

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement)
Functionally Equivalent Negotiated Service) Docket No. MC2004-3
Agreement with Bank One Corporation)

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS MICHAEL K. PLUNKETT (OCA/USPS-T1-28-30)
July 26 2004

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/BOC-T1-1-10, dated June 28, 2004, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T1-28. Please refer to PRC Op. MC2002-2, pages 152-156, and the attachment to this interrogatory.

- (a) Please confirm that in Table 3, the calculated stop-loss estimate for Bank One is consistent with the Commission's calculation of the stop-loss estimate with respect to Capital One. If you do not confirm, please explain and provide the correct stop loss estimate. Please show all calculations.
- (b) Refer to Table 2 in Year 1. Please confirm that the equilibrium Before Rates (BR) volume of 616,600,577 would permit Bank One to mail 81,600,576 (616,600,577 – 535,000,001) additional pieces in Year 1, more than 4.3 (81,600,576 / 19,055,000) times Bank One's Year 1 estimated volume response of 19 million pieces. If you do not confirm, please explain.
- (c) Refer to Table 2 in Year 2. Please confirm that the equilibrium BR volume of 619,172,944 would permit Bank One to mail 84,172,943 (619,172,944 – 535,000,001) additional pieces in Year 2, or 0.8 (84,172,943 / 99,055,000) times Bank One's Year 2 estimated volume response of 99 million pieces. If you do not confirm, please explain.
- (d) Refer to Table 2 in Year 3. Please confirm that the equilibrium BR volume of 621,853,081 would permit Bank One to mail 86,853,080 (621,853,081 – 535,000,001) additional pieces in Year 2, or 0.9 (86,853,080 / 99,055,000) times Bank One's Year 3 estimated volume response of 99 million pieces. If you do not confirm, please explain.

OCA/USPS-T1-29. Please refer to your testimony at Appendix A, page 1.

- (a) Please confirm that Bank One's first-year ACS unit cost saving for solicitation letters is \$0.00087234 $[(\$0.55 - 0.34) * 0.09 * 0.85 * 0.054823]$, where $(\$0.55 - 0.34)$ is the difference between manual return unit costs and electronic return unit costs, 0.09 is Bank One's physical return rate, 0.85 is the ACS success rate, and 0.054823 is the ratio of Bank One's BR solicitation letter volume to the sum of Bank One's BR customer mail and solicitation letter volume. If you do not confirm, please explain.
- (b) Please confirm that Bank One's first-year ACS unit cost saving for solicitation flats is \$0.05726308 $[(\$1.06 - 0.45) * 0.11 * 0.85 * 1.00]$, where $(\$1.06 - 0.45)$ is the difference between manual return unit costs and electronic return unit costs, 0.11 is Bank One's physical return rate, 0.85 is the ACS success rate, and 1.00 is the percentage of Bank One's BR solicitation flats volume eligible for ACS. If you do not confirm, please explain.

OCA/USPS-T1-30. Please refer to your testimony at page 9, lines 12-19.

- (a) Please confirm that the annual threshold adjustment (see Bank One NSA, Article III.F., and proposed DMCS 612.33) provides a specific mechanism to address the risks of exogenous factors as they relate to *future* statement/operational mail volumes. If you do not confirm, please explain.
- (b) Please confirm that there are exogenous factors that can affect the BR volumes of marketing mail. If you do not confirm, please explain.
- (c) Please confirm that there are exogenous factors that can affect the AR volumes of marketing mail. If you do not confirm, please explain.

- (d) If your response to parts (b) and (c) of this interrogatory is in the affirmative, please identify and describe such exogenous factors.
- (e) Please identify and explain specific provisions of the Bank One NSA and proposed DMCS that explicitly recognize and attempt to mitigate risks of the exogenous factors identified in part (d) above as they relate to *future* marketing mail volumes.

BANK ONE NSA
 Stop Loss Estimate

TABLE 1
Year 1 - ACS Related Savings

[1]	Manual Letter Returns Unit Cost	\$0.55
[2]	Manual Flat Returns Unit Cost	\$1.06
[3]	Electronic Letter Returns Unit Cost	\$0.34
[4]	Electronic Flat Returns Unit Cost	\$0.45
[5]	BOC Return Rate - Solicitation Letters	9%
[6]	BOC Return Rate - Solicitation Flats	11%
[7]	Address Change Service (ACS) Success Rate	85%
[8]	BOC BR Customer Mail Volume	506,650,000
[9]	BOC BR Solicitation Letter Volume	29,387,000
[10]	BOC BR Solicitation Flats Volume	35,043,000
[11]	Solicitation Letters % of BR Letter Volume	5.4823%
[12]	Solicitation Flats %	100%
[13]	BOC ACS Unit Cost Savings - Letters	\$0.00087234
[14]	BOC ACS Unit Cost Savings - Flats	\$0.05726308
[15]	BOC BR Equilibrium Letter Volume	581,600,577
[16]	Total ASC Cost Savings - Letters	\$507,353
[17]	Total ASC Cost Savings - Flats	\$2,006,670
[18]	Total ASC Savings	\$2,514,023

TABLE 2
Year 1 - Discount Leakage

<u>Volume Block</u>		<u>Incremental</u>	<u>Discount</u>	<u>Discount</u>
[a]	[1]	<u>Volume</u>	[3]	<u>Leakage</u>
	[b]	[2] = [1b] - [1a]		[4] = [2] * [3]
535,000,001	to 560,000,000	24,999,999	\$0.025	\$625,000
560,000,001	to 585,000,000	24,999,999	\$0.030	\$750,000
585,000,001	to 610,000,000	24,999,999	\$0.035	\$875,000
610,000,001	to 616,600,577	6,600,576	\$0.040	\$264,023
645,000,001	to		\$0.045	\$0
680,000,001	to		\$0.050	\$0
Total				\$2,514,023
Difference - ACS Savings and Discount Leakage				\$0.053747

BANK ONE NSA
 Stop Loss Estimate

TABLE 1
Year 2 - ACS Related Savings

[1]	Manual Letter Returns Unit Cost	\$0.57
[2]	Manual Flat Returns Unit Cost	\$1.10
[3]	Electronic Letter Returns Unit Cost	\$0.36
[4]	Electronic Flat Returns Unit Cost	\$0.47
[5]	BOC Return Rate - Solicitation Letters	9%
[6]	BOC Return Rate - Solicitation Flats	11%
[7]	Address Change Service (ACS) Success Rate	85%
[8]	BOC BR Customer Mail Volume	506,650,000
[9]	BOC BR Solicitation Letter Volume	29,387,000
[10]	BOC BR Solicitation Flats Volume	35,043,000
[11]	Solicitation Letters % of BR Letter Volume	5.4823%
[12]	Solicitation Flats %	100%
[13]	BOC ACS Unit Cost Savings - Letters	\$0.00090723
[14]	BOC ACS Unit Cost Savings - Flats	\$0.05955361
[15]	BOC BR Equilibrium Letter Volume	584,172,944
[16]	Total ASC Cost Savings - Letters	\$529,981
[17]	Total ASC Cost Savings - Flats	\$2,086,937
[18]	Total ASC Savings	\$2,616,918

TABLE 2
Year 2 - Discount Leakage

<u>Volume Block</u>	<u>Incremental Volume</u>	<u>Discount</u>	<u>Discount Leakage</u>
[1]	[2] = [1b] - [1a]	[3]	[4] = [2] * [3]
[a] 535,000,001 to [b] 560,000,000	24,999,999	\$0.025	\$625,000
560,000,001 to 585,000,000	24,999,999	\$0.030	\$750,000
585,000,001 to 610,000,000	24,999,999	\$0.035	\$875,000
610,000,001 to 619,172,944	9,172,943	\$0.040	\$366,918
645,000,001 to		\$0.045	\$0
680,000,001 to		\$0.050	\$0
Total			\$2,616,918
Difference - ACS Savings and Discount Leakage			\$0.028813

BANK ONE NSA
 Stop Loss Estimate

TABLE 1
Year 3 - ACS Related Savings

[1]	Manual Letter Returns Unit Cost	\$0.60
[2]	Manual Flat Returns Unit Cost	\$1.15
[3]	Electronic Letter Returns Unit Cost	\$0.37
[4]	Electronic Flat Returns Unit Cost	\$0.48
[5]	BOC Return Rate - Solicitation Letters	9%
[6]	BOC Return Rate - Solicitation Flats	11%
[7]	Address Change Service (ACS) Success Rate	85%
[8]	BOC BR Customer Mail Volume	506,650,000
[9]	BOC BR Solicitation Letter Volume	29,387,000
[10]	BOC BR Solicitation Flats Volume	35,043,000
[11]	Solicitation Letters % of BR Letter Volume	5.4823%
[12]	Solicitation Flats %	100%
[13]	BOC ACS Unit Cost Savings - Letters	\$0.00094352
[14]	BOC ACS Unit Cost Savings - Flats	\$0.06193575
[15]	BOC BR Equilibrium Letter Volume	586,853,081
[16]	Total ASC Cost Savings - Letters	\$553,709
[17]	Total ASC Cost Savings - Flats	\$2,170,414
[18]	Total ASC Savings	\$2,724,123

TABLE 2
Year 3 - Discount Leakage

<u>Volume Block</u>		<u>Incremental</u>	<u>Discount</u>	<u>Discount</u>
[a]	[1]	<u>Volume</u>	[3]	<u>Leakage</u>
		[2] = [1b] - [1a]		[4] = [2] * [3]
[a]	[b]			
535,000,001	to 560,000,000	24,999,999	\$0.025	\$625,000
560,000,001	to 585,000,000	24,999,999	\$0.030	\$750,000
585,000,001	to 610,000,000	24,999,999	\$0.035	\$875,000
610,000,001	to 621,853,081	11,853,080	\$0.040	\$474,123
645,000,001	to		\$0.045	\$0
680,000,001	to		\$0.050	\$0
Total				\$2,724,123
Difference - ACS Savings and Discount Leakage				\$0.022822

TABLE 1

Notes & Sources

- [1] USPS-T-1 (Plunkett), Appendix A, page 1
- [2] USPS-T-1 (Plunkett), Appendix A, page 1
- [3] USPS-T-1 (Plunkett), Appendix A, page 1
- [4] USPS-T-1 (Plunkett), Appendix A, page 1
- [5] USPS-T-1 (Plunkett), Appendix A, page 1
- [6] USPS-T-1 (Plunkett), Appendix A, page 1
- [7] USPS-T-1 (Plunkett), Appendix A, page 1
- [8] USPS-T-1 (Plunkett), Appendix A, page 2
- [9] USPS-T-1 (Plunkett), Appendix A, page 2
- [10] USPS-T-1 (Plunkett), Appendix A, page 2
- [11] = [9] / ([8] + [9])
- [12] Percent of solicitation flats eligible for ACS
- [13] = ([1] - [3]) * [5] * [7] * [11]
- [14] = ([2] - [4]) * [6] * [7] * [12]
- [15] = Table 2 [1b] - ([10] - 43,000)
- [16] = [13] * [15]
- [17] = [14] * [10]
- [18] = [16] + [17]

TABLE 2

Notes and Sources:

- [1] Request, Attachment B
- [3] Request, Attachment B

BANK ONE NSA

TABLE 3
Calculation of Total Stop Loss Estimate

	<u>Volume</u> [1]	<u>Discount</u> <u>Leakage</u> [2]	<u>Return</u> <u>Cost</u> <u>Savings</u> [3]
Year 1	616,600,577	\$2,514,023	\$2,514,023
Year 2	619,172,944	\$2,616,918	\$2,616,918
Year 3	621,853,081	\$2,724,123	<u>\$2,724,123</u>
			\$7,855,064
Passthrough Percent			95%
STOP LOSS ESTIMATE			\$7,462,311

Notes and Sources

[1] & [2] TABLE 2, for the year indicated

[3] TABLE 1, for the year indicated