

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

EXPERIMENTAL RATE AND SERVICE CHANGES
TO IMPLEMENT NEGOTIATED SERVICE AGREEMENT
WITH CAPITAL ONE SERVICES, INC.

Docket No. MC2002-2

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CHARLES L. CRUM
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T3-5-10)

The United States Postal Service hereby provides the responses of witness
Crum to the following interrogatories of Office of the Consumer Advocate: OCA/USPS-
T3-5-10, filed on October 11, 2002.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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October 21, 2002

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OCA/USPS-T3-5. Please refer to USPS-LR-1/MC2002-2, page 1.

- (a) In line 1., please explain in detail the activities encompassed by the heading "Carrier Preparation." Also, identify the location where such activities take place.
- (b) In line 2., please explain in detail the activities encompassed by the heading "Clerk Handling." Also, identify the location where such activities take place.
- (c) In line 3., please explain in detail the activities encompassed by the heading "CFS Processing." Also, identify the location where such activities take place.
- (d) In line 4., please explain in detail the activities encompassed by the heading "Mailstream Processing." Also, identify the location where such activities take place.
- (e) In Column D, please explain in detail the meaning and purpose of the figures in the column, "Frequency."

RESPONSE:

- (a) My understanding is that "Carrier Preparation" activities take place at delivery units where the carriers are located. Carrier preparation involves activities such as separating UAA mail, bundling it for delivery to the CFS, verifying the name/address, and endorsing the piece with a reason for non-delivery.
- (b) My understanding is that "Clerk Handling" activities usually take place at delivery units. Clerk handling mostly involves retrieving and processing the carrier's UAA bundles. The specific activities will depend on the class of mail and endorsements, if any.
- (c) My understanding is that "CFS Processing" activities take place at CFS sites. The CFS sites receive UAA mail from the delivery units. The class of mail along with any ancillary endorsements and the age of any Change-of-Address (COA) order will determine the disposition of the mail piece. Pieces may be returned directly from the CFS site or sent back to the delivery unit for additional information and returned from there.

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(d) My understanding is that "Mailstream Processing" activities take place at any of various processing sites throughout the postal network (SCFs, ADCs, AMFs/AMCs, etc.). This item includes mail processing as well as transportation. More detail regarding mail processing steps can be found in the various processing models by shape and class of mail that are filed with each omnibus case. Returned mail is less easily sorted on automation equipment because of difficulties in processing to the return mail address.

(e) Frequency is the estimated proportion of time that the particular activity takes place.

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OCA/USPS-T3-6. Please refer to USPS-LR-1/MC2002-2, page 1.

- (a) In line 1., "Carrier Preparation," Column A, please confirm that the figure 1,370,471, consists of First-Class Mail, Periodicals Mail, Standard A Mail, and Standard B Mail. If you do not confirm, please explain.
- (b) In line 2., "Clerk Handling," Column A, please show all calculations used to derive the figure 670,618.
- (c) In line 2., "Clerk Handling," Column B, please confirm that the cost per piece figure of \$0.2711 is calculated as follows: $\$243139 / 896,877$. If you do not confirm, please explain.
- (d) In line 3., "CFS Processing," Column H, please show all calculations used to derive the percentage figure 0.35.

RESPONSE:

- (a) Confirmed.
- (b) Please refer to LR-J-69/R2001-1, Table 5.1.2.
$$(610,316 + 87,408 * 475,667 / (475,667 + 213,812) = 670,618)$$
- (c) Confirmed.
- (d) Please refer to LR-J-69/R2001-1, Table 5.1.2. $(475,667 / 1,370,471 = .35)$

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OCA/USPS-T3-7. Please refer to USPS-LR-1/MC2002-2, page 1.

- (a) Please confirm that the weighted cost per piece of \$0.5347 for physical returns is the same weighted cost per piece that would be calculated for any First-Class mailer that receives physical returns in the same manner as Capital One. If you do not confirm, please explain and provide the weighted cost per piece for physical returns.
- (b) Please confirm that the weighted cost per piece of \$0.5347 for physical returns is the same weighted cost per piece that would be calculated for any First-Class mailer that receives the physical return of mailpieces endorsed "Forwarding Service Requested" (or no endorsement). If you do not confirm, please explain and provide the weighted cost per piece for physical returns.
- (c) Please confirm that the weighted cost per piece of \$0.5347 for physical returns is the same weighted cost per piece that would be calculated for any First-Class mailer that receives the physical return of mailpieces endorsed "Return Service Requested." If you do not confirm, please explain and provide the weighted cost per piece for physical returns.
- (d) Please confirm that the weighted cost per piece of \$0.5347 for physical returns is the same weighted cost per piece that would be calculated for any First-Class mailer that receives the physical return of mailpieces endorsed "Temp—Return Service Requested." If you do not confirm, please explain and provide the weighted cost per piece for physical returns.
- (e) Please confirm that the weighted cost per piece of \$0.5347 for physical returns is the same weighted cost per piece that would be calculated for any First-Class mailer that receives the physical return of mailpieces endorsed "Address Service Requested." If you do not confirm, please explain and provide the weighted cost per piece for physical returns.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed – assuming no accountable mail or postage due.
- (c) Confirmed – assuming no accountable mail or postage due.
- (d) Confirmed – assuming no accountable mail or postage due.
- (e) Confirmed – assuming no accountable mail or postage due.

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OCA/USPS-T3-8. Please refer to USPS-LR-1/MC2002-2, page 2.

- (a) Please confirm that the weighted cost per piece of \$0.3321 for electronic Address Change Service is the same weighted cost per piece that would be calculated for any First-Class mailer that receives electronic Address Change Service in the same manner as proposed for Capital One in the Negotiated Service Agreement (NSA). If you do not confirm, please explain and provide the weighted cost per piece for electronic Address Change Service.
- (b) Please confirm that the weighted cost per piece of \$0.3321 for electronic Address Change Service is the same weighted cost per piece that would be calculated for any First-Class mailer that receives the electronic "return" of mailpieces endorsed "Change Service Requested" (Option 2) at no charge. If you do not confirm, please explain and provide the weighted cost per piece for the electronic "return" of mailpieces endorsed "Change Service Requested" (Option 2) at no charge.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed. However those participants in the ACS program who use Change Service Requested, Option 2, will incur the normal ACS fees. Please see response to OCA/USPS-T4-2.

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OCA/USPS-T3-9. Please refer to your testimony at page 5, lines 6-9, where it states that you are adjusting your estimate "to remove the costs associated with collection of postage due which is not applicable to Capital One['s] First-Class Mail pieces." Also, please refer to USPS-LR-1/MC2002-2, page 1.

- (a) With respect to the Physical Return Costs of USPS-LR-1, please explain and show all calculations used to adjust your estimate to remove the costs associated with the collection of postage due.
- (b) With respect to the physical return of undeliverable-as-addressed (UAA) First-Class Mail, please explain in detail under what circumstances the Postal Service will collect postage due.
- (c) With respect to the physical return of UAA First-Class Mail, please explain in detail under what circumstances the Postal Service will not collect postage due.

RESPONSE:

- (a) Please refer to LR-J-69/R2001-1, Table 5.1.2. The Postage Due and Accountable Mail lines are removed from this to develop page 1 of USPS-LR-1/MC2002-2.
- (b) It is my understanding that postage due is collected if pieces are found to have insufficient postage.
- (c) It is my understanding that postage due is not collected if pieces have paid the appropriate postage. Since Capital One pays its postage based on Permit accounts, there will generally not be a need to collect postage due as presented in Table 5.1.2 of LR-J-69/R2001-1.

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OCA/USPS-T3-10. Please refer to Attachment A, page 1, of your testimony.

- (a) Please confirm that Capital One's total First-Class Mail volume in Fiscal Year 2001 was 1,259,522,464 (see the testimony of Witness Elliot, COS-T-2, Exhibit 2). If you do not confirm, please explain.
- (b) Please reconcile the "Total Capital One First-Class Presort Letters" volume figure of 1,151,030,366 in Column (1) of Attachment A, page 1, with the volume figure in part (a) of this interrogatory.

RESPONSE:

(a) Confirmed that this is Capital One's measure of its volume from October 1, 2000 through September 30, 2001.

(b) The volume figure in my testimony, 1,151,030,386, is based on the Postal Fiscal Year which is several days different than the Government Fiscal Year volumes you cite for Capital One. Capital One does not have their First-Class Mail volume by Postal Fiscal Year and the Postal Service does not have Capital One's First-Class Mail volume by Government Fiscal Year (calendar month). For purposes of the NSA, volumes will be counted via the Postal Service Fiscal Year until such time as monthly reporting becomes available (October 1, 2003).

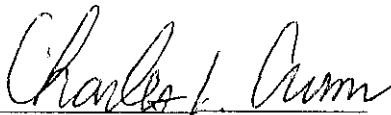
There is one other issue that accounts for the discrepancy. The figure in my testimony is based solely on defined unique Permit numbers for Capital One. Capital One's figures include its total volume of which approximately 10 million pieces per month are were sent via mailing shops for which the Capital One volume is not identified under a unique Permit number. Instead, the vendor commingled Capital One mail with one or more other mailer's volume.

Under the NSA, the only volumes that will be counted will be those mailed through identified Capital One permit accounts. . Please see Article III, Section J on pages 6-7 of the agreement.

DECLARATION

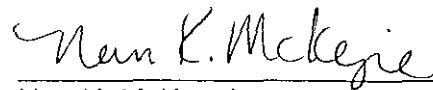
I, Charles L. Crum, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Dated: 21 OCTOBER 2002


Charles L. Crum

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.

A handwritten signature in cursive script, reading "Nan K. McKenzie", is written over a horizontal line.

Nan K. McKenzie

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