

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

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

DOCKET No. MC2002-2

**RESPONSE OF CAPITAL ONE SERVICES INC. WITNESS STUART ELLIOTT
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2,
QUESTIONS 2 AND 3**

Capital One Services Inc. (Capital One) hereby provides the response of witness Stuart Elliott to the Presiding Officer's Information Request No. 2, questions 2 and 3, issued on November 8, 2002.

The Request is stated verbatim and is followed by the response.

Respectfully submitted

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Dated: November 13, 2002

2. On November 1, 2002, witness Elliott (COS-T-2) revised his Exhibit 2, "Capital One Volume of Customer Mail and Solicitations: October 1999 to September 2002." Although the revised volume figures are described as customer mail for October and November 2001 in the second note of the revised Exhibit 2, he has actually revised the First-Class solicitations volumes for the above months, listed in the second column of Exhibit 2. Please reconcile the discrepancy between the description of the revision in the second note of revised Exhibit 2 and the revision actually made.

Response of Capital One witness Stuart Elliot to Presiding Officer's Information Request No. 2, Question 2

In the Exhibit 2 originally filed with my testimony, the volume from the one-time customer mailing in October and November 2001 was erroneously included in the First-Class Mail Solicitations figures rather than the Customer Mail figures. In the errata filed for my testimony on November 1, 2002, the volume from this one-time mailing was removed from First-Class Mail Solicitations and included instead as a second note to the table. This second note explains the omission of the one-time Customer Mail figures from the Customer Mail column.

3. The second note of revised Exhibit 2 in witness Elliott's Testimony (COS-T-2) states: "Customer Mail figures for October and November 2001 omit mail volume for a one-time mailing related to a new arbitration provision in the contract between Capital One and its Customers." Please explain why the volume of this one-time mailing should be omitted from Exhibit 2. Would volumes of this nature be ineligible for the NSA discounts? If so, why? Please provide Capital One's definition of a one-time mailing. Is the volume of any other one-time mailing included in the customer mail figures presented in Exhibit 2?

Response of Capital One witness Stuart Elliot to Presiding Officer's Information Request No. 2, Question 3

The volume for the one-time mailing in October and November 2001 is omitted from the Customer Mail column in Exhibit 2 in order to provide a clearer picture of the trend in Customer Mail volume that should be used to compare with Capital One's projection of Customer Mail volume for FY 2003.

My understanding is that if such a mailing were to occur again during the period covered by the NSA, it would be eligible for the NSA discounts. However, this particular mailing is omitted from the time series precisely because the Company believes that such an additional mailing to its entire customer base was a one-time event that will not occur again. This belief is supported by the historical volume data in Exhibit 2, which show that this additional mailing to the entire customer base was, in fact, a one-time event over this historical period.

The Company explained the nature of the additional mailing to me as follows:

"Last fall, Capital One implemented a new arbitration provision, which altered the contract between Capital One and its customer base. In order to most effectively

communicate this change, Capital One sent a mailing to all customers announcing the change and allowing the customers the opportunity to opt out. This was a one time change, and thus a one time mailing.”

I do not know of any other one-time mailings included in the Customer Mail figures presented in Exhibit 2. However, it is clear from Exhibit 5 that any such one-time customer mailings that might be included in the data are not large enough to materially affect the historical trend in Customer Mail volume.