

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

RATE AND SERVICE CHANGES TO IMPLEMENT
BASELINE NEGOTIATED SERVICE AGREEMENT
WITH BANK OF AMERICA CORPORATION

Docket No. MC2007-1

**NOTICE OF UNITED STATES POSTAL SERVICE
OF DECISION OF THE GOVERNORS**
(December 18, 2007)

The Postal Service hereby gives notice of the attached Decision of the
Governors:

Decision of the Governors of the United States Postal Service
on the Opinion and Recommended Decision of the Postal Regulatory
Commission Approving Negotiated Service Agreement with Bank of America
Corporation, Docket No. MC2007-1.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE
ON THE OPINION AND RECOMMENDED DECISION OF THE POSTAL REGULATORY
COMMISSION APPROVING NEGOTIATED SERVICE AGREEMENT WITH BANK OF
AMERICA CORPORATION, DOCKET NO. MC2007-1**

December 17, 2007

STATEMENT OF EXPLANATION AND JUSTIFICATION

On October 3, 2007, the Postal Regulatory Commission issued its Opinion and Recommended Decision in Docket No. MC2007-1. The Commission recommended the rates and classification language, with very minor modifications, contained in the Postal Service's Request.¹ PRC Op. MC2007-1 at 54. This decision will enable the Postal Service to implement a negotiated service agreement ("NSA") that it executed with Bank of America Corporation ("BAC").

Based upon our review of the record, we find that the Commission's recommended decision is reasonable and supported by substantial record evidence, and we approve the recommendations.

This case, following the Docket Nos. MC2002-2 (Capital One) and MC2005-3 (Bookspan) NSA proceedings, represented the third occasion on which the Commission had the opportunity to evaluate fully a baseline negotiated service agreement. We appreciate the Commission's efforts in reviewing such agreements and in recognizing their importance in providing the Postal Service and the mailing community with innovative approaches to contract pricing. We believe that under the Postal Accountability and Enhancement Act of 2006 ("PAEA"), the more streamlined

¹ Request of the United States Postal Service for a Recommended Decision on Classifications, Rates and Fees To Implement a Baseline Negotiated Service Agreement With Bank of America Corporation, Docket No. MC2007-1 (February 7, 2007).

procedures for contract pricing will encourage greater innovation and provide for enhanced pricing flexibility.

BACKGROUND AND SUMMARY

The Postal Service initiated this proceeding on February 7, 2007, filing its Request in accordance with former 39 U.S.C. §§ 3622 and 3623.²

The Postal Service supported its Request with the written direct testimony of witness Ali Ayub (USPS-T-1) and other documents. Also on February 7, 2007, BAC, as a co-proponent, filed a notice of appearance, along with the written direct testimony of witness Richard D. Jones (BAC-T-1).

The Commission's Office of the Consumer Advocate ("OCA") and five parties intervened in this proceeding. The co-proponents responded to discovery requests from the parties, and provided comments in response to a Presiding Officer's Notice of Inquiry. Hearings were held at which Postal Service witnesses were subject to oral cross-examination. No participants filed direct cases. The proceedings ended with the filing of initial and reply briefs in August, 2007.

EVALUATION AND RECORD SUPPORT

The NSA is intended to encourage BAC to undertake certain activities that would reduce the costs associated with processing BAC's First-Class Mail and Standard Mail letters by providing BAC with "performance-based" discounts.

Under the NSA, BAC will receive discounts for improvements in its read/accept rates for First-Class Mail and Standard Mail letters. These discounts account for the majority of the payments which BAC may receive under the NSA. In addition, under the NSA, BAC will receive discounts for reductions in return rates for First-Class Mail and Standard Mail letters and for reductions in forwarding rates for First-Class Mail letters.

The NSA was presented to the Commission as a "baseline" NSA because it is the first

² As provided by the PAEA, the Postal Service filed its Request under the former ratemaking provisions of the Postal Reorganization Act. See former 39 U.S.C. § 3622(f).

NSA in which the financial incentives for cost savings are directly linked to measured reductions in Postal Service costs through means largely left to the judgment of the mailer. The NSA requires multiple operational commitments from BAC for which it will receive no direct compensation under the NSA. These operational commitments include: (1) implementation of the Intelligent Mail Barcode ("IMB"), OneCode ACS, CONFIRM, Seamless Acceptance, FAST and eDropship; (2) barcoding of Courtesy and Business Reply Mail and Qualified Business Reply Mail; and (3) waiver of physical return of certain First-Class Mail and Standard Mail letters.

A majority of Commissioners (four out of five) recommended the rates and classifications proposed by the Postal Service and supported by BAC. The Commission found that the proposed rates and classifications satisfied the criteria of the prior law as well as the policies of the new law. PRC Op. MC2007-1 at 1, 50-54. The Commission, however, was critical of the use of older read/accept rate data that had been used in the preceding omnibus rate case, and concluded that more recent data developed during discovery showed improvement in read/accept rates. The Commission used the more recent read/accept rate data in an accompanying financial analysis and concluded, based on its analysis, that the NSA would result in a reduction in contribution of between \$25 and \$45.8 million, although it concluded that BAC's mail would continue to cover its costs. PRC Op. MC2007-1 at 2, 51. Additionally, the Commission also indicated that the Postal Service and BAC had stressed other benefits of the NSA (for example, providing a widescale test of the Intelligent Mail Barcode ("IMB")), but noted that these benefits were unquantified on the evidentiary record. *Id.* at 35.

We agree with the Commission's finding that the rates and classifications satisfy the statutory criteria of former 39 U.S.C. §§ 3622 and 3623. The Commission concluded that BAC's mail would continue to cover its attributable costs with implementation of the NSA. *Id.* at 42. In fact, the Commission estimated that BAC mail would generate nearly \$1.5 billion in contribution over the period of the NSA and further concluded that the estimated impact on contribution would "not significantly reduce the overall level of contribution provided by BAC's mail." *Id.* The Commission also found that no record evidence has been presented demonstrating any adverse impact of the NSA on either competitors of BAC and the Postal Service. *Id.* at 50. The Commission concluded that

the use of the IMB and other advanced mail processing systems as provided by the NSA should enhance the degree of preparation of mail performed by the mailer and result in a constructive impact on reducing Postal Service costs, in accordance with the statutory criteria. *Id.* at 51. The Commission's findings that the NSA is consistent with various former ratemaking provisions of the Postal Reorganization Act are also correct. PRC Op. MC2007-1 at 51-54.

The Commission determined that the policies and objectives of the PAEA were relevant to its determination and applied them according to the statutory factor which allows for consideration of "such other factors as the Commission deems appropriate."³ The Commission stressed the importance of "overarching reform priorities" in making its recommendations. PRC Op. MC2007-1 at 1. We agree with the Commission that it was appropriate to consider the policies and objectives of the new law in reaching its decision. The courts have clearly signaled that the only "requirement" among the statutory criteria is that each class or service bear its attributable costs, a requirement that the Commission determined to be satisfied.⁴ Beyond that requirement, the other statutory criteria are to be considered, not precisely weighed or rated, with none carrying greater weight than any other.⁵

The Commission noted that the reduction in contribution it projected from this NSA would have to be "made up by all users of the mail." PRC Op. MC2007-1 at 50. We note that under the PAEA, reductions in contribution from this NSA or, for that matter, from any other NSA or market dominant product, will not have to be borne by all users of the mail. Mail users are effectively insulated by the price cap. The Commission recognized this principle by observing that "price caps will limit the Postal Service's ability to recapture the losses associated with bad business decisions." PRC Op.

³ Former 39 U.S.C. §§ 3622(b)(9) and 3623(c)(6).

⁴ *Newsweek, Inc. v. USPS*, 663 F.2d 1186, 1198 (2d Cir. 1981), *aff'd sub nom. Nat'l Ass'n of Greeting Card Publishers v. USPS*, 462 U.S. 810 (1983).

⁵ *Id.* at 1198, 1200; *Ass'n of Am. Publishers, Inc. v. USPS*, 485 F.2d 768, 774-75 (D.C. Cir. 1973).

MC2007-1 at 3. While the impact of reduced contribution on other mailers was an important consideration under the former ratemaking provisions of the Postal Reorganization Act, the Postal Service's authority to file an omnibus rate case under prior Title 39 expires on December 19, 2007. As we have determined that we will not file such a case, this consideration effectively has become moot.

We also emphasize the great importance, in our view, of the benefits of the unquantifiable mandatory operational commitments BAC has agreed to adopt under the NSA. These commitments will allow the Postal Service to test and measure the effectiveness of a variety of programs and processes, primarily use of the IMB. BAC's adoption of the IMB will not only create momentum for the use of this technology among other members of the mailing industry, but given BAC's substantial size, its use by BAC will create incentives for the suppliers of the mailing industry to make adjustments to their products to support the new technology. Thus, we believe BAC's early adoption of this groundbreaking technology will enable the Postal Service to meet its objectives of widespread use of the IMB technology rapidly and consistently with recent pronouncements to achieve implementation by 2009. We believe that implementation of the IMB holds great promise for the Postal Service and its customers to reduce costs and improve service. Although the Commission indicated that the benefits of BAC's operational commitments were not quantified on the record, the Commission specifically endorsed the "concept" of the NSA, *i.e.*, having a very large volume mailer assist in the introduction of "a panoply of modern mail processing systems." PRC Op. MC2007-1 at 31. We find particularly compelling the Commission's conclusion that, if the Postal Service monitors the NSA and uses the NSA to further develop these systems, "all mailers may benefit in the long term by having a modern mail processing system in place for their use with many typical start-up problems reduced or resolved." *Id.* We conclude that the potential benefits of the variety of operational commitments made by BAC provide a convincing reason, despite any estimated reduction in contribution, for proceeding with implementation of the NSA.

We agree with the Commission that the record supports the recommended changes in rates and classification, and we approve them. We concur with the Commission that its

recommended decision is consistent with the policies of former sections 3622 and 3623 of the Postal Reorganization Act, as well as the policies and objectives of the PAEA.


ESTIMATE OF ANTICIPATED REVENUE

The Postal Reorganization Act requires that our Decision include an estimate of the anticipated impact on postal revenues (former 39 U.S.C. § 3625(e)). According to the Commission's financial analysis, it estimates a reduction in contribution to the Postal Service of between \$25 million and \$45.8 million, depending upon various assumptions. We note that the Commission did not submit its analysis to scrutiny by the participants. Had it done so, the participants would have had the opportunity to comment on the assumptions and the appropriate method of using the more recent read/accept data to calculate the NSA's financial impact. Review of analyses of the Commission's recommended decision conducted by the offices of finance and marketing of the Postal Service indicates the Commission could have incorporated the more recent data into its financial analysis with greater precision, thereby lowering its estimate of the reduced contribution. Additionally, the estimate of reduced contribution did not reflect the effect of BAC's preparations during this year to implement the NSA, some of which likely reduced costs to the Postal Service of processing BAC's letter mail, thereby increasing its contribution. Even assuming that the Commission's analysis represents the correctly determined estimates of the reduction in contribution, we find that these estimates represent a minor impact on contribution from BAC's mail and an insignificant impact on overall contribution for the Postal Service. We further find that notwithstanding any estimated impact on contribution, the benefits of advancing the use of the IMB and the other related programs and processes that will result from implementation of this NSA provide a compelling justification for our approval.

ORDER

In accordance with the foregoing Decision of the Governors, the changes in rates and classifications set forth in the Attachments are hereby approved and ordered into effect. In accordance with Resolution 07-7 of the Board of Governors, dated December 17, 2007, these changes will take effect at 12:01 a.m. (Eastern) on April 1, 2008.

By the Governors:



James C. Miller III, Chairman

**RESOLUTION OF THE BOARD OF GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE**

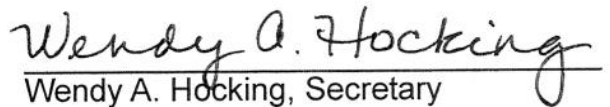
Resolution No. 07-7

Effective Date of Rate and Service Changes To Implement
Negotiated Service Agreement with Bank of America Corporation

RESOLVED:

Pursuant to former section 3625(f) of Title 39, United States Code, the Board of Governors determines that the rate and service changes to implement the Negotiated Service Agreement with Bank of America Corporation, that were ordered to be placed into effect by the Decision of the Governors adopted on December 17, 2007, shall become effective as follows: All changes will take effect at 12:01 a.m. (Eastern) on April 1, 2008.

The foregoing Resolution was adopted by the Board of Governors on December 17, 2007.


Wendy A. Hocking, Secretary

APPROVED CHANGES IN RATE SCHEDULES

The following represent the changes to the rate schedules recommended by the Postal Rate Commission and approved by the Governors of the Postal Service in Docket No. MC2007-1. The changes require the addition of five new rate schedules — 630A, 630B, 630C, 630D, and 630E. The underlined text signifies that the text is new, and shall appear in addition to all other rate schedule text.

BANK OF AMERICA CORPORATION NSA
RATE SCHEDULE 630A
(FIRST-CLASS MAIL IMPROVED MAIL PROCESSING PERFORMANCE)

| <u>Incremental Improvement</u> | <u>Rate Incentive (per piece)</u> |
|--------------------------------|-----------------------------------|
| <u>0.1%</u> | <u>\$0.00032</u> |
| <u>0.2%</u> | <u>\$0.00065</u> |
| <u>0.3%</u> | <u>\$0.00097</u> |
| <u>0.4%</u> | <u>\$0.00129</u> |
| <u>0.5%</u> | <u>\$0.00162</u> |
| <u>0.6%</u> | <u>\$0.00194</u> |
| <u>0.7%</u> | <u>\$0.00227</u> |
| <u>0.8%</u> | <u>\$0.00260</u> |
| <u>0.9%</u> | <u>\$0.00292</u> |
| <u>1.0%</u> | <u>\$0.00325</u> |
| <u>1.1%</u> | <u>\$0.00358</u> |
| <u>1.2%</u> | <u>\$0.00391</u> |
| <u>1.3%</u> | <u>\$0.00424</u> |
| <u>1.4%</u> | <u>\$0.00457</u> |
| <u>1.5%</u> | <u>\$0.00483</u> |
| <u>1.6%</u> | <u>\$0.00506</u> |
| <u>1.7%</u> | <u>\$0.00529</u> |
| <u>1.8%</u> | <u>\$0.00552</u> |
| <u>1.9%</u> | <u>\$0.00575</u> |

SCHEDULE 630A NOTES

1. All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).
2. Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedule 221.

BANK OF AMERICA CORPORATION NSA
RATE SCHEDULE 630B
(FIRST-CLASS MAIL REDUCED RETURN RATES)

| <u>Incremental Improvement</u> | <u>Rate Incentive Schedule A (per piece)</u> | <u>Rate Incentive Schedule B (per piece)</u> |
|--------------------------------|--|--|
| <u>10.0%</u> | <u>\$0.00022</u> | <u>\$0.00360</u> |
| <u>20.0%</u> | <u>\$0.00037</u> | <u>\$0.00390</u> |
| <u>30.0%</u> | <u>\$0.00053</u> | <u>\$0.00420</u> |
| <u>40.0%</u> | <u>\$0.00068</u> | <u>\$0.00450</u> |
| <u>50.0%</u> | <u>\$0.00083</u> | <u>\$0.00480</u> |
| <u>60.0%</u> | <u>\$0.00099</u> | <u>\$0.00510</u> |
| <u>70.0%</u> | <u>\$0.00114</u> | <u>\$0.00540</u> |
| <u>80.0%</u> | <u>\$0.00130</u> | <u>\$0.00570</u> |
| <u>90.0%</u> | <u>\$0.00145</u> | <u>\$0.00600</u> |

SCHEDULE 630B NOTES

1. All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).
2. Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedule 221.

BANK OF AMERICA CORPORATION NSA
RATE SCHEDULE 630C
(FIRST-CLASS MAIL REDUCED FORWARDING RATES)

Incremental Improvement**Rate Incentive (per piece)**

| | |
|------------|------------------|
| <u>10%</u> | <u>\$0.00013</u> |
| <u>20%</u> | <u>\$0.00030</u> |
| <u>30%</u> | <u>\$0.00047</u> |
| <u>40%</u> | <u>\$0.00064</u> |
| <u>50%</u> | <u>\$0.00081</u> |
| <u>60%</u> | <u>\$0.00098</u> |
| <u>70%</u> | <u>\$0.00116</u> |
| <u>80%</u> | <u>\$0.00133</u> |
| <u>90%</u> | <u>\$0.00150</u> |

SCHEDULE 630C NOTES

1. All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).
2. Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedule 221.

BANK OF AMERICA CORPORATION NSA
RATE SCHEDULE 630D
(STANDARD MAIL LETTERS
IMPROVED MAIL PROCESSING PERFORMANCE)

| <u>Incremental Improvement</u> | <u>Rate Incentive (per piece)</u> |
|--------------------------------|-----------------------------------|
| <u>0.1%</u> | <u>\$0.00024</u> |
| <u>0.2%</u> | <u>\$0.00049</u> |
| <u>0.3%</u> | <u>\$0.00073</u> |
| <u>0.4%</u> | <u>\$0.00097</u> |
| <u>0.5%</u> | <u>\$0.00122</u> |
| <u>0.6%</u> | <u>\$0.00146</u> |
| <u>0.7%</u> | <u>\$0.00171</u> |
| <u>0.8%</u> | <u>\$0.00195</u> |
| <u>0.9%</u> | <u>\$0.00220</u> |
| <u>1.0%</u> | <u>\$0.00244</u> |
| <u>1.1%</u> | <u>\$0.00269</u> |
| <u>1.2%</u> | <u>\$0.00294</u> |
| <u>1.3%</u> | <u>\$0.00319</u> |
| <u>1.4%</u> | <u>\$0.00343</u> |
| <u>1.5%</u> | <u>\$0.00363</u> |
| <u>1.6%</u> | <u>\$0.00379</u> |
| <u>1.7%</u> | <u>\$0.00396</u> |
| <u>1.8%</u> | <u>\$0.00419</u> |
| <u>1.9%</u> | <u>\$0.00466</u> |

SCHEDULE 630D NOTES

1. All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).
2. Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedules 321B or 322.

BANK OF AMERICA CORPORATION NSA
RATE SCHEDULE 630E
(STANDARD MAIL LETTERS
REDUCED UNDELIVERABLE-AS-ADDRESSED RATES)

Incremental Improvement**Rate Incentive (per piece)**

| | |
|------------|------------------|
| <u>10%</u> | <u>\$0.00040</u> |
| <u>20%</u> | <u>\$0.00060</u> |
| <u>30%</u> | <u>\$0.00100</u> |
| <u>40%</u> | <u>\$0.00110</u> |
| <u>50%</u> | <u>\$0.00130</u> |
| <u>60%</u> | <u>\$0.00150</u> |
| <u>70%</u> | <u>\$0.00170</u> |
| <u>80%</u> | <u>\$0.00170</u> |
| <u>90%</u> | <u>\$0.00170</u> |

SCHEDULE 630E NOTES

1. All discounts will be paid in the form of a refund at the end of each Postal Fiscal Quarter in accordance with section 630.4 of the Domestic Mail Classification Schedule (DMCS).
2. Per-piece rate incentives deducted from per-piece rates for letter-rated items in Rate Schedule 321B or 322.

**APPROVED CHANGES IN THE
DOMESTIC MAIL CLASSIFICATION SCHEDULE**

The following material represents changes to the Domestic Mail Classification Schedule recommended by the Postal Rate Commission and approved by the Governors of the Postal Service in Docket No. MC2007-1. The underlined text signifies that the text is new, and shall appear in addition to all other Domestic Mail Classification Schedule text.

NEGOTIATED SERVICE AGREEMENTS
CLASSIFICATION SCHEDULE

630 **BANK OF AMERICA CORPORATION NEGOTIATED SERVICE AGREEMENT**

630.1 **Definitions**

The following terms shall have the meanings ascribed to them in the Negotiated Service Agreement (NSA or Agreement) between Bank of America Corporation (Bank of America) and the United States Postal Service (Postal Service): Bank of America mail, Confirm service, Courtesy Reply Mail, eDropship, FAST (Facility Access and Shipment Tracking System), Four-State Barcode (OneCode), Letter-Rated Mail, OneCode ACS, PostalOne!®, Qualifying Permit Numbers, Schedule A First-Class Mail, Schedule B First-Class Mail, and Seamless Acceptance.

630.2 **Eligible Mail**

630.21 **Bank of America.** Bank of America mail eligible for discounts under Rate Schedules 630A, 630B, 630C, 630D, and 630E is limited to letter-rated mail that (1) is entered by or on behalf of Bank of America or a subsidiary or affiliate, (2) relates to the business activities of Bank of America or a subsidiary or affiliate, and (3) complies with the machinability requirements specified in the Agreement. Such mail includes cooperative mailings and mail entered pursuant to marketing arrangements with other entities.

630.22 **Other Mailers.** Functionally equivalent NSAs, involving worksharing discounts for performance-based improvements resulting from (1) the implementation of Four-State Barcode, OneCode ACS, Confirm service, Seamless Acceptance, FAST, and eDropship, (2) the barcoding of Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail, and (3) the adoption of electronic Address Correction Service in lieu of physical returns for letter-rated First-Class Mail that would otherwise be eligible for Standard Mail rates, may be entered into with other customers, as specified by the Postal Service, and implemented pursuant to proceedings under chapter 36 of title 39 of the United States Code.

630.3 **Operational Commitments of Bank of America**

- 630.31** **Four-State Barcode.** Bank of America will use the Four-State Barcode on all Bank of America mail entered under a Qualifying Permit Number as letter-rated First-Class Mail or Standard Mail.
- 630.32** **OneCode ACS.** Bank of America will place OneCode ACS markings on all Bank of America mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail, subject to the conditions and exceptions set forth in the text of the NSA.
- 630.33** **Waiver of Physical Return of Certain Letter-Rated Mailpieces.** Bank of America will accept electronic information about certain kinds of undeliverable-as-addressed letter-rated mailpieces instead of their physical return, as specified in the text of the NSA.
- 630.34** **Confirm Service.** Bank of America will implement use of Confirm service in accordance with section 991. Bank of America will use Confirm service for all Bank of America mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail.
- 630.35** **Seamless Acceptance.** Bank of America will use seamless acceptance for Bank of America mail entered under a Qualifying Permit Number as letter-rated First-Class Mail and Standard Mail. Bank of America will use a Mail.dat file (or Web-services) in conjunction with Four-State Barcodes to enable the Postal Service to use performance-based verification procedures for mail entered by Bank of America, subject to the conditions and exceptions set forth in the text of the NSA.
- 630.36** **FAST and eDropship.** Bank of America will use the automated scheduling services provided to the FAST system through the PostalOne! electronic data exchange services to enter its letter-rated Standard Mail mailpieces with destination entry discounts, subject to the conditions and exceptions set forth in the text of the NSA.
- 630.37** **Barcoding of Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail.** Bank of America will implement use of the Four-State Barcode on all Courtesy Reply Mail, Business Reply Mail, and Qualified Business Reply Mail envelopes enclosed in its mail. All mailpieces will be machinable, automation compatible, and properly marked with a OneCode Four-State Barcode. This requirement is subject to certain conditions and exceptions as provided in the text of the NSA.
- 630.4** **Discounts**

630.41 **General Terms and Conditions.** The Postal Service shall pay rate discounts in the form of refunds to Bank of America for improved address quality and mail processing in accordance with the text of the NSA. Discounts shall be calculated as adjustments to the rates of postage otherwise established by the DMM. Discounts shall be determined quarterly, over the life of the Agreement, based on Bank of America's actual mail volumes and address quality for each quarter just ended, subject to the conditions in the text of the NSA.

630.42 **First-Class Mail Discounts**

630.421 **Discounts for Improved Mail Processing.** Eligible mail that is sent via First-Class Mail is subject to the otherwise applicable First-Class Mail postage in Rate Schedule 221, less the discounts shown in Rate Schedule 630A for improved mail processing performance for letter-rated First-Class Mail mailpieces.

630.422 **Discount Formula for Improved Mail Processing.** The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630A:

- a. The Postal Service will determine the total number of letter-rated First-Class Mail mailpieces of Bank of America mail that are read and accepted during their first pass through Postal Service mail sorting equipment during an applicable quarter.
- b. The Postal Service will divide the number identified in section 630.422(a) above by the total number of letter-rated First-Class Mail mailpieces of Bank of America mail that receive a first pass through Postal Service mail sorting equipment during the same quarter.
- c. The Postal Service will subtract the baseline value set forth in the agreement from the percentage obtained in section 630.422(b) to obtain the incremental improvement within the meaning of the table in Rate Schedule 630A.

630.423 **Discounts for Reduced Return Rates.** Eligible mail that is sent via First-Class Mail is subject to the otherwise applicable First-Class Mail postage in Rate Schedule 221, less the discounts shown in Rate Schedule 630B for reduced return rates for letter-rated First-Class Mail mailpieces.

630.424 **Discount Formula for Reduced Return Rates.** The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630B:

- a. The Postal Service will identify the number of undeliverable-as-addressed letter-rated First-Class Mail mailpieces of Bank of America mail that have been returned to the sender by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
- b. The Postal Service will divide the number identified in section 630.424(a) above by the total number of letter-rated First-Class Mail mailpieces of Bank of America mail for the applicable quarter.
- c. The percentage obtained in section 630.424(b) will be subtracted from the applicable baseline undeliverable-as-addressed rate set forth in the Agreement, and the difference divided by that baseline undeliverable-as-addressed rate. The result, expressed as a percentage, will serve as the incremental improvement percentage used to determine the applicable rate incentive in Rate Schedule 630B.

630.425 **Discount for Reduced Forwarding Rates.** Eligible mail that is sent via First-Class Mail is subject to the otherwise applicable First-Class Mail postage in Rate Schedule 221, less the discounts shown in Rate Schedule 630C for reduced forwarding rates for letter-rated First-Class Mail mailpieces.

630.426 **Discount Formula for Reduced Return Rates.** The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630C:

- a. The Postal Service will identify the number of undeliverable-as-addressed letter-rated First-Class Mail mailpieces of Bank of America mail that have been forwarded by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
- b. The Postal Service will divide the number identified in section 630.426(a) above by the total number of letter-rated First-Class Mail mailpieces of Bank of America mail for the applicable quarter.
- c. The percentage obtained in section 630.426(b) will be subtracted from the baseline forwarding rate set forth in the Agreement, and the difference divided by that baseline forwarding rate. The result, expressed as a percentage, will serve as the incremental improvement percentage used to determine the applicable rate incentive in Rate Schedule 630C.

630.43 **Standard Mail Discounts**

630.431 Discounts for Improved Mail Processing. Eligible mail that is sent via Standard Mail is subject to the otherwise applicable Standard Mail postage in Rate Schedules 321B or 322, less the discounts shown in Rate Schedule 630D for improved mail processing performance for letter-rated Standard Mail mailpieces.

630.432 Discount Formula for Improved Mail Processing. The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630D:

- a. The Postal Service will determine the total number of letter-rated Standard Mail mailpieces of Bank of America mail that are read and accepted during their first pass through Postal Service mail sorting equipment during an applicable quarter.
- b. The Postal Service will divide the number identified in section 630.432(a) by the total number of letter-rated Standard Mail mailpieces of Bank of America mail that receive a first pass through Postal Service mail sorting equipment during the same quarter.
- c. The Postal Service will subtract the baseline value set forth in the Agreement from the percentage obtained in section 630.432(b) to obtain the incremental improvement percentage within the meaning of the table in Rate Schedule 630D.

630.433 Discounts for Reduced Undeliverable-As-Addressed Rates. Eligible mail that is sent via Standard Mail is subject to the otherwise applicable Standard Mail postage in Rate Schedules 321B or 322, less the discounts shown in Rate Schedule 630E for reduced undeliverable-as-addressed rates for letter-rated Standard Mail mailpieces.

630.434 Discount Formula for Reduced Undeliverable-As-Addressed Rates. The Postal Service will use the following formula to calculate the rate discounts Bank of America will receive pursuant to Rate Schedule 630E:

- a. The Postal Service will identify the number of undeliverable-as-addressed letter-rated Standard Mail mailpieces of Bank of America mail that have been returned by the Postal Service, as determined through OneCode ACS, for the applicable quarter.
- b. The Postal Service will divide the number identified in section 630.434(a) above by the total number of letter-rated Standard Mail mailpieces of Bank of America mail for the applicable quarter.

- c. The percentage obtained in section 630.434(b) will be subtracted from the baseline undeliverable-as-addressed rate set forth in the Agreement, and the difference divided by that baseline undeliverable-as-addressed rate. The result, expressed as a percentage, will serve as the incremental improvement percentage used to determine the applicable rate incentive in Rate Schedule 630E.

630.5 **Rounding Convention**

For the purposes of the Agreement, the following rounding convention will apply:

- a. numbers expressed as percentages will be rounded to the nearest tenth of a percent, and
- b. numbers expressed in dollars and cents will be rounded to the nearest thousandth of a cent.

630.6 **Rates and Fees**

The rates applicable to this Agreement are set forth in the following Rate Schedules:

630A
630B
630C
630D
630E

630.7 **Expiration**

The provisions of section 630 expire on April 1, 2011 at 12:01 a.m. (Eastern).

630.8 **Precedence**

To the extent any provision of section 630 is inconsistent with any other provision of the Domestic Mail Classification Schedule, the former shall control.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Matthew J. Connolly

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December 18, 2007