

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

Rate and Service Changes to Implement )  
Functionally Equivalent Negotiated Service )  
Agreement with Bank One Corporation )

Docket No. MC2004-3

MOTION OF OFFICE OF CONSUMER ADVOCATE  
TO ADOPT TRANSCRIPT CORRECTIONS (ERRATA)  
(October 18, 2004)

The Office of Consumer Advocate hereby moves for adoption of the following  
corrections to transcript volume 2, related to material incorporated into the record.

Copies of the corrected pages are attached.

On page Tr. 2/152, delete the figures in the columns headed "First-Class Mail  
Solicitations" and "Standard Mail Solicitations," and insert the figures below:

| First-Class Mail Solicitations | Standard Mail Solicitations |
|--------------------------------|-----------------------------|
| 51.2                           | 4.3                         |
| 32.1                           | 0.0                         |
| 0.0                            | 31.2                        |
| 10.6                           | 52.7                        |
| 0.3                            | 34.5                        |
| 0.0                            | 35.9                        |
| 0.0                            | 41.7                        |
| 0.6                            | 34.4                        |
| 0.0                            | 33.8                        |
| 10.2                           | 49.4                        |
| 3.6                            | 53.2                        |
| 49.6                           | 1.0                         |
| 17.0                           | 47.7                        |
| 4.3                            | 31.7                        |
| 5.1                            | 25.8                        |
| 17.5                           | 46.3                        |
| 8.3                            | 33.3                        |
| 5.2                            | 25.2                        |
| 16.5                           | 64.2                        |
| 6.8                            | 33.1                        |
| 6.2                            | 32.3                        |
| 17.0                           | 51.6                        |
| 5.9                            | 36.7                        |
| 5.9                            | 27.0                        |
| 17.8                           | 45.9                        |
| 7.8                            | 38.1                        |
| 7.1                            | 47.4                        |
| 18.7                           | 56.8                        |
| 4.6                            | 39.3                        |
| 4.8                            | 34.2                        |

On page Tr. 2/250, in the second-to-the-last line, delete “3.2” and insert “3.7”.

On page Tr. 2/250, in the last line, delete “9.5” and insert “10”.

On page Tr. 2/261, in the second paragraph, line 3, delete the comma and insert “and the potential for new First-Class Mail volume,”.

On page Tr. 2/261, in the table at the bottom of the Response, delete the line “Lost Opportunity” and associated figures, and insert the following”

|                            |           |             |             |
|----------------------------|-----------|-------------|-------------|
| Less Maximum Discount      | \$0.05    | \$0.05      | \$0.05      |
| Less Standard Contribution | \$0.093   | \$0.089     | \$0.086     |
| Opportunity Cost           | \$381,100 | \$1,782,990 | \$1,584,880 |

On page Tr. 2/269, delete the three lines of text and insert "It should be noted that the \$0.05 is the highest discount structure and would not be earned in any of the scenarios discussed above and is an extreme example. In addition without the NSA the benefits of the cost-savings identified on Bank One's existing marketing volume would not be captured."

On page Tr. 2/269, on line one, delete "c."

On page Tr. 2/269, on line four, delete "d." and insert "c."

On page Tr. 2/269, on line 11, delete "e." and insert "d."

Respectfully submitted,

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**Attachment OCA/BOC-T1-19--corrected Aug. 27, 2004**

J.P. Morgan Chase First-Class solicitation mail volumes (in millions)

| Month/Year | First-Class Mail Customer | First-Class Mail Solicitations | Standard Mail Solicitations |
|------------|---------------------------|--------------------------------|-----------------------------|
| Jan-02     | 31.1                      | 51.2                           | 4.3                         |
| Feb-02     | 24.7                      | 32.1                           | 0.0                         |
| Mar-02     | 25.7                      | 0.0                            | 31.2                        |
| Apr-02     | 24.8                      | 10.6                           | 52.7                        |
| May-02     | 25.1                      | 0.3                            | 34.5                        |
| Jun-02     | 26.4                      | 0.0                            | 35.9                        |
| Jul-02     | 25.7                      | 0.0                            | 41.7                        |
| Aug-02     | 26.0                      | 0.6                            | 34.4                        |
| Sep-02     | 25.7                      | 0.0                            | 33.8                        |
| Oct-02     | 25.9                      | 10.2                           | 49.4                        |
| Nov-02     | 25.5                      | 3.6                            | 53.2                        |
| Dec-02     | 30.4                      | 49.6                           | 1.0                         |
| Jan-03     | 30.9                      | 17.0                           | 47.7                        |
| Feb-03     | 26.3                      | 4.3                            | 31.7                        |
| Mar-03     | 30.1                      | 5.1                            | 25.8                        |
| Apr-03     | 28.9                      | 17.5                           | 46.3                        |
| May-03     | 28.1                      | 8.3                            | 33.3                        |
| Jun-03     | 29.0                      | 5.2                            | 25.2                        |
| Jul-03     | 29.3                      | 16.5                           | 64.2                        |
| Aug-03     | 29.6                      | 6.8                            | 33.1                        |
| Sep-03     | 27.6                      | 6.2                            | 32.3                        |
| Oct-03     | 29.2                      | 17.0                           | 51.6                        |
| Nov-03     | 28.7                      | 5.9                            | 36.7                        |
| Dec-03     | 28.5                      | 5.9                            | 27.0                        |
| Jan-04     | 34.3                      | 17.8                           | 45.9                        |
| Feb-04     | 29.8                      | 7.8                            | 38.1                        |
| Mar-04     | 28.7                      | 7.1                            | 47.4                        |
| Apr-04     | 29.0                      | 18.7                           | 56.8                        |
| May-04     | 28.5                      | 4.6                            | 39.3                        |
| Jun-04     | 29.4                      | 4.8                            | 34.2                        |

**Notes on Solicitation Volumes:**

1. Volume figures are for J.P. Morgan Chase's primary solicitation programs that comprise approximately 95 percent of J.P. Morgan Chase's solicitation volumes.
2. To the best of our knowledge, J.P. Morgan Chase does not send a material amount of marketing flats. Therefore, all solicitations are letters.
3. The January 2002 to March 2002 mail volumes in this attachment do not include a program that averaged less than 0.5 million First-Class Mail and less than 1 million Standard Mail pieces per month for the April 2002 to June 2004. This is because data were unavailable.
4. The 2002 mail volumes in this attachment do not include a program that averaged no First-Class Mail and less than 0.6 million Standard Mail pieces per month during the January 2003 to June 2004 period. This is because 2002 data for this program were unavailable.
5. To this point, we have been unable to categorize precisely the actual volume for some solicitation programs by month. In these situations, we mapped volumes to months using available data. Much of the volatility in month-to-month volume, and the apparent tendency of volumes to be higher in the first months of each quarter, are likely due to imperfections in this mapping.

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(REVISED 8/16/04)

**OCA/USPS-T1-19.** Please refer to the attachment to this interrogatory and confirm that under the Commission's MC-2002-2 methodology, the stop-loss volume for Bank One would be 616.6 million pieces. If you do not confirm, please provide the correct volume and show its derivation.

**RESPONSE:**

Not confirmed. The attached worksheet (line 15) shows "BOC TYBR Equilibrium Solicitation Letter Volume" to be 581.6 million pieces. This appears to be incorrect, and should instead be identified as "BOC TYBR Equilibrium First-Class Mail Letter Volume." Furthermore, if Bank One were to attain volumes of 616.6 million pieces, then the expected ACS savings would be substantially larger than the \$2.5 million calculated in the attached worksheet. By assuming that solicitations are a fixed proportion of Bank One's letter mail volume at all volume levels, the attached worksheet erroneously assumes that growth from 571 million pieces of mail to 616 million pieces would come predominantly from statements. If, as is likely, the volume growth prompted by the NSA will consist predominantly of solicitations, then the cost savings will be considerably larger (because statements for currently active accounts by definition tend to have addresses with a very low UAA rate). For example, if 100% of the incremental volume consists of solicitation mail, then a volume of 616.6 million pieces would produce ACS savings for letters under the NSA of approximately **\$3.7** million with a combined ACS savings for letters and flats of **\$10** million.

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

REVISED

**OCA/USPS-T1-25.** Please refer to your testimony at VI. Discount Cap, pages 15-17, and PRC Op. MC2002-2, page 154, para. [8025], which states:

Third party mailers will be unharmed by the NSA so long as the dollar amount of the volume discounts the Postal Service makes available to Capital One is not greater than the costs it avoids as a result of the return mail feature of the agreement.

Please explain how the Postal Service has protected third party mailers from harm should the dollar amount of the volume discounts provided to Bank One exceed the costs avoided as a result of the return mail feature of the Bank One NSA.

**Response:**

Please see my response to OCA/USPS-T1-24. Furthermore, any meaningful risk analysis must recognize that the financial risks run in both directions. As explained in response to interrogatory OCA-USPS-T1-24, the risk of not pursuing an NSA is not zero. Ignoring the cost savings on existing volume and the potential for new First-Class Mail volume, the Postal Service would lose without the NSA 19 million pieces in Year 1 and 99 million pieces in Years 2 and 3 of the agreement. The potential lost opportunity of additional contribution to the Postal Service is, at a minimum, identified below:

|                            | YEAR 1     | YEAR 2      | YEAR 3      |
|----------------------------|------------|-------------|-------------|
| Volume                     | 19,055,000 | 99,055,000  | 99,055,000  |
| Contribution               | \$0.163    | \$0.157     | \$0.152     |
| Less Maximum Discount      | \$0.05     | \$0.05      | \$0.05      |
| Less Standard Contribution | \$0.093    | \$0.089     | \$0.086     |
| Opportunity Cost           | \$381,100  | \$1,782,990 | \$1,584,880 |

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS PLUNKETT TO  
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

REVISED

It should be noted that the \$0.05 is the highest discount structure and would not be earned in any of the scenarios discussed above and is an extreme example.

In addition without the NSA the benefits of the cost-savings identified on Bank One's existing marketing volume would not be captured.

of the term equilibrium – which could generally be interpreted as stable or normal – is inherently problematic as it mistakenly suggests a normative relationship between the earned discounts and ACS cost savings.

- c. Not confirmed. The “equilibrium” Before Rates volume of 619,172,944 would only permit (i.e., incent) Bank One to mail 48,092,944 (619,172,944 minus 571,080,000) additional pieces (above Bank One’s Before Rates volume figure) in Year 2, approximately 0.5 (48,092,944 / 99,055,000) times Bank One’s Year 1 estimated volume response of 99 million pieces. Also, note that, as discussed by witness Buc (BOC-T-2), Bank One’s volume response could be much larger than 99 million pieces. See also my response to part b.
- d. Not confirmed. The “equilibrium” Before Rates volume of 621,853,081 would only permit (i.e., incent) Bank One to mail 50,773,081 (621,853,081 minus 571,080,000) additional pieces (above Bank One’s Before Rates volume figure) in Year 3, approximately 0.5 (50,773,081 / 99,055,000) times Bank One’s Year 3 estimated volume response of 99 million pieces. Also, I note that, as discussed by witness Buc (BOC-T-2), Bank One’s volume response could be much larger than 99 million pieces. See also my response to part b.