

**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

**FIRST INTERROGATORIES OF CAPITAL ONE SERVICES, INC.
TO OFFICE OF THE CONSUMER ADVOCATE
WITNESS JAMES F. CALLOW (OCA-T2)**

Capital One Services, Inc (COS) hereby requests Office of the Consumer Advocate to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted

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Dated: December 26, 2002

COS/OCA-T2-1. Please refer to Section III of your testimony, which discusses your proposed experimental automated address correction service.

- (a) Please confirm that to be eligible for your proposed experimental automated address correction service, mailers would be required to allow the Postal Service to destroy, rather than physically return, its undeliverable-as-addressed First-Class mailpieces. If not confirmed, please explain fully.

- (b) Please describe in detail the minimum annual volume requirements that you propose for the experimental classification.

COS/OCA-T2-2. Assume that a mailer with ten million annual returned First-Class Mail letters is willing to participate in the proposed experimental automated address correction service, but only if it receives a discount of at least five cents per return. Please further assume that participating in this service will reduce Postal Service costs by 17 cents per return.

- (a) Please confirm that this mailer would not participate in your proposed experimental automated address correction service. If not confirmed, please explain fully.
- (b) Please confirm that providing a five cent per return discount would incent this mailer to participate in the service and that participating in the service would increase this mailer's contribution to the Postal Service by \$1.2 million ((17 cents per piece – 5 cents per piece) x ten million pieces).
- (c) Have you surveyed any First-Class mailers to assess whether they would participate in the experimental automated address correction service (as proposed)? If so, please provide a summary of your findings.

COS/OCA-T2-3. Please refer to pages 17-23 of your testimony where you discuss your proposed alternative discount structure. On page 17, lines 12-14, the caption notes that your alternative discount structure offers “incentives to provide additional volumes of mail.” Assume that the volume threshold for a mailer is 1,225,000,000.

- (a) Please provide the discount that this mailer would receive if it mailed 1,409,000,000 pieces of First-Class Mail.
- (b) Please provide the discount that this mailer would receive if it increased its First-Class Mail to 1,410,000,000 pieces.
- (c) Based on the discounts calculated in (a) and (b) above, what is the incentive per piece that is being offered to this mailer to increase its First-Class Mail volume above 1,409,000,000 pieces?
- (d) Using Witness Elliott’s Method 1 for calculating After-Rates Volume, as shown in Exhibit 6 of COS-T-2, what increase in this mailer’s First-Class Mail would result from the incentive calculated in section (c) above?

COS/OCA-T2-4. If Capital One applied to participate in your proposed volume discount classification in FY 2003, what would its volume threshold be? If you can't provide a specific figure, what process would be used to determine Capital One's volume threshold for FY 2003?