mail solicitations by rate category in eligible Chase permit accounts.

<u>Standard Mail Letters Regular</u>	
Mail Category	Volume
Basic Nonauto	6,358,187
3/5-Digit Nonauto	2,956,604
Mixed AADC Auto	32,054,836
AADC Auto	79,327,333
3-Digit Auto	850,640,747
5-Digit Auto	833,461,126
Total Volume	<u>1,804,798,833</u>
<u>Standard Mail ECR Letters</u>	
Mail Category	Volume
Basic Auto Letters	95,841,922
Basic Letters	30,887,828
High Density Letters	167,391
Saturation Letters	4,008,895
Total Volume	<u>130,906,036</u>
<u>Standard Mail Flats Regular</u>	
Auto Basic	0
Auto 3/5 Digit	0
Total Volume	<u>0</u>
<u>Standard Mail ECR Flats</u>	
	0
Total Volume	<u>0</u>
GRAND TOTAL	<u>1,935,704,869</u>

**MC2004-3 Data Collection Report
Chase NSA
April 2006 – March 2007**

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

See Appendix A at pg 1.

USPS Chase NSA April 2006 - March 2007

Appendix A: page 1

USPS Value Calculation

		CHASE YEAR 2	
		(April 2006 - March 2007)	
		MC2004-3 Filing (Year 2)	Actual
(1)	Total After Rates Volume	670,135,000	1,104,078,352
(2)	Threshold	535,000,000	908,000,000
(3)	Volume Above Threshold	135,135,000	196,078,352
(4)	Projected Before Rate Volume	571,080,000	944,080,000
(5)	Leakage Volume	36,080,000	36,080,000
(6)	Incremental Pieces	99,055,000	159,998,352
(7)	Standard Mail Volume SPLY		2,276,051,973
(8)	Standard Mail Volume Actual		1,935,704,869
(9)	Conversion Percentage	100%	100%
(10)	Statement Mail	506,650,000	940,583,129
(11)	Marketing Mail	163,485,000	163,495,223
		670,135,000	1,104,078,352
New FCM Mail Contribution			
(12)	Increased Volume	99,055,000	99,065,223
(13)	CHASE FCM Revenue per Piece	\$0.292	\$0.302
(14)	CHASE FCM Cost per Piece	\$0.130	\$0.104
(15)	CHASE FCM Contribution per Piece	\$0.162	\$0.198
(16)	CHASE Standard Mail Contribution per Piece	\$0.090	\$0.095
(17)	CHASE Contribution	\$7,074,861	\$10,210,085
(18)	Discount on Incremental Volume	\$3,823,675	\$1,734,112
(19)	New FCM Mail Contribution (net discounts)	\$3,251,186	\$8,475,973
Discount Leakage			
(20)	Leakage Volume	36,080,000	36,080,000
(21)	Total Discount Leakage	\$957,400	\$957,400
Return Cost Savings			
(22)	Manual Letter Return Cost	\$0.573	\$0.335
(23)	Electronic Letter Return Cost	\$0.357	\$0.138
(24)	Letter Return Cost Savings	\$0.216	\$0.197
(25)	# of ACS Letter Returns	2,644,830	4,930,561
(26)	ACS Letter Savings	\$572,130	\$971,321
(27)	ACS Flat Savings	\$0	\$0
(28)	ACS Savings	\$572,130	\$971,321
CHASE Forwarding Costs			
(29)	Cost of Providing ACS notices for forwards	\$0.061	\$0.093
(30)	Number of ACS notices provided	0	8,531,637
(31)	Total Forwarding Costs	\$0	\$797,158
(32)	Total USPS Value	\$2,865,916	\$7,692,736
(1)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 2; for Actuals, PostalOne		
(2)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 6; for Actuals, see Data Report, Item 3		
(3)	(1) - (2)		
(4)	For MC2004-3 Filing, USPS-T-1 Appendix A, page 2; for Actuals, Filing Before Rates Volume plus the difference between the Filing Threshold and the Actual Threshold		
(5)	(4) - (2)		
(6)	(1) - (4)		
(7)	PostalOne		
(8)	PostalOne		
(9)	MC2004-3 Rate Filing		
(10)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 2; for Actuals, PostalOne		
(11)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 2; for Actuals, PostalOne		
(12)	For MC2004-3, Incremental Pieces = (6). For Actuals, Incremental Pieces = Actual Marketing Mail (11) minus MC2004-3 Before-Rates Marketing Volume, witness Plunkett Testimony, USPS-T-1, App. A, page 2.		
(13)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 10; for Actuals, PostalOne		
(14)	For MC2004-3 Filing, USPS-T-1 Appendix A, page 10; for Actuals Chase Marketing Unit Cost tab (Page 3 of this		
(15)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 10; for Actuals (13) - (14)		
(16)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 10; for Actuals, Standard Contribution tab (Page 9)		
(17)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 11; for Actuals, (12) * ((16)-(15))		
(18)	For MC2004-3 Filing witness Plunkett Testimony USPS-T-1 Appendix A, page 11; for Actuals, see Data Report, Item 3		
(19)	(17) - (18)		
(20)	(5)		
(21)	Leakage Volume (5) * Price Incentives (as shown in USPS-T-1 Appendix A, page 6)		
(22)	MC2004-3 Filing; For Actuals, FY 2007 UAA Model, Table 5.9.		
(23)	MC2004-3 Filing; For Actuals, FY 2007 UAA Model, Table 5.5.		
(24)	(22) - (23)		
(25)	For MC2004-3 Filing, USPS-T-1 Appendix A, page 7; for Actuals CHASE and USPS reports (Page 7 of this Appendix)		
(26)	(24) * (25)		
(27)	For MC2004-3 Filing, USPS-T-1 Appendix A, page 11; Actuals -- No flat volume		
(28)	(26) + (27)		
(29)	For MC2004-3 Filing MC2002-2 YEAR 1 Data Collection Report Inflated by 3%; For actuals, USPS-LR-L-117 UAA PARS08 Model-BaseCFS PRC.XLS,CFS-Non Let CIOSS Rejs. 50% CIOSS Rejs is assumed.		
(30)	USPS Memphis Records		
(31)	(29) * (30)		
(32)	(19) + (28) - (21) - (31)		

USPS Chase NSA April 2006 - March 2007**Appendix A: page 2****Marketing Mail Revenue per Piece**

Chase Marketing Mail
First-Class Mail By Rate Category
April 2006 - March 2007 Presorted Letter Volumes

	(1) Year 2 Volume	(2) Average Revenue per piece	(3) Revenue
Nonautomated Presorted Letters			
First Ounce	2,048,593	\$ 0.371	\$ 760,028
Additional Ounces	-	\$ 0.237	-
Nonmachinable Pieces	-	\$ 0.058	-
Heavy Piece Deduction	-	\$ 0.043	-
Total Nonautomated Presorted Letters	2,048,593		\$ 760,028
Automation Presort Letters and Flats			
Letters	151,764,497		
Mixed AADC Letters	2,883,537	\$ 0.326	\$ 940,033
AADC Letters	6,321,908	\$ 0.317	\$ 2,004,045
3-Digit Letters	68,931,060	\$ 0.308	\$21,230,766
5-Digit Letters	73,627,992	\$ 0.293	\$21,573,002
Additional Ounces	-	\$ 0.237	-
Heavy Piece Deduction	-	\$ 0.043	-
Flats	-		
Mixed ADC Flats	-	\$ 0.359	-
ADC Flats	-	\$ 0.351	-
3-Digit Flats	-	\$ 0.339	-
5-Digit Flats	-	\$ 0.318	-
Additional Ounces	-	\$ 0.237	-
Heavy Piece Deduction	-	\$ 0.043	-
Nonmachinable Pieces	-	\$ 0.058	-
Total Automation Presort Letters and Flats	151,764,497		\$45,747,846
Automation Carrier Route Letters			
First Ounce	9,682,133	\$ 0.290	\$ 2,807,819
Additional Ounces	-	\$ 0.237	-
Heavy Piece Deduction	-	\$ 0.043	-
Automation Carrier Route Letters	9,682,133		\$ 2,807,819
Total CHASE First-Class Presort Letters	163,495,223		49,315,693
	Revenue per Piece		\$ 0.302

CHASE FIRST-CLASS MAIL PRESORT MARKETING LETTERS/FLATS UNIT COST ESTIMATES

CHASE Solicitation Return Percentage =	0.45%	(1) Adjusted for Actuals
CHASE Statement Return Percentage =	1.20%	(2)
Average Presort Letters Return Percentage =	1.71%	(3)
FY 2006 Customer Mail Volume =	-	(4) Adjusted for Actuals
FY 2006 Solicitation Mail Volume =	163,495,223	(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$ 0.335	(6)
Electronic Returns Unit Cost =	\$ 0.138	(7)
Address Change Service (ACS) Success Rate =	100.0%	(8) Adjusted for Actuals
Contingency Factor =	1.000	(9)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY 2007 NATIONWIDE MAIL MIX							CHASE MAIL MIX						
Rate Category	FY 2007 Mail Proc Unit Cost (Dollars)	FY 2007 Delivery Unit Cost (Dollars)	FY 2007 Other Unit Cost (Dollars)	FY 2007 Total Unit Cost (Dollars)	FY 2007 Mail Volume (Pieces)	FY 2007 Mail Volume (Percent)		FY 2007 Total Unit Cost (Dollars)	Year 2 Mail Volume (Pieces)	Year 2 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)
FIRST-CLASS MAIL LETTERS														
Nonautomation Presort Letters	\$ 0.127	\$0.044	\$0.018	\$ 0.189	1,653,029,525	3.31%		\$ 0.189	2,048,593	1.25%				
Automation Presort Letters														
Automation Mixed AADC	\$0.078	\$0.044	\$0.018	\$ 0.139	3,014,173,757	6.03%		\$ 0.139	2,883,537	1.76%				
Automation AADC	\$ 0.061	\$0.042	\$0.018	\$ 0.121	2,496,802,015	5.00%		\$ 0.121	6,321,908	3.87%				
Automation 3-Digit	\$ 0.057	\$0.041	\$0.018	\$ 0.116	21,997,777,272	44.01%		\$ 0.116	68,931,060	42.16%				
Automation 5-Digit	\$ 0.038	\$0.040	\$0.018	\$ 0.095	19,711,912,418	39.44%		\$ 0.095	73,627,992	45.03%				
Automation Carrier Route	\$ 0.023	\$0.087	\$0.018	\$ 0.127	341,920,881	0.68%		\$ 0.127	9,682,133	5.92%				
Automation Presort Flats														
Automation Mixed ADC	\$0.542	\$0.134	\$0.070	\$ 0.746	51,519,834	0.10%		\$ 0.746	-	0.00%				
Automation ADC	\$0.403	\$0.134	\$0.070	\$ 0.607	109,727,522	0.22%		\$ 0.607	-	0.00%				
Automation 3-Digit	\$0.308	\$0.134	\$0.070	\$ 0.511	275,537,270	0.55%		\$ 0.511	-	0.00%				
Automation 5-Digit	\$0.186	\$0.134	\$0.070	\$ 0.390	328,946,742	0.66%		\$ 0.390	-	0.00%				
WEIGHTED AVERAGE / TOTAL	\$ 0.057	\$ 0.043	\$ 0.018	\$ 0.118	49,981,347,236	100.00%		\$ 0.109	163,495,223	100.00%	-\$ 0.004	\$ 0.105	-\$ 0.005	\$ 0.104
								Total Unit Cost Estimates, Including Contingency =			\$ 0.105			\$ 0.104
											Current (24)			After Rates (25)

(1) Actual Return Rates
(2) Actual Return Rates
(3) Update to USPS-LR-L-61 FY2007
(4) Actual Volume
(5) Actual Volume
(6) FY 2007 UAA Model, Table 5.9
(7) FY 2007 UAA Model, Table 5.5
(8) Actual ACS Success Rate
(9) R2006-1
(10) Intentionally left blank
(11) USPS-FY07-10 and USPS-FY07-11
(12) USPS-FY07-19
(13) USPS-FY07-2 FY 2007 Cost Segments and Components Report

(14) (11) + (12) + (13)
(15) USPS FY 2007 RPW
(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 Chase NSA April 2006 - March 2007**Appendix A: page 4****Statement Mail Revenue per Piece**

Chase Statement Mail
First-Class Mail By Rate Category
April 2006 - March 2007 Presorted Letter Volumes

	(1) <u>Year 2</u> <u>Volume</u>	(2) <u>Average Revenue</u> <u>per piece</u>	(3) <u>Revenue</u>
Nonautomated Presorted Letters			
First Ounce	5,446,966	\$ 0.371	\$ 2,020,824
Additional Ounces	806,700	\$ 0.237	\$ 191,188
Nonmachinable Pieces	-	\$ 0.058	-
Heavy Piece Deduction	-	\$ 0.043	-
Total Nonautomated Presorted Letters	5,446,966		\$ 2,212,012
Automation Presort Letters and Flats			
Letters	866,847,873		
Mixed AADC Letters	11,295,993	\$ 0.326	\$ 3,682,494
AADC Letters	19,378,151	\$ 0.317	\$ 6,142,874
3-Digit Letters	345,217,293	\$ 0.308	\$106,326,926
5-Digit Letters	490,956,436	\$ 0.293	\$143,850,236
Additional Ounces	28,226,121	\$ 0.237	\$ 6,689,591
Heavy Piece Deduction	-	\$ 0.043	-
Flats	-		
Mixed ADC Flats	-	\$ 0.359	-
ADC Flats	-	\$ 0.351	-
3-Digit Flats	-	\$ 0.339	-
5-Digit Flats	-	\$ 0.318	-
Additional Ounces	-	\$ 0.237	-
Heavy Piece Deduction	-	\$ 0.043	-
Nonmachinable Pieces	-	\$ 0.058	-
Total Automation Presort Letters and Flats	866,847,873		\$266,692,120
Automation Carrier Route Letters			
First Ounce	68,288,290	\$ 0.290	\$ 19,803,604
Additional Ounces	220,701	\$ 0.237	\$ 52,306
Heavy Piece Deduction	-	\$ 0.043	-
Automation Carrier Route Letters	68,288,290		\$ 19,855,910
Total First-Class Presort Letters	940,583,129		\$288,760,043
	Revenue per Piece		\$ 0.307

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

CHASE Solicitation Return Percentage =	0.45%	(1) Adjusted for Actuals
CHASE Statement Return Percentage =	1.20%	(2)
Average Presort Letters Return Percentage =	1.71%	(3)
FY 2006 Customer Mail Volume =	940,583,129	(4) Adjusted for Actuals
FY 2006 Solicitation Mail Volume =	-	(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$ 0.335	(6)
Electronic Returns Unit Cost =	\$ 0.138	(7)
Address Change Service (ACS) Success Rate =	100.0%	(8) Adjusted for Actuals
Contingency Factor =	1.000	(9)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY 2007 NATIONWIDE MAIL MIX							CHASE MAIL MIX						
Rate Category	FY 2007 Mail Proc Unit Cost (Dollars)	FY 2007 Delivery Unit Cost (Dollars)	FY 2007 Other Unit Cost (Dollars)	FY 2007 Total Unit Cost (Dollars)	FY 2007 Mail Volume (Pieces)	FY 2007 Mail Volume (Percent)		FY 2007 Total Unit Cost (Dollars)	Year 2 Mail Volume (Pieces)	Year 2 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)
FIRST-CLASS MAIL LETTERS														
Nonautomation Presort Letters	\$ 0.127	\$ 0.044	\$ 0.018	\$ 0.189	1,653,029,525	3.31%		\$ 0.189	5,446,966	0.58%				
Automation Presort Letters														
Automation Mixed AADC	\$ 0.078	\$ 0.044	\$ 0.018	\$ 0.139	3,014,173,757	6.03%		\$ 0.139	11,295,993	1.20%				
Automation AADC	\$ 0.061	\$ 0.042	\$ 0.018	\$ 0.121	2,496,802,015	5.00%		\$ 0.121	19,378,151	2.06%				
Automation 3-Digit	\$ 0.057	\$ 0.041	\$ 0.018	\$ 0.116	21,997,777,272	44.01%		\$ 0.116	345,217,293	36.70%				
Automation 5-Digit	\$ 0.038	\$ 0.040	\$ 0.018	\$ 0.095	19,711,912,418	39.44%		\$ 0.095	490,956,436	52.20%				
Automation Carrier Route	\$ 0.023	\$ 0.087	\$ 0.018	\$ 0.127	341,920,881	0.68%		\$ 0.127	68,288,290	7.26%				
Automation Presort Flats														
Automation Mixed ADC	\$ 0.542	\$ 0.134	\$ 0.070	\$ 0.746	51,519,834	0.10%		\$ 0.746	-	0.00%				
Automation ADC	\$ 0.403	\$ 0.134	\$ 0.070	\$ 0.607	109,727,522	0.22%		\$ 0.607	-	0.00%				
Automation 3-Digit	\$ 0.308	\$ 0.134	\$ 0.070	\$ 0.511	275,537,270	0.55%		\$ 0.511	-	0.00%				
Automation 5-Digit	\$ 0.186	\$ 0.134	\$ 0.070	\$ 0.390	328,946,742	0.66%		\$ 0.390	-	0.00%				
WEIGHTED AVERAGE / TOTAL	\$ 0.057	\$ 0.043	\$ 0.018	\$ 0.118	49,981,347,236	100.00%		\$ 0.107	940,583,129	100.00%	-\$ 0.002	\$ 0.105	-\$ 0.002	\$ 0.105
								Total Unit Cost Estimates, Including Contingency =			\$ 0.105		\$ 0.105	
											Current (24)		After Rates (25)	

- (1) Actual Return Rates
- (2) Actual Return Rates
- (3) Update to USPS-LR-L-61 FY2007
- (4) Actual Volume
- (5) Actual Volume
- (6) FY 2007 UAA Model, Table 5.9
- (7) FY 2007 UAA Model, Table 5.5
- (8) Actual ACS Success Rate
- (9) R2006-1
- (10) Intentionally left blank
- (11) USPS-FY07-10 and USPS-FY07-11
- (12) USPS-FY07-19
- (13) USPS-FY07-2 FY 2007 Cost Segments and Components Report

- (14) (11) + (12) + (13)
- (15) USPS FY 2007 RPW
- (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 Chase NSA April 2006 - March 2007**Appendix A: page 6**

Chase UAA volumes

Period	(1) First-Class Mail Marketing Volume	(2) Physical Returns	(3) Electronic Returns	(4) % of Electronic Returns	(5) Return Rate
April 2006	121,920,185		1,426,922	100.00%	1.17%
May 2006	84,776,961		853,241	100.00%	1.01%
June 2006	86,227,120		649,919	100.00%	0.75%
July 2006	79,316,084		426,747	100.00%	0.54%
August 2006	86,270,339		376,150	100.00%	0.44%
September 2006	81,819,677		366,211	100.00%	0.45%
October 2006	105,258,172		212,742	100.00%	0.20%
November 2006	101,145,296		200,070	100.00%	0.20%
December 2006	88,644,630		77,042	100.00%	0.09%
January 2007	99,108,114		129,988	100.00%	0.13%
February 2007	83,458,590		109,888	100.00%	0.13%
March 2007	86,133,184		101,641	100.00%	0.12%
Totals	1,104,078,352	0	4,930,561	100.00%	0.45%

Actual Monthly Volumes

USPS Chase NSA April 2006 - March 2007

Appendix A: page 7

ACS notices breakdown

Period	(1) Forwarding	(2) Returns	(3) Total	(4) % Forwarding	(5) % Return
April 2006	1,564,987	1,426,922	2,991,909	52.31%	47.69%
May 2006	1,169,526	853,241	2,022,767	57.82%	42.18%
June 2006	1,517,183	649,919	2,167,102	70.01%	29.99%
July 2006	1,115,906	426,747	1,542,653	72.34%	27.66%
August 2006	1,063,966	376,150	1,440,116	73.88%	26.12%
September 2006	804,149	366,211	1,170,360	68.71%	31.29%
October 2006	388,312	212,742	601,054	64.61%	35.39%
November 2006	307,306	200,070	507,376	60.57%	39.43%
December 2006	75,843	77,042	152,885	49.61%	50.39%
January 2007	223,596	129,988	353,584	63.24%	36.76%
February 2007	162,063	109,888	271,951	59.59%	40.41%
March 2007	138,800	101,641	240,441	57.73%	42.27%
Totals	8,531,637	4,930,561	13,462,198	63.37%	36.63%

USPS Chase NSA April 2006 - March 2007**Appendix A: page 8**

Chase volume

Period	Statement	Marketing	Total First-Class Mail
April 2006	70,190,166	51,730,019	121,920,185
May 2006	73,576,731	11,200,230	84,776,961
June 2006	71,627,914	14,599,206	86,227,120
July 2006	73,097,012	6,219,072	79,316,084
August 2006	79,136,984	7,133,355	86,270,339
September 2006	78,480,597	3,339,080	81,819,677
October 2006	79,845,847	25,412,325	105,258,172
November 2006	84,360,761	16,784,535	101,145,296
December 2006	78,706,332	9,938,298	88,644,630
January 2007	89,350,297	9,757,817	99,108,114
February 2007	78,260,862	5,197,728	83,458,590
March 2007	83,949,626	2,183,558	86,133,184
Totals	940,583,129	163,495,223	1,104,078,352

USPS Chase NSA April 2006 - March 2007

Appendix A, page 9

Standard Mail unit contribution	Volume %	Volume	Rates	Revenue	Unit Cost	Contribution
Standard Mail Regular Letters Net Revenue per piece						
Letter-size Mail Category	(1)	(2)	(3)	(4)	(5)	(6)
Basic Nonauto	0.33%	6,358,187	\$ 0.268	\$ 1,706,109	\$ 0.1287	
3/5-Digit Nonauto	0.15%	2,956,604	\$ 0.238	\$ 703,186	\$ 0.1295	
Mixed AADC Auto	1.66%	32,054,836	\$ 0.225	\$ 7,218,854	\$ 0.1131	
AADC Auto	4.10%	79,327,333	\$ 0.214	\$ 17,003,681	\$ 0.0997	
3-Digit Auto	43.94%	850,640,747	\$ 0.194	\$164,682,925	\$ 0.0963	
5-Digit Auto	43.06%	833,461,126	\$ 0.174	\$144,861,516	\$ 0.0805	
Total		1,804,798,833		\$336,176,271		

Letter-size Standard Mail ECR

Mail Category						
Basic Nonauto Letters	1.60%	30,887,828	\$ 0.180	\$ 5,547,729	\$ 0.1185	
Basic Auto Letters	4.95%	95,841,922	\$ 0.155	\$ 14,844,252	\$ 0.0815	
High Density Letters	0.01%	167,391	\$ 0.172	\$ 28,809	\$ 0.0529	
Saturation Letters	0.21%	4,008,895	\$ 0.136	\$ 544,527	\$ 0.0788	
Total		130,906,036		\$ 20,965,317		
Weighted Average per piece	100.00%	1,935,704,869	\$ 0.185		\$ 0.090	\$ 0.095

(1) Percentage of Rate Category volume to Total Standard Mail volume

(2) PostalOne

(3) (4)/(2)

(4) PostalOne

(5) Weighted average cost per piece using USPS-FY07-10 and USPS-FY07-11 and USPS-FY07-19 and USPS-FY07-18

(6) Average Revenue per piece minus weighted average cost per piece.