

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 UNITED STATES POSTAL SERVICE WITNESS CHARLES L. CRUM  
TO INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T3-15, 16, 18-21)

The United States Postal Service hereby provides the responses of witness Crum to the following interrogatories of Office of the Consumer Advocate: OCA/USPS-T3-15, 16, 18-21, filed on November 12, 2002. Interrogatory 17 has been redirected to the Postal Service.

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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November 22, 2002

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CRUM  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**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 (sic) 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.

**RESPONSE:**

- (a) Not confirmed. While this is true at some locations, it is my understanding that other locations have procedures that allow for automated handling of return pieces.
- (b) Not confirmed. It is my understanding that most forwardable pieces receive a forwarding sticker that can often be processed on automation equipment.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CRUM  
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**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.

**RESPONSE:**

- (a) Please refer to my response to POIR #2, question 7.
- (b) Please refer to my response to POIR #2, question 7.
- (c) N/A
- (d) While I was aware of these potential savings, it was decided not to include them because there were simply too many unknowns to develop a solid, supportable cost or cost savings point estimate. These unknowns include the forwarding ratio of Capital One and the average number of solicitations per address that Capital One mails to in a given year. As my response to POIR #2, question 7, indicates it is highly likely that the electronic address correction notices for forwarded mail will yield additional savings for the Postal Service. In a qualitative sense, this should make parties more comfortable

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CRUM  
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regarding the value of this NSA to the Postal Service. But since the savings cannot be readily quantified, I felt that the conservative approach should be taken.

(e) N/A

(f) Please refer to my response to POIR #2, question 7 and (d) above.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CRUM  
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**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.

**RESPONSE:**

- (a) Confirmed that the estimated “Frequency” of ACS mail being processed on mechanized terminals as presented in USPS-LR-J-69 is 83 percent.
- (b) Confirmed that the “weighted total cost/piece” for ACS keying on a mechanized terminal as presented in USPS-LR-J-69 is \$.0550.
- (c) Confirmed that the estimated “Frequency” of ACS mail being processed on non-mechanized terminals as presented in USPS-LR-J-69 is 17 percent.
- (d) Confirmed that the “weighted total cost/piece” for ACS keying on a non-mechanized terminal as presented in USPS-LR-J-69 is \$.0447.
- (e) Confirmed that the “ACS Keying Subtotal” as presented in Table 5.2.2 of USPS/LR-J-69 is \$0.0997.
- (f) Partially confirmed. Please refer to my response to NAA/USPS-T3-11. The \$0.0660 figure mentioned there references an estimate of the additional costs of ACS notification above the costs of standard forwarding and not “the unit cost ... (of) electronic ACS notification and forwarding” you reference in the interrogatory.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CRUM  
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**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."

**RESPONSE:**

(a) This information is not available. Please also refer to my response to POIR #2, question 7.

(b) This information is not available. Please also refer to my response to POIR #2, question 7.

(c) Please refer to my response to APWU/USPS-T3-4(e).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CRUM  
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**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.

**RESPONSE:**

Confirmed. In my analysis I rounded to four-digits to lessen potential confusion in my presentation.

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**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.

**RESPONSE:**

- (a) Confirmed that your calculation is correct.
- (b) Confirmed that \$0.1076 minus \$0.0066 equals \$0.1010.
- (c) Confirmed that your calculation is correct.
- (d) Confirmed that your calculation is correct.
- (e) Confirmed that your calculation is correct.
- (f) Confirmed that your calculation is correct.



## 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.

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November 22, 2002