

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Experimental Changes to Implement)
Capital One NSA)

Docket No. MC2002-2

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS CHARLES L. CRUM
(OCA/USPS-T3-15-21)
November 12, 2002

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/USPS-1-2 dated October 3, 2002, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T3-15. Please refer to your response to OCA/USPS-T3-5(d).

- (a) Please confirm that undeliverable-as-addressed (UAA) First-Class Mail that is physically returned must be sorted manually thorough the entire mail processing system. If you do not confirm, please explain.
- (b) Please confirm that UAA First-Class Mail that is forwarded must be sorted manually thorough the entire mail processing operation. If you do not confirm, please explain.

OCA/USPS-T3-16. Please refer to your response to NAA/USPS-T3-11.

- (a) Based upon a cost of 6.6 cents per piece for electronic Address Change Service (ACS) notification for First-Class mailpieces that are forwarded, please provide the total cost to the Postal Service of offering electronic ACS notification for Capital One's First-Class solicitation mailpieces that are forwarded. Please show all calculations.
- (b) Please set forth the full set of calculations and analysis to support your statement that the 6.6 cents per piece "would likely be more than offset by the cost savings accruing to the Postal Service from the reduction of forwarded Capital One mail." Include in your answer the number of Capital One pieces that will be correctly addressed as a result of participation in the Negotiated Service Agreement (NSA). Include all documentation to support this figure as well as all others involved in the calculations and analysis.

- (c) Please cite those portions of your testimony and workpapers where this analysis and supporting calculations were included in the initial filing on September 19, 2002.
- (d) If the analysis and supporting calculations were not included in the initial filing on September 19, 2002, please state the reasons for the omission.
- (e) Please cite those portions of your testimony and workpapers (filed on September 19, 2002) where the 6.6-cent per piece figure has been developed and/or utilized.
- (f) If the 6.6 cent per piece figure was not included in the September 19, 2002, filing, please state the reasons for the omission.

OCA/USPS-T3-17. Please refer to your response to NAA/USPS-T3-11, and Table 5.2.2 in USPS-LR-J-69 from Docket No. R2001-1.

- (a) In the case of "ACS Keying," please describe the features of a mechanized terminal and a non-mechanized terminal.
- (b) How many mechanized terminals were in use in Centralized Forwarding System (CFS) processing centers during Fiscal Years 2000, 2001 and 2002?
- (c) How many non-mechanized terminals were in use in CFS processing centers during Fiscal Years 2000, 2001 and 2002?
- (d) How many pieces of First-Class Mail endorsed
 - i. Address Change Service were processed for forwarding on mechanized terminals during Fiscal Years 2000, 2001 and 2002?

- ii. Address Change Service were processed for forwarding on non-mechanized terminals during Fiscal Years 2000, 2001 and 2002?
 - iii. Address Change Service were processed for returns on mechanized terminals during Fiscal Years 2000, 2001 and 2002?
 - iv. Address Change Service were processed for returns on non-mechanized terminals during Fiscal Years 2000, 2001 and 2002?
 - v. Change Service Requested were processed on mechanized terminals during Fiscal Years 2000, 2001 and 2002?
 - vi. Change Service Requested were processed on non-mechanized terminals during Fiscal Years 2000, 2001 and 2002?
- (e) How many pieces of Capital One's First-Class solicitation mail will be processed annually on mechanized terminals during the first, second and third years of the agreement?
- (f) How many pieces of Capital One's First-Class solicitation mail will be processed annually on non-mechanized terminals during the first, second and third years of the agreement?

OCA/USPS-T3-18. Please refer to your response to NAA/USPS-T3-11, and Columns F and G in Table 5.2.2 in USPS-LR-J-69 from Docket No. R2001-1.

- (a) Please confirm that the "Frequency" of Address Change Service (ACS) mail processed on mechanized terminals is 83 percent. If you do not confirm, please explain.

- (b) Please confirm that the “Weighted Total Cost/Piece” for ACS mail processed on a mechanized terminal is \$0.0550. If you do not confirm, please explain.
- (c) Please confirm that the “Frequency” of ACS mail processed on non-mechanized terminals is 17 percent. If you do not confirm, please explain.
- (d) Please confirm that the “Weighted Total Cost/Piece” for ACS mail processed on a non-mechanized terminal is \$0.0447. If you do not confirm, please explain.
- (e) Please confirm that the “Weighted Total Cost/Piece” for “ACS Keying” is \$0.0997 (\$0.0550 + \$0.0447). If you do not confirm, please explain.
- (f) Please confirm that \$0.0997 should be used for the unit cost when there is electronic ACS notification and forwarding, instead of the unit cost of \$0.0660. If you do not confirm, please explain.

OCA/USPS-T3-19. Please refer to your testimony, Attachment A, page 2, lines (1), (2) and (3).

- (a) Please provide the “Capital One Solicitation Forward Percentage.”
- (b) Please provide the “Capital One Statement Forward Percentage.”
- (c) Please provide the “Average Presort Letters Forward Percentage.”

OCA/USPS-T3-20. Please refer to your testimony, Attachment B, page 2. Please confirm that the “Address Change Service (ACS) Return Cost Savings” equals \$13,075,599 = $((0.135922773017165 - 0.126636126131282) * 1,408,000,000)$. If you do not confirm, please explain.

OCA/USPS-T3-21. Please refer to the table below, entitled Attachment A, Page 2 (Revised by OCA), which contains revisions to Attachment A, Page 2 of your testimony.

- (a) Refer to column (13). Please confirm that the average presort letters return unit cost is \$0.0066 $((1.23\% * \$0.535))$. If you do not confirm, please explain and show all calculations used to derive the average presort letters return unit cost.
- (b) Refer to column (14). Please confirm that Capital One's total unit cost in the TYBR adjusting for the unit cost of an average return is \$0.1010 $(\$0.108 - \$0.0066)$. If you do not confirm, please explain and show all calculations used to derive Capital One's total unit cost in the TYBR adjusting for the unit cost of an average return.
- (c) Refer to column (15). Please confirm that Capital One's unit cost adjustment for customer returns in the TYBR is \$0.0029 $[(1.20\% * \$0.535 * 640,000,000) / (640,000,000 + 768,000,000)]$. If you do not confirm, please explain and show all calculations used to derive Capital One's unit cost adjustment for customer returns.
- (d) Refer to column (16). Please confirm that Capital One's unit cost adjustment for solicitation returns in the TYBR is \$0.0280 $[(9.6\% * \$0.535 * 768,000,000) / (640,000,000 + 768,000,000)]$. If you do not confirm, please explain and show all calculations used to derive Capital One's unit cost adjustment for solicitation returns.
- (e) Refer to column (18). Please confirm that Capital One's unit cost adjustment for customer returns in the TYAR is \$0.0029 $[(1.20\% * \$0.535 * 640,000,000) / (640,000,000 + 768,000,000)]$. If you do not confirm, please explain and show all

calculations used to derive Capital One's unit cost adjustment for customer returns.

- (f) Refer to column (19). Please confirm that Capital One's unit cost adjustment for solicitation returns in the TYAR is $\$0.0190 [((9.6\% * ((85\% * \$0.332) + ((1 - 85\%) * \$0.535))) * 768,000,000) / (640,000,000 + 768,000,000)]$. If you do not confirm, please explain and show all calculations used to derive Capital One's unit cost adjustment for solicitation returns.

ATTACHMENT A, PAGE 2 (Revised by OCA)

CAPITAL ONE FIRST-CLASS MAIL PRESORT LETTERS/FLATS UNIT COST ESTIMATES

Capital One Solicitation Return Percentage =	9.6%	(1)
Capital One Statement Return Percentage =	1.2%	(2)
Average Presort Letters Return Percentage =	1.23%	(3)
Before Rates Customer Mail Volume =	640,000,000	(4)
Before Rates Solicitation Mail Volume =	768,000,000	(5)
Manual Returns Unit Cost =	\$0.535	(6)
Electronic Returns Unit Cost =	\$0.332	(7)
Address Change Service (ACS) Success Rate =	85.0%	(8)
Contingency Factor =	1.030	(9)

(10) (11) (12) (13) (14) (15) (16) (17) (18) (19) (20)

DOCKET NO. R2001-1 PRC FIGURES - CAPITAL ONE MAIL MIX

Rate Category	CapOne	CapOne	CapOne	CapOne	CapOne	CapOne	CapOne	CapOne	CapOne	CapOne	CapOne	
	TY 2003	FY 2001	FY 2001	Adjustment for	Total	Adjustment for	Adjustment for	Total	Adjustment for	Adjustment for	Total	
	Unit Cost	Volume	Volume	Returns	w/o Average	Returns	Returns	Adjusted	Returns	Returns	Adjusted	
	(Dollars)	(Pieces)	(Percent)	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Dollars)	(Dollars)	
FIRST-CLASS MAIL LETTERS												
Nonautomation Presort Letters	\$0.244	57,664,168	5.01%									
Automation Presort Letters												
Automation Mixed AADC	\$0.118	58,754,928	5.10%									
Automation AADC	\$0.107	62,890,886	5.46%									
Automation 3-Digit	\$0.104	538,406,052	46.78%									
Automation 5-Digit	\$0.091	369,430,336	32.10%									
Automation Carrier Route	\$0.103	63,511,973	5.52%									
Automation Presort Flats												
Automation Mixed ADC	\$0.562	31,247	0.00%									
Automation ADC	\$0.461	16,737	0.00%									
Automation 3-Digit	\$0.461	318,683	0.03%									
Automation 5-Digit	\$0.348	5,376	0.00%									
WEIGHTED AVERAGE / TOTAL	\$0.108	1,151,030,386	100.00%	\$0.0066	\$0.1010	\$0.0029	\$0.0280	\$0.1320	\$0.0029	\$0.0190	\$0.1229	
Total Unit Cost Estimates, Including Contingency =								\$0.1359				\$0.1266
								Current				After Rates
								(21)				(22)

(1) COS-T-1 (Jean), at page 6
 (2) COS-T-1 (Jean), at page 6
 (3) USPS-LR-J-69 (FCM UAA % from Table 4.2 allocated by Return to Sender % from Table 4.3.3)
 (4) COS-T-2 (Elliot), Exhibit 6
 (5) COS-T-2 (Elliot), Exhibit 6
 (6) USPS-LR-1/MC2002-2, "Physical Return Costs" Spreadsheet, at page 1
 (7) USPS-LR-1/MC2002-2, "Electronic 'Return' Costs" Spreadsheet, at page 2
 (8) USPS-T 4 (Wilson), at page 7
 (9) Docket No. R2001-1
 (10) Unit Costs for Letters & Flats Mail Processing + Unit Delivery Costs + \$0.018
 Unit Letters Costs: Docket No. R2001-1, PRC LR-4, "FCLETSPRCFA.XLS", page 1
 Unit Flats Costs: Docket No. R2001-1, PRC LR-4, "FCFLATSPRCFA.XLS", page 1
 Unit Delivery Costs: Docket No. R2001-1, PRC LR-7, Page 2
 \$0.018 = \$0.115 - \$0.052 - \$0.045, where \$0.115 is the TY 2003 unit cost from Docket No. R2001-1, PRC LR-2, Volume 4, "TYBR", page 3, and \$0.052 and \$0.045 represent the weighted average mail processing and delivery unit costs, respectively.

(11) Attachment A, Page 1
 (12) (11) / [Sum (11)]
 (13) (3) * (6)
 (14) (10) - (13)
 (15) [(2) * (6) * (4)] / [(4) + (5)]
 (16) [(1) * (6) * (5)] / [(4) + (5)]
 (17) (14) + (15) + (16)
 (18) [(2) * (6) * (4)] / [(4) + (5)]
 (19) [(1) * [(8) * (7)] + [(1 - (8)) * (6)]] * (5) / [(4) + (5)]
 (20) (14) + (18) + (19)
 (21) (17) * (9)
 (22) (20) * (9)